The Business Schools Rankings Game

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Abstract

Many business schools have been seduced into using the rankings produced by the Financial Times and other pollsters to reward their Deans and to promote their school to potential students, faculty and benefactors. This paper analyses the FT rankings and argues that Top 20 schools can benefit from anchoring their market position to their rank but the other schools should be wary of this approach.

Key Words
MBA Rankings, Business Schools, Market Position

In 1988 when *Business Week* produced the first rankings of business school MBA programs they started something that has bedevilled business school deans ever since. It is called 'playing the ratings game' (Corley and Gioia, 2000). Today there are many such rankings. The most prominent of which are from: *Asia Inc.*, *Business Week, The Economist*, *The Financial Times*, *Forbes*, U*S News & World Report*, and *The Wall Street Journal*. To compete in the market for news, each set of rankings measures and weights different facets of business school programs. Thus, although they include many of the same Schools in their Top 20, the rank orderings differ (Bradshaw, 2006; Policano, 2005).

The ranking of a business school MBA program can be interpreted as either a 'strong form' or 'weak form' comparative measure of the quality of the MBA program and/or the overall reputation of the school. The strong-form interpretation says that the measured reputation is an accurate evaluation of the school's resources and capabilities. It is a signal of potential quality and prominence for prospective students, recruiters, donors, and faculty (Baden-Fuller, et al, 2000; Rindova, et al, 2005). The weak-form interpretation of the rankings is that they are a noisy signal, formulated from poor data about the school's characteristics, program, and the evaluations of key stakeholders (Dichev, 1999). In this case they are marginally useful – for students to help their selection of a school, for faculty and administrators as a guide to improvement, and for potential donors about who to support. For both the strong and weak forms, the reputation signal for these stakeholders is that the school's quality and prestige foretell its future behaviour under conditions of moral hazard (or post-contractual opportunism) and uncertainty (Milgrom and Roberts, 1992).

For the top-ranked, that is most 'reputable', business school, the value of this position is considerable – both inside the school for the Dean, the students and the faculty, and outside the school for alumni, trustees, the parent university, and potential faculty and students. Regardless of questions about measurement methodology, being the 'alpha school' provides both prestige and bragging rights. For schools ranked 2nd to

10th, the same benefits accrue, although in less measure. Being one of the Top 10 schools provides membership to an exclusive club.

For the schools ranked 11th to 20th, there is both a problem and an opportunity presented by their ranking. The opportunity arises in the form of a measured and public goal for everyone to strive to achieve – to become a Top 10 school. The problem for these schools can arise if there is a perception in any of the groups of stakeholders or prospective customers that the school is actually a member of the second division as opposed to the first division. Here, the ratings agencies (presumably at the behest of the schools) have shown some ingenuity. They have expanded the size of the exclusive club. For example, in 2005, *Business Week's* top US schools were called the "Top 30", the "Next 20" and the "Also Considered for Ranking". They also had the "International Top 10" and "Also Considered for Ranking". Some create subcategories – e.g., best school for women – allowing schools to take some consolation in being a leading member of a niche club.

Being publicly rated by a news organisation or another non-educational agency has stimulated a small body of research that looks at the methodology of these studies and the effects of the rankings (eg Dichev, 1999; Gioia and Corley, 2002; Martins, 1998; Tracy and Waldfogel 1997; Zimmerman, 2001). For example, one recent study examined the relationship between the rank of a school and the price paid to name the school (Burch and Nanda, 2005). As noted later, much of this research suggests that the methodologies used to produce the various rankings deserve some criticism. And, even though the deans routinely and quietly criticise these measures, they also say they are 'forced' to pay attention to the ranking of their school because the students use them and alumni and donors are influenced by them (Martins, 1998).

Whenever a publicly visible performance scorecard persists, CEOs, and in this case business school deans face two issues. One is how to perform better in the rankings game. The second is how to 'use' their ranking to best advantage. These issues encapsulate the conventional approach to the problem of 'playing the rankings game' because business school deans seem to have made an implicit assumption that because these measures are popular among ratings agencies, students, competitors, and alumni, then ‘play they must’ (AACSB, 2005; Policano 2005).

To examine the validity of this assumption requires a brief examination of the ranking system in order to evaluate whether or not this is a game that offers some type of reward to all who participate in it. For example, can a low-ranked school promote its rank to any of its constituencies in such a way that it reflects prestige for the school? And is this prestige greater than any negative effect that is associated with a low rank?

We use the rankings produced by the *Financial Times* to explore the issues raised above. This set of rankings is selected because they encompass a worldwide selection of schools. We seek to understand how the rankings are devised and how a school could try to enhance its rank. This is often called ‘managing to the measures’. To conclude our analysis we then focus on the role of the rankings in the marketing program of a business school.

The Nature of the Public Ranking Measures

An organisation can be evaluated against its peers in two ways – by being rated or by being ranked. If a ratings approach is used, then any number of organisations can pass a defined benchmark and be classified as ‘good’. The International Standards Organisation ISO 9000 series of quality standards is one such example. An example for business schools is the accreditation process of the AACSB or EQUUIS. However, if a ranking approach is used it produces a zero-sum game in the sense that the movement of one school has a ripple effect on the ranks of other schools. Also, the ordering of organisations automatically leads to a ‘best’ and ‘worst’ outcome – something that is often more newsworthy but less informative than being compared to a relevant standard.

In any public evaluation, the measures define the parameters of the game, namely, how a company maximises its score, how it responds to its score, and how it uses its score to promote itself. For example, each year the various automotive makers have their cars publicly rated on quality. In the US, the JD Power organisation rates new car quality and older car reliability. In 2003 when Mercedes-Benz cars were ranked 26th in this survey the company responded in classic fashion by criticising the measure. They blamed the poor rating on the American consumers' disappointment with the small European-style cup holders in their cars (Milne and Mackintosh, 2005). They later admitted that build quality had been poor as more evidence accumulated against their public rebuke of their ranking.

