

Picking the Perfect Peers

Benchmarking against peer schools is a time-honored way for b-schools to seek improvement. The key is to choose the right mix of diverse institutions for study and comparison.

by **James F. Fairbank and Giuseppe (Joe) Labianca**

illustrations by Dave Jonason

Every business school is interested in continuous improvement.

Administrators often get their best ideas for making strategic or comprehensive changes by benchmarking their own programs against schools that are much like their own. Yet some schools might expose themselves to even more innovative initiatives if they investigate institutions that aren't exactly peers, including schools or organizations that operate in less familiar ways.

We recently conducted a survey on interorganizational monitoring to learn how administrators choose schools to serve as benchmarking institutions. Our Web-based survey was e-mailed to deans, associate deans, and top administrators at all AACSB-accredited business schools, as well as major accredited international business schools—a total of 448 business schools. Seventy percent of the schools responded.

We learned that most business schools compare themselves to institutions that are extremely similar to theirs in terms of “structural” factors: size of the school, region, religious affiliation, type of degrees granted (bachelor's, master's, doctoral), and ownership (public versus private). Those salient structural factors are related to major resource constraints.

Schools also tend to compare themselves against institutions that are similar in “identity-related” factors. These include reputation, image, and values in areas such as research, teaching, service commitments, and activities such as cooperative learning. Those factors help form the rich texture of the school's identity and often are crucial during the comparison process.

An Innovative Approach

Benchmarking against an identical school can be very efficient since similar business schools face many of the same challenges. What one administrator learns from another institution will be fairly easy to transfer to his own business school. Further, when people are dealing with a complex, changing environment, they find it comforting and validating to know that other business schools are facing equal challenges and making similar decisions.

However, administrators encounter two key problems when they compare their schools only to institutions that are similar in both structural and identity-related ways. First, such a choice limits the diversity of information that emerges

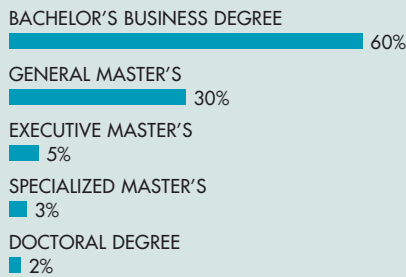
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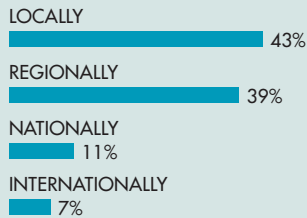
How Schools Choose to Benchmark

School Identity

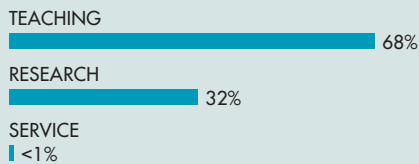
What is your school's single most important program?



Where do you focus most of your energy in recruiting and placement?



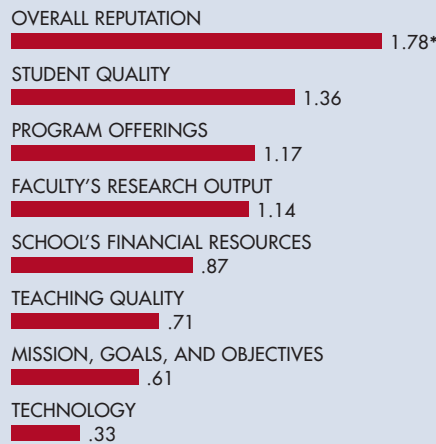
Which of the following is of primary importance at your business school?