Two types of public evaluations that have gained considerable attention in the business press are the various measures of corporate social responsibility and corporate reputation. For example, since 1984 *Fortune* magazine has published a list of America's 'best' and 'worst' companies. (Ratings are also provided to show how similar companies are to each other.) This measure captures aspects of both corporate social responsibility and corporate reputation. Other 'purer' measures of these two constructs are published in many different business publications.

The rankings of business schools are yet another such public measure of quality or prestige or reputation. While the various business school measures each use a different set of measures from which to derive their rankings, a detailed analysis of the *Financial Times* (FT) rankings is still instructive to highlight the key aspects of these measures because:

a) they are high profile;
b) they cover a set of 100 international business schools allowing for wider variability in the underlying factors composing the ranking;
c) the broad coverage of schools widens the scope of marketing application for the rankings,
d) they combine two distinct sets of measures to produce their overall ranking, and
e) the raw data on which the rankings are based is available for analysis (http://rankings.ft.com/rankings/mba/rankings.html).

Components of the FT Measure

The FT survey produces an overall ranking of 100 business schools from ratings or rankings on 20 evaluative criteria that span the areas of - alumni career progress, diversity, and idea generation. This is known as a formative, or 'define what you mean' measure (Rossiter, 2002). The criteria (scales to be aggregated) are derived from data reported by MBA graduates, information provided by each business school, and an independent assessment of research. For the rankings, the first eight criteria in Table 1 are based on responses given by members of the MBA class that graduated three years previously. Thus, there is a four-year lag between graduation and the ranking, and a five- or six-year lag between the ranking and the student's experience in the program. The next twelve criteria are based data given by, or about, the business schools.

Table 1 shows that there is a heavy emphasis (48% weighting) on the 'outputs' of the program, namely those attributes that reflect the career progression attributable to an MBA.[1] This factor is particularly important when a set of international schools is the comparison set. For example, if the recruitment market is 'bad' in a particular country relative to others, then the students who graduate in this year and enter this market will suffer relative to others who are employed in a 'better' market. Thus, the impact of the national recruitment market – something over which a business school has no control, has a big impact on its ranking. A second aspect of this recruitment market problem occurs for schools located in low-wage countries. They are consistently at a disadvantage to schools in richer countries where wages are higher and growing at a faster rate (criteria 1 and 2 in Table 1).

[1] Items 1, 2, 3, 4 and 7 in Table 1.

Table 1

The 2005 FT Measurement Criteria

Data from	
2001 Graduates	The Business Schools
1. Weighted Salary (20%)*	9. Women Faculty (2)
2. Salary Percentage Increase (20)	10. Women Students (2)
3. Value for Money (3)	11. Women on the Board (1)
4. Career Progress (3)	12. International Faculty (4)
5. Aims Achieved (3)	13. International Students (4)
6. Placement Success (2)	14. International Board (2)
7. Employed at 3 Months (2)	15. International Mobility (6)
8. Alumni Recommendation (2)	16. International Experience (2)
	17. Languages (2)
	18. Faculty with Doctorates (5)
	19. FT Doctoral Ranking (5)
	20. FT Research Ranking (10)

* Importance weights, Items 1 to 8 focus on career progress, 9 to 17 on diversity, and 18 to 20 on idea generation. For descriptions of each criterion see http://rankings.ft.com/rankings/mba/rankings.html

Noticeable by their absence in Table 1 are some crucial measures of inputs or process. One important input to the program is the quality of the students, as opposed to their origin and gender. For example, a program that attracts high-quality students may automatically have a better chance of producing high-quality graduates, regardless of the quality of the program. An important process measure of the program would be student satisfaction with, and perceived quality of the course, that is, fundamental aspects of pedagogy. This last omission is most pronounced for the FT measure. For example, the *Business Week* rankings do use customer (student and recruiter) satisfaction as a key indicator of performance, however school's routinely engage in activities with their students prior to the *Business Week* satisfaction survey to help insure that they 'understand' their influence on the next round of ratings.

Looking at the measurement scales in Table 1 raises two issues. One involves the quality of the data gathered. The second, and much more important, is to determine what construct is actually being measured here.

Data Quality

There is debate in the business schools about the accuracy of some of the data provided by the schools. There are three major concerns here. One is that occasionally the raters change one or more of the evaluation criteria or their importance weights. Deans say that this presents them with a moving target. The raters argue that the business schools have to keep up with changes in business (recruiter and reader) and student concerns.

A second concern is that when a school submits data that is incomplete, how do the rating agencies handle the missing data in order to include the business school in the rankings. (The more schools rated the better – for the circulation of the rater's publication.) This is the classic 'missing data' problem that statisticians often confront with survey data. It is well known that how this issue is resolved can have a significant impact on the results of the analysis. For example, recently both Harvard and Wharton declined to provide contact information for their students to *Business Week* (Business Week, 2004).

A third concern is about the validity of the data supplied by some of the business schools. A survey of 26 deans, MBA directors and external communication officers from ten Top 50 US schools suggested that there is some 'creative interpretation of the reporting criteria' by other schools. One interviewee even went so far as to say the 'business schools lie!' (Corley and Gioia, 2000). There is also some concern amongst the ratings agencies about the quality of the data submitted to compute the rankings. To address this issue, the data from the FT-ranked business schools is now subject to audit (Financial Times, 2002). Without a solid audit function there will always be suspicion about other schools' data. Also, the issue of corporate false and 'creative' reporting to ratings agencies and external constituencies is not new (Elliot and Schroth 2002).

What Construct is being Measured?

Most people who write about these rankings suggest that what is being measured is the overall reputation of the business school. (The words quality, status and prestige are often used as surrogates for reputation.) Over the last decade there has been quite a lot written about the nature of corporate reputations (Fombrun, 1996; Fombrun and van Riel, 2004; Dowling, 2001; Larkin, 2003). This emerging area of enquiry suggests that:

a) Measures of reputation tend to be based on the quality and/or the prominence of the organisation (Rindova et al, 2005). For the FT measure, quality is signalled by attributes of the business school (such as Item 20 in Table 1), while prominence is tied to the impressions of students (such as Item 5 in Table 1).
b) When measures of quality and prominence are mixed together and derived from a broad constituency, the resulting measure is difficult to interpret (Marginson, 2004). While the FT measure mixes quality and prominence, it focuses on a narrow constituency (namely, graduated students).
c) To a large degree, the reputation of an organisation is driven by its capabilities and behaviour. Thus, changes in reputation lag behind these changes in performance. Hence, rankings systems should not mix up past evaluations with current capabilities as the FT does.
d) A measure of reputation should be grounded in a relevant domain. In this case it could be the ideal model of a business school. Now, what is 'ideal' will differ across a school's various stakeholder groups, but it would likely include aspects of pedagogy, research, service to the business community, connection with its parent university, et cetera. The relative importance of these various aspects of an ideal business school will be determined by the needs of stakeholder groups, and the business model that underpins the school's funding. It is unclear what model of reputation (that includes quality and prestige) that the FT and other measures use.
e) To advance our understanding, measures of corporate reputation should be linked to other measures of corporate reputation. For example, the reputation quotient (RQ) reported in the *Wall Street Journal* measures corporate reputation across six

dimensions – vision and leadership, social responsibility, emotional appeal, products and services, workplace environment, and financial performance (Fombrun and van Riel, 2004). Most of these aspects are missing from the FT measure.

The FT rankings are a peculiar ‘chalk and cheese’ type of measure of the supposed quality of a set of competitive business schools. One aspect measures five interdependent evaluations of a four-year-old cohort of students (items 1, 2, 4, 5 and 8 in Table 1). A second aspect is composed of nine more independent aspects of the school’s current character (items 9 to 17). The third aspect is composed of three highly-related measures of quality (Items 18 to 20), while a fourth aspect measures student and school interaction (items 3, 6 and 7 in Table 1). And, all twenty measures are arbitrarily weighted to produce an overall score that is used to rank order the participating schools.[2]

We consider that the FT ranking should be considered as a weak signal because there is no direct measure of either the critical ‘input’ (student quality), the main ‘product’ (content of the MBA), the ‘process’ (the education), the future (vision and leadership), or the school’s business model (performance). Hence, a recruiter using this ranking as a guide to employability would have to infer skill development and vocation. In a similar vein, a prospective student using the ranking would need to infer the educational quality of a school. However, why students would use the ranking to help pick a school is not difficult to appreciate, namely, to gauge their likely short-term financial return on investment (Tracy and Waldfogel, 1997).

To further understand the nature of the FT measure we now examine how the schools ranked by the FT differ.

[2] FT provides no explanation of the relative weights of their measures.

How the Schools Differ

Figure 1 provides pair-wise plots of the rankings in 2001 to 2005 with the comparison being the year-to-year movement in ranking position. The schools that are ranked in the Top 20 cluster in the bottom left corner of each graph. It is visually evident from Figure 1 that variability increases markedly along with ranking; that is, there is much less change for the top schools than for the remainder. For example, between 2001 and 2005 only three schools move into or out of the Top 10, and three other schools move into or out of the Top 20 over this period. (The *Business Week* rankings show a similar pattern.) The trend lines show that although there is some temporal stability this is dominantly true for the top ranked schools, with the remainder showing enormous variability.

To further this analysis, Table 2 provides some insights into how the Top 20 schools differ from the other schools across the measured criteria. In particular, it provides the mean score for all years, for each of the 20 criteria broken down by these two groups of schools. The criteria are listed in order, beginning with the one with the largest percentage difference between the means of the two groups of schools. What Table 2 reveals is that the criteria that determine success for the Top 20 schools are different from the rest and are factors on which these schools dominate dramatically. Also, the top seven criteria are the things that matter most when one considers the how the FT determines a school's rank. This can be most readily seen in the last column where the effective difference is estimated by taking the percentage difference in the two groups and multiplying it by the weighting used in the FT rankings. What this shows is that the top schools dominate by a combination of the FT weighting (as in the case of salary and its percentage increase) and the substantial gap they have between themselves and the bottom 80 on lower weighted measures (such as alumni recommendation).

If we take the top seven differentiators for the two groups—alumni reputation through to salary percentage increase in Table 2—we see that not only are the absolute differences between the two groups of schools large, but also that the effective differentiation is large as well. This is even more obvious when we compare the top seven factors on which the non-Top 20 schools win out—women on board to international students. Eighty nine percent of the differentiation between the Top 20 schools and all the others is accounted for by these seven factors whereas the seven factors on which the non-Top 20 schools dominate account for only seven percent of the difference.[3] Even more striking is that four factors—alumni recommendation, weighted salary, research ranking and salary increase—account for 77 percent of the differentiation between these groups.

Figure 1 and Table 2 suggest that a small number of factors hold the rankings in place, particularly for the Top 20 schools, and on those factors that really matter, the Top 20 schools have created a significant gap between themselves and everyone else. They also represent the items that are most costly to change, mainly because they are dependent on location (salaries), long-term investment (research), or historic factors (alumni) that cannot be easily altered.[4] Adding more women to one's board or screening students for international experience is significantly more imitable than building an alumni reputation, recruiting research faculty, or generating salary outcomes for students. What we see here is that being a Top 20 school is advantageous because of its presumed status and because it doesn't change much from year to year. What is also evident is that it is proving difficult for other schools to break into the Top 20.

[3] This is found by taking the sum of the effective differentiation scores (the last column) divided by the sum of the column and expressing this as the percentage of the difference accounted for by those factors.
[4] Evidence of the structural factors and their influence can be seen in the correlation matrix given in Table A1 in the Appendix.