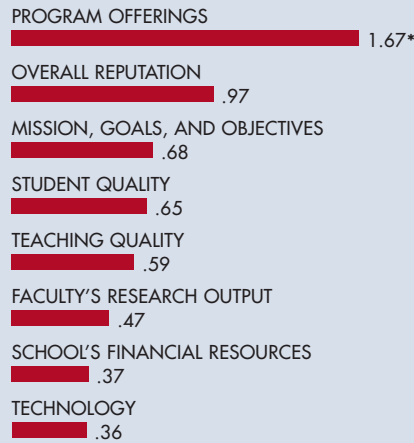
In the first three questions of the survey, administrators rated the strategic choices that govern the identities of their schools. The majority of responding schools indicated that they focus on attracting regional and local students to their undergraduate programs, where the emphasis is on teaching. Forty-one percent of respondents were deans, 47 percent were associate or senior associate deans, and 12 percent were other top administrators such as MBA program directors or directors of development.

Comparison Schools

What qualities do you most admire in an aspiration school?

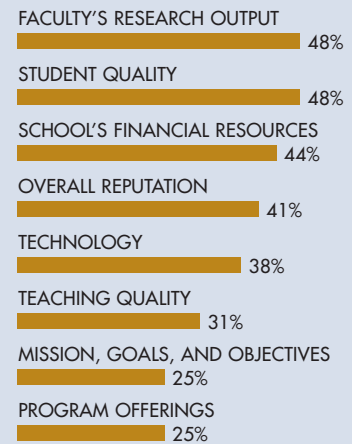


What components are you most likely to imitate?

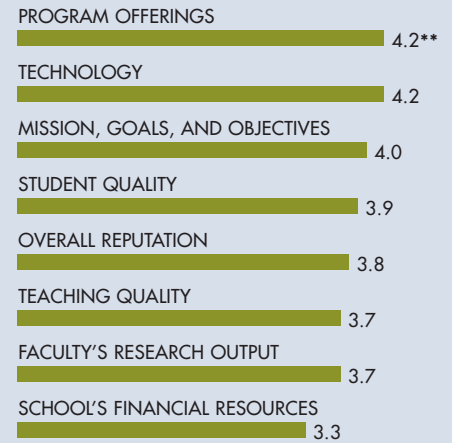


*Scale: 2=very important, 0=not important at all

What areas are you most likely to target for improvement in your own school?



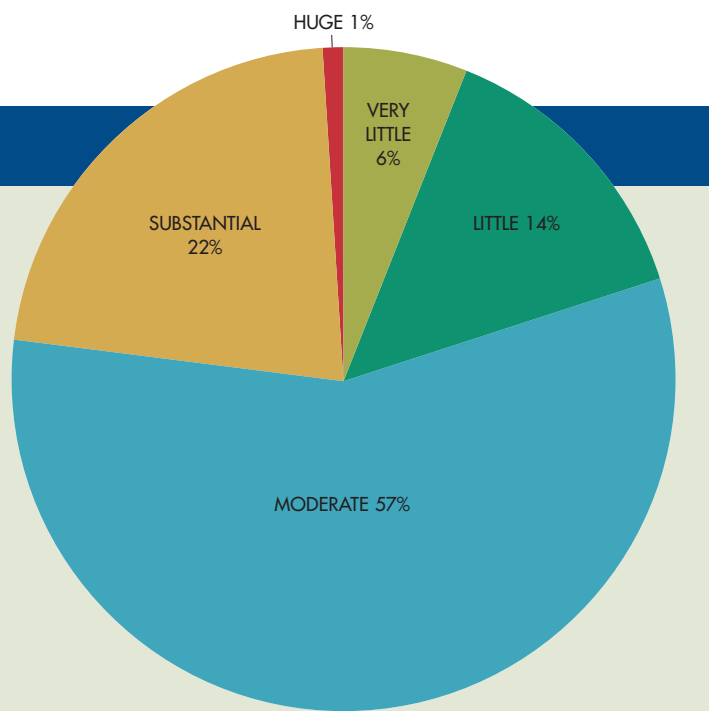
What has changed at your school in the past three years?



**Scale: 1=significantly worse, 3=no change, 5=significantly improved

Even though administrators indicate that their "school's financial resources" and "faculty research output" are the areas that most need to improve, in reality, these are the areas that are less often targeted for change. In general, business schools are more likely to change areas that are most readily available and convenient to monitor—such as program offerings and school mission—and not the areas that are more difficult to monitor but that are clearly more important to gaining competitive advantage.