Figure 1

The Rankings – 2001 to 2005

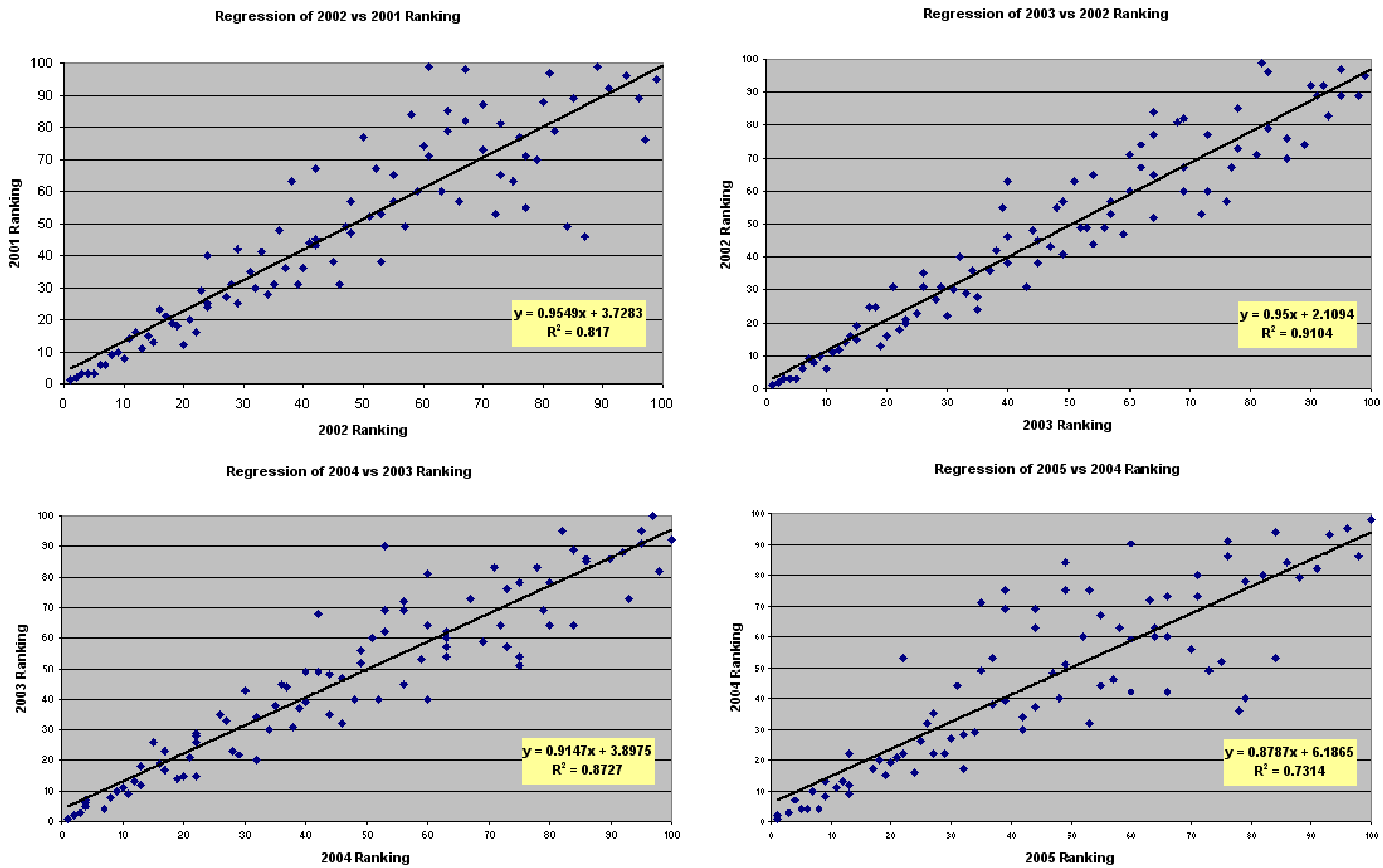

Table 2

How the Schools Differ

Criteria (weight in parentheses)	Mean Score for the Top 20 Schools	Mean Score for Schools outside the Top 20	% Difference between the two groups of schools*	Effective percentage differentiation
Alumni recommendation (2)	184	48	284%	5.68%
International board (2)	29%	19%	50%	1.00%
Weighted Salary (20)	$135,633	$92,780	46%	9.20%
International faculty (4)	41%	29%	41%	1.64%
FT Research ranking (10)	30	50	40%	4.00%
Value for money (3)	28	20	38%	1.14%
Salary percentage increase (20)	175%	137%	28%	5.60%
Placement success (2)	48	64	25%	0.50%
Faculty with doctorates (5)	95	87	9%	0.45%
Languages (2)	0	0	5%	0.10%
Employed at three months (2)	88%	84%	5%	0.10%
FT Doctoral ranking (5)	40	41	4%	0.20%
Women students (2)	29%	29%	1%	0.02%
International students (4)	43%	46%	-5%	-0.20%
International experience (2)	43	46	-7%	-0.14%
International mobility (6)	42	47	-9%	-0.54%
Career progress (3)	45	49	-9%	-0.27%
Aims achieved (3)	61%	70%	-13%	-0.39%
Women faculty (2)	18%	21%	-17%	-0.34%
Women board (1)	12%	15%	-24%	-0.24%

* Percentages are calculated on the actual values in the first two columns, not the rounded numbers reported here.

Managing to the Measures

If we take the FT Rankings as the target for improvement, what management implications can be derived from the FT data? To explore this question we seek to better understand how the measures drive a school's ranking and thus try to infer how schools placed in different parts of the ranking could improve.

Our previous discussion about the temporal stability of the top-ranked schools, suggests a three-part strategy for a Top 10 and Top 20 school. They should:

i. Hold to the current orthodoxy about what an MBA is and who should be encouraged to attend a business school.
ii. Defend against the (radical) criticisms of people like Henry Mintzberg (Mintzberg, 2004).
iii. Move in lock step to make changes to their programs.

In the terminology of marketing, they should 'define the product category' – its attributes (inputs and education process) and measures of success, and defend the status quo.

An example of the first strategy would be to concentrate on selecting students who provide clear evidence that they are easily employable and will progress quickly up the corporate ladder. The salary of the student entering the program seems to be the best signal of this output (Tracy and Waldfogel, 1997). Thus, the emphasis is as much on student selection as it is on education value added. An example of the third strategy would be to quickly follow the other top schools' innovations. If they introduce courses on new topics follow their lead. If they court recruiters, follow their lead. In short, play the escalation game. The top schools can usually do this because they have substantial endowments they can use for new initiatives and for following each other. Their established position in the top club also allows them to credibly denigrate any radical innovation from a low-ranked school – until they choose to adopt it.

For a school that aspires to break into the Top-20 club, they need to:

1) Identify if any of the Top 20 schools are vulnerable, and then
2) design a strategy to weaken them and/or supplant them on some key attributes as identified in Table 2.

The question is whether or not there are any key attributes that can be affected by specific managerial decisions within these schools. Kirp (2003) argued that a fast, but expensive strategy for universities is to buy as many academic 'stars' as they can afford. (Better still is if some of these can be poached from a vulnerable school.) Because of its cost –

both in salaries and the potential disruption to the culture of the school, this simple solution has not been the strategy of choice for most schools.

An examination of the correlation matrix given in Table A1 in the Appendix reveals two problematic issues for lower ranked schools. First, the factors that drive the FT rankings are themselves heavily correlated, meaning that it is not simply a matter of finding a key attribute to change. Rather, schools need to identify a key block of attributes and make a set of internal investment decisions. However, the situation is even less encouraging, as the correlation matrix shows. Most of the critical attributes that matter to the rankings are correlated with structural factors – such as the number of alumni, the age of the MBA program, the size and wealth of the city in which the MBA program is located, exchange rate changes and so on. So for some schools, their only possibility of ranking improvement is to move the School from its current location or hope that the exchange rate changes in their favour!

As Table 2 showed, the importance weights used by the FT are not an entirely accurate predictor of influence, implying that just investing resources on the basis of these weights will be suboptimal. This is due to the fact that the 20 items underlying the ranking are not independent and possess different statistical distributions. This can be shown by attempting to replicate the rankings by estimating an optimal model based on the FT ranks as the dependent variable and the FT components as the independent variables. As the FT ranking system is a linear one, we would expect to replicate their rankings completely with the proper relative weights if the measures were independent and possessed proper statistical distributions. However, as we reveal in the Appendix and show more stylistically in Table 3, this is not the case.

The Appendix (Table A2) shows that one can reconstruct the FT rank orderings reasonable well with the information from base measures (R^2 = 84%); however, this is driven predominantly by a few of the measures. First, the correlations between the underlying measures imply that the estimates are going to be biased; so reconstructing the weightings is difficult. Yet we can still get an understanding of the basic issues surrounding the determinants. Second, by examining the effect size estimates (which determine the extent of contribution to the mean of the dependent variable by the independent variables) we can get a clear picture of what really relates to the rankings.

Table 3 shows that for the most part only two sets of measures really matter: salary (either in absolute weighted terms or in percentage increase) and research (picked up mainly in our analysis by the faculty doctoral percentage and by the FT in research rating). The other factors are marginal and represent a hodgepodge of items that are most likely picking up random factors in the schools' profiles. However, the two factors themselves are not at all independent as one is mainly an input quality measure (research) and the other an output measure (salaries). Going back to the correlation matrix we see that research rank and faculty with doctorates is quite heavily correlated with the salary variables as well as things like alumni recommendation and placement success, implying a garbled inter-relationship that leads to effective overweighting of factors that are probably little more than structural.

Table 3

The Relative Importance of the FT Criteria

Criteria	FT Weight	Estimated Importance
Weighted salary	20%	28%
Salary percentage increase	20%	28%
Research rank	10%	3%
International mobility	6%	0%
Faculty with doctorates	5%	14%
Doctoral program	5%	1%
International faculty	4%	1%
International students	4%	6%
Value for money	3%	1%
Career progress	3%	1%
Aims achieved	3%	0%
Placement success	2%	2%
Employed at 3 months	2%	7%
Alumni recommendation	2%	0%
Women faculty	2%	3%
Women students	2%	0%
International board	2%	1%
International experience	2%	1%

Languages	2%	0%
Women on the board	1%	1%

What this means is that quite a small number of items are needed to replicate the rankings in general; but that specific movements around any level of ranking is fairly random. For example, the former issue can be highlighted specifically by noting that simply using two of the salary variables (weighted salary and percentage salary increase) to predict FT ranking generates an R^2 of 69%; an indication of how easy it is to get a general picture of a school's standing but just looking at a critical output variable. The second issue can be illustrated by comparing the predicted rank from our model in the Appendix with the FT ranking and looking at where the differences reside. This gives us a picture of how sensitive a school's rank position is to small changes in its measured profile of criteria, and whether or not the schools in various parts of the overall ordering are more or less likely to be misranked.

Table 4 shows the absolute ranking error when we compare the FT rank to the predicted rank based on our model. Even if you do not believe our model to be correct it can simply be considered as an illustration of just another alternative to the FT's chosen importance weightings. What this reveals is that the top 20 schools are significantly less likely to be misranked. However, what is more revealing than this is the absolute magnitude of the rank order errors and that the schools between 21 and 80 bear the brunt of this misranking.