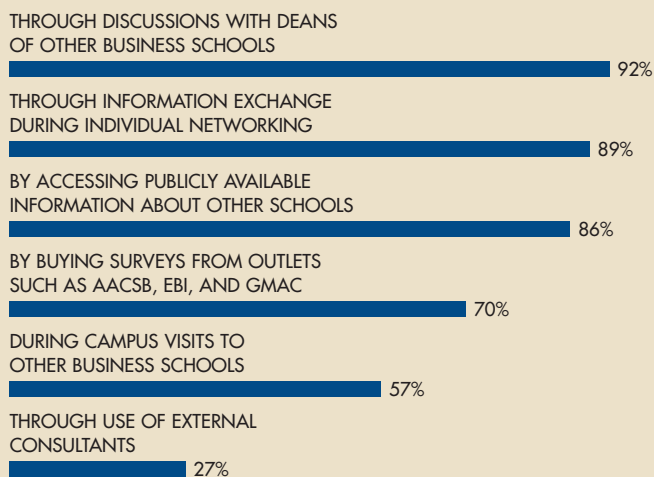
We have found that a relatively small number of schools make an active effort to study institutions very different from their own. Among our survey respondents, 15 percent benchmark organizations other than business schools.



Effort Devoted to Benchmarking

In general, survey respondents only put a moderate amount of effort into the process of benchmarking other institutions, monitoring competitors, copying other organizations, and emulating other schools.

How Data Is Gathered



Administrators combine a variety of methods to benchmark other institutions or gather information on comparison schools.

through the benchmarking process. Second, from a strategic perspective, choosing a benchmark school that is nearly identical makes it more difficult for a school to differentiate itself from its closest competitors. Thus, the school loses a chance to develop a competitive advantage.

The answer to both problems is to look also at schools or organizations that are not at all familiar. During such comparisons, administrators might find it more difficult to translate what they have learned onto their own campuses, but they likely will encounter more innovative practices and ideas.


We have found that a relatively small number of schools make an active effort to study institutions very different from their own. Among our survey respondents, 15 percent benchmark organizations other than business schools. Of that 15 percent, slightly more than half compare themselves to other professional programs, such as law, medical, and engineering programs, as well as liberal arts programs on campus. About seven percent compare themselves to organizations outside traditional academia, specifically for-profit businesses. The most popular for-profit businesses to benchmark include consulting firms, for-profit training companies, and service-based organizations. Hotels such as the Ritz Carlton are often named, possibly because the business schools benchmarking them are considering adding on-campus facilities. Schools that benchmark against such businesses report that their external reputation has improved significantly.

Best Practices

While looking outside the academic arena might be going too far for some administrators, we do believe that all schools can benefit by using a wider lens when viewing comparison institutions. In fact, to administrators choosing comparison schools, we would make four recommendations: Be broad, be involved, be bold, and be true to the goals of benchmarking.

Be broad. As administrators go through the benchmarking process and select competitive, peer, and aspiration groups, they should make certain they have a broad range of comparison organizations. While the peer comparison group might consist of schools that are nearly identical on structural and identity-related features, the aspiration group might consist of schools and organizations that are dissimilar, but which offer many new ideas.

Be involved. In our survey, we found that schools that most improve their reputations and financial resources are those where administrators, faculty, and staff are most directly involved in the benchmarking and comparison process. When benchmarking is done through reciprocal exchange



Better Benchmarking

To determine the most effective benchmarking practices, we conducted regression analyses of responding schools.

Business schools whose reputation and prestige improved were more likely to:

- Buy surveys from AACSB, EBI, and GMAC.
- Exchange information through networking.
- Benchmark or monitor organizations other than business schools.

Business schools whose financial resources improved were more likely to:

- Buy surveys from AACSB, EBI, and GMAC.
- Visit the campuses of other schools.

methods such as campus visits and individual networking with other business schools, reputation and financial resources improve. Those findings hold