Table 4

Average Prediction Errors by Year

Financial Time Rank	2001	2002	2003	2004	2005
Top 20	6.25	4.05	2.85	4.50	2.30
21 – 40	16.70	13.95	7.73	8.71	6.19
41 – 60	15.15	13.41	13.74	13.00	8.76
61 – 80	11.65	12.17	8.40	9.68	7.74
81 – 100	10.95	9.90	5.16	4.58	4.84

[a] Average prediction error is the average of absolute difference between FT Ranking and predicted FT rank from Table A2 in the Appendix

In summary, the deans of lowly ranked business schools face a situation in which it is difficult to win. The data suggest that without relocating and/or a significant investment in research or some miraculous ability to increase graduates' salaries, their school will be condemned to second-rate status. Notwithstanding this gloomy prognosis, many of these deans will continue to 'play the ratings game' because they believe that students use these rankings in their choice of school, and/or as Blair Sheppard, the President of Duke Corporate Education says, business schools should be held to account in the same way as the companies they teach (Bradshaw, 2005). Hence the question is now how to make the most out of a good or a bad ranking?

The Marketing Value of an FT Ranking

"If you play by the rankings, you can win or die by the rankings."

Because the data presented earlier suggests that being a member of the Top 20 is a relatively low variance game, then small movements in the rankings can have a quite pronounced effect on how the ranking might be seen by stakeholders and used by the school to promote itself. For example, moving two places up the rankings from 11th to 9th (or say 5th to 3rd) offers the opportunity for significant adulation by becoming a member of a more exclusive club.

Contrast this situation with a low-ranked school's improvement from say 71st to 69th. In this higher variance section of the rankings game a much larger change in rank is necessary to cause adulation (or real concern). Thus, for schools ranked in the second or third tiers, the marketing benefits of playing the ranking's game are not so clear. Hence, rather than be captured by the school's low rank, one marketing tactic is to change the anchor-point of a school's rank by saying that the school is better than its local competitors. Thus, a particular school might be 43rd world wide, but their local competitor is 51st. However, this position of being 'locally good' still comes with the tag of being ‘internationally poor’. And it can also seem contrived to many people – both students and faculty.

Another promotional tactic is to selectively emphasise parts of the rankings in the school’s promotions – such as “we rank 20th on research”. If the overall ranking is not provided it may invite people to search for the full story. This then motivates the question of what attributes of the school are weak such that the overall ranking is lowered.

For many poorly ranked schools the signal of educational quality provided to students and recruiters by the FT ranking is quite misleading. As noted earlier, much of the ranking is dependent on a recruitment market effect outside the control of the school. Also, because recent improvements in the school take years to show up in the FT rankings as reflected in the career progression of former students, and an improvement can be negated by the improvements of other schools, it is problematic that these rankings provide an accurate guide to next year’s students. In fact, it could be argued that the FT rank is actually a deceptive signal for student recruitment. Notwithstanding this indictment, a broader analysis of the costs and benefits of an FT ranking should guide the decision on whether or not to play this game.

Costs V Benefits

The major marketing benefits of a good reputation ranking are:

- It helps get the school into the consideration set for the best students (MBA and PhD) and faculty, and to convert an offer into a place at the school.
- It helps attract more and better quality recruiters and helps students to get job offers from these companies.
- It may support a price premium for students and a salary discount for faculty.
- It may help to reduce any post-purchase cognitive dissonance.
- It may help to enhance the perceived quality of the student’s educational experience – a type of halo effect.

- It may help to cross-sell the school's open-enrolment executive programs.
- It helps to create a feeling of pride and achievement among alumni, faculty, staff, and trustees.
- It helps the dean to raise funds for the school.
- It helps to raise the reputation of the parent university. (It is often argued that a university gains much of its overall reputation from its professional schools – business, law and medicine.)

The costs involved in being ranked originate from three sources. First, there are the obvious compliance costs of gathering the data requested by the ratings agencies. Often, the full costs of this data collection exercise are considerable.

Second, there are costs associated with managing to the measures. For example, for a poorly rated school to significantly improve its research ranking is a time consuming and costly process. Some of these costs are:

- Devoting more faculty time to research, and by implication reducing the time available for teaching, administration, and/or community service.
- Focusing the research on the target set of journals rated by the FT – whether or not these fit the research capabilities and profile of the faculty.
- Changing the faculty hiring criteria to maximise the chance of publications in the target journals.
- Changing some of the internal key performance indicators and rewards to focus more on target journal publications.

Given the time taken to produce research publications and the motivation of faculty to do research of interest to them and their peers, it can be a long-term and costly process to focus a school towards research that is 'counted' by a non-academic ratings agency.

Third, there are opportunity costs associated with playing the rankings game if these costs could be more productively spent on other marketing activities. The issue here is about how to get the best result from a limited marketing budget. If money is spent on managing to the reputation criteria as measured by say the *Financial Times* instead of the choice criteria used by potential students (and faculty and patrons), then money and effort is misallocated.

When aggregated, all the costs will pose a formidable challenge for most business schools to recover. Thus, the issue becomes whether or not it is possible to design another positioning strategy for the school that has a more favourable cost-benefit outcome.

Marketing Without the Rankings

If anchoring one's marketing to a public ranking is problematic, what are the alternatives? The first thing for deans, faculty and stakeholders to consider is can a school get out of the rankings game? This is an important question because many people associated with business schools think that this is not a realistic option. They also rationalise that being rated by a high-profile organisation like *Business Week* or the *Financial Times* signals membership of a somewhat exclusive, although broad-based club. That is, being ranked signals that the school is a global player. Thus, being omitted from the rankings is worse than having a poor ranking.

The alternative is to get out of the rankings game and to position the school on a specific characteristic that is highly valued by potential students. Fortunately there are many. For example:

- Be a specialist in a field (e.g., leadership, change, managing IT, etc.) or for a region (e.g., Asia-Pacific), or an industry (e.g., professional services).
- Be located in a desirable place (e.g., Dublin, Paris, Sydney, etc.)
- Have a flexible-learning MBA program (e.g., distance education).
- Offer a different style of learning (e.g., Mintzberg, 2004).
- Position on price (e.g., cheap; best value for the money).
- Have a formal alliance with other business schools (e.g., exchange programs for students and faculty) or specific companies (e.g., IT firms).
- Position on a key attribute of the school in which it excels such as

- thought leadership – for a good research school;
- knowledge enhancement – for a good teaching school;
- practical knowledge – for an applied school;
- skill development – for a school with many links to business;
- a global perspective – for a school located in a business hub.

- Position on characteristics of the student body, such as the multicultural mix.
- Position on the benefits of the education, such as transforming oneself or creating a better future.

Conclusions

In this paper we characterise the business school rankings game like a two-ring circus where the rings touch each other at one point. In one ring we have the Top 20 schools competing with each other for prestige and the adulation of the crowd in the best seats of the circus tent. In the other ring we have another 80 schools trying to gain the attention of the crowd in the less expensive seats. Where the two rings touch, we have a small number of schools trying to jump across into the main ring while being discouraged by the schools closest to this cross-over point.

Our research is built around the FT Rankings. To the extent that these are representative of the other ranking approaches, the results and management implications derived from these results are generalisable. In summary, we suggest that Top 20 schools should continue to play in the international ratings game. They have much to gain from membership of the exclusive club. For poorly ranked schools however, our advice is contingent on whether they can build the resources to force their way into the Top 20. If these resources are not available, we suggest that they seriously consider playing a different game – one where there is a good chance of doing well. In marketing parlance, this would require positioning their school on a different characteristic. They may want to be rated by the local business press against their domestic competitors, but they should avoid being ranked against the big, internationally-focused and well-endowed business schools.

Our recommendation for not playing in this type of ranking game has received considerable support from the many and varied companies that refuse to play in similar ratings games for corporate social responsibility.

Appendix

Table A1: Descriptive Statistics and Correlations

	Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1	Rank	50.14	28.83	1.00																						
2	Weighted Salary	99239.35	24464.59	**-0.80**	1.00																					
3	Salary Percentage Increase	144.45	35.41	**-0.54**	**0.29**	1.00																				
4	Value For Money	21.80	29.74	-0.07	0.11	-0.08	1.00																			
5	Career Progress Rank	48.50	24.67	**0.15**	**-0.12**	0.11	0.11	1.00																		
6	Total Return For School	68.16	24.81	**0.21**	**-0.22**	**-0.22**	**0.30**	0.03	1.00																	
7	Placement Success	61.33	27.52	**0.60**	**-0.51**	**-0.46**	**-0.15**	-0.11	**0.19**	1.00																
8	Employed at 3 Months	84.45	11.80	**-0.14**	0.06	-0.05	**0.17**	-0.07	**0.17**	-0.07	1.00															
9	Alumni Recommendation Rank	87.54	215.18	**0.81**	**-0.82**	**-0.32**	-0.10	0.08	**0.23**	**0.56**	-0.06	1.00														
10	Women Factulty	20.53	6.89	**0.15**	-0.08	**-0.22**	0.01	0.09	-0.03	0.11	-0.06	**0.12**	1.00													
11	Women Students	28.88	7.31	-0.02	-0.10	-0.05	0.03	-0.04	0.01	0.02	0.04	**0.12**	0.07	1.00												
12	Women Board	14.65	10.11	0.11	**-0.16**	**-0.25**	-0.03	-0.10	0.05	0.09	0.05	**0.12**	**0.34**	**0.14**	1.00											
13	International Faculty	31.21	25.36	**-0.20**	**0.12**	**-0.22**	-0.05	**-0.24**	0.01	**0.13**	0.02	**-0.17**	**-0.18**	**0.22**	0.10	1.00										
14	International Student	45.07	21.77	0.06	**-0.17**	**-0.44**	**-0.20**	**-0.31**	0.08	**0.44**	-0.03	**0.13**	0.00	0.08	**0.20**	**0.45**	1.00									
15	International Board	21.08	24.38	**-0.18**	0.09	**-0.14**	-0.09	**-0.39**	-0.03	**0.12**	0.01	**-0.15**	-0.10	0.07	**0.17**	**0.46**	**0.51**	1.00								
16	International Mobility Rank	45.54	26.72	0.08	-0.03	**0.32**	**0.20**	**0.37**	0.04	**-0.35**	**0.15**	0.05	0.11	0.03	-0.06	**-0.41**	**-0.69**	**-0.52**	1.00							
17	International Experience Rank	45.86	29.46	0.01	0.11	**0.16**	0.03	**0.23**	-0.03	**-0.18**	0.03	0.01	**0.13**	-0.02	-0.05	**-0.30**	**-0.32**	**-0.40**	**0.37**	1.00						
18	Languages	0.21	0.49	**0.13**	**-0.26**	**-0.15**	-0.07	**-0.23**	0.04	**0.17**	-0.10	**0.12**	-0.10	-0.06	0.05	**0.15**	**0.34**	**0.42**	**-0.34**	**-0.44**	1.00					
19	Faculty with Docterate	88.67	14.40	**-0.41**	**0.34**	**0.18**	**0.14**	**0.15**	0.00	**-0.35**	0.09	**-0.36**	-0.10	**0.17**	**-0.12**	**0.11**	**-0.20**	**-0.20**	**0.23**	**0.15**	**-0.21**	1.00				
20	FT Doctoral Rank	44.85	27.04	**0.27**	**-0.15**	0.04	-0.08	**-0.15**	0.08	**0.14**	**-0.19**	**0.27**	-0.01	-0.06	-0.06	0.04	-0.09	0.08	0.02	-0.05	**0.12**	**-0.13**	1.00			
21	FT Research Ranking	47.09	29.16	**0.62**	**-0.55**	**-0.32**	**-0.17**	**-0.20**	**0.12**	**0.55**	**-0.21**	**0.60**	0.11	**-0.12**	**0.15**	-0.10	**0.33**	**0.16**	**-0.33**	**-0.20**	**0.36**	**-0.53**	**0.37**	1.00		
22	Number of Faculty	91.75	47.00	**-0.24**	**0.12**	**0.13**	0.03	0.11	-0.08	**-0.18**	**0.17**	**-0.26**	0.03	0.02	-0.01	**-0.20**	-0.06	-0.08	**0.12**	0.06	-0.01	0.03	**-0.52**	**-0.40**	1.00	
23	Number of Years MBA Program Has Been in Existence[a]	45.94	23.34	**-0.39**	**0.40**	**0.32**	**0.16**	**0.23**	-0.07	**-0.40**	0.11	**-0.49**	0.04	-0.09	**-0.19**	**-0.17**	**-0.38**	**-0.29**	**0.31**	**0.22**	**-0.32**	**0.28**	**-0.32**	**-0.60**	**0.42**	1.00
24	Number of Alumni	8503.13	9078.51	**-0.42**	**0.42**	**0.28**	**0.14**	0.11	-0.08	**-0.36**	0.01	**-0.49**	0.06	**0.13**	**-0.19**	-0.07	**-0.27**	**-0.13**	**0.14**	0.10	**-0.12**	**0.29**	**-0.28**	**-0.49**	**0.47**	**-0.67**
25	Population of City[b]	13.43	2.10	0.05	-0.05	-0.08	0.00	**-0.21**	0.05	**0.13**	-0.07	0.01	**-0.11**	**0.15**	0.01	**0.35**	0.10	**0.31**	**-0.19**	**-0.37**	**0.26**	**-0.15**	**0.15**	0.11	0.00	**0.12**
26	Cities within 500 Miles with > 500k Population	9.72	5.95	**-0.31**	**0.24**	**0.31**	0.10	**0.15**	-0.03	**-0.30**	0.00	**-0.21**	-0.01	0.07	-0.08	**-0.13**	**-0.18**	**-0.14**	**0.20**	**0.33**	**-0.28**	**0.31**	**-0.16**	**-0.31**	**0.22**	**-0.22**
27	GDP of the City[b]	8.21	1.31	**-0.22**	**0.29**	**0.37**	**0.24**	**0.39**	-0.04	**-0.43**	0.08	**-0.19**	0.01	0.10	**-0.29**	**-0.40**	**-0.59**	**-0.55**	**0.59**	**0.48**	**-0.39**	**0.38**	**-0.19**	**-0.56**	**0.30**	**-0.54**
28	Number of MBA Programs in the City	4.42	6.02	-0.07	0.04	-0.08	0.01	**-0.19**	0.07	0.05	-0.04	-0.03	-0.11	**0.15**	0.00	**0.37**	**0.24**	**0.33**	**-0.29**	**-0.23**	**0.16**	-0.09	0.10	0.00	-0.01	0.08
29	Percentage Change of Exchange Rate in 1 Year	-2.07	4.44	**-0.13**	**0.12**	**0.43**	**0.26**	**0.33**	0.05	**-0.41**	**0.13**	-0.09	-0.07	0.02	**-0.25**	**-0.39**	**-0.65**	**-0.47**	**0.67**	**0.31**	**-0.28**	**0.37**	-0.05	**-0.45**	**0.18**	**-0.44**
30	Percentage Change of Exchange Rate in 2 Years	-3.09	11.80	-0.11	0.10	**0.48**	**0.20**	**0.35**	0.02	**-0.40**	0.11	-0.08	-0.08	0.04	**-0.25**	**-0.38**	**-0.68**	**-0.50**	**0.69**	**0.31**	**-0.30**	**0.35**	-0.05	**-0.44**	**0.17**	**-0.43**
31	Previous Year Rank	42.11	29.44	**0.54**	**-0.49**	**-0.23**	-0.08	0.04	0.11	**0.34**	0.02	**0.47**	**0.12**	**-0.14**	0.09	**-0.13**	0.03	**-0.15**	0.08	**0.12**	0.10	**-0.33**	**0.19**	**0.34**	**-0.12**	**0.25**

[a] Relative to Year 2005 [b] Natural Logarithm **Bold** indicates significance at the 0.05 level

Table A2: Linear Reconstruction of FT Rankings from Base Measures

Variables	Estimate	s.e.	Effect Size
Intercept	224.88 ***	(8.37)	**224.88**
Weighted Salary	-0.0006 ***	(1E-5)	**-60.15**
Salary Percentage Increase	-0.41 ***	(0.02)	**-59.68**
Value For Money	-0.05 *	(0.02)	**-1.09**
Career Progress Rank	0.04 †	(0.02)	**1.99**
Aims Achieved	-0.01	(0.02)	-0.77
Placement Success	0.07 *	(0.03)	**4.21**
Employed at 3 Months	-0.18 ***	(0.05)	**-15.34**
Alumni Recommendation Rank	0.01 ***	(0.0031)	**0.97**
Women Faculty	-0.34 ***	(0.08)	**-6.92**
Women Students	0.04	(0.08)	1.01
Women Board	-0.14 *	(0.06)	**-2.02**
International Faculty	-0.09 ***	(0.02)	**-2.87**
International Student	-0.30 ***	(0.03)	**-13.72**
International Board	-0.11 ***	(0.03)	**-2.26**
International Mobility Rank	0.01	(0.02)	0.32
International Experience Rank	0.06 **	(0.02)	**2.88**
Languages	-1.76	(1.25)	-0.37
Faculty with Doctorate	-0.34 ***	(0.04)	**-30.16**
FT Doctoral Rank	0.04 *	(0.02)	**1.96**
FT Research Ranking	0.15 ***	(0.02)	**7.25**
Adjusted R-Square	0.8446		
Log Likelihood	-3008.13		

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Bold effect sizes relate to the significance of the coefficient.

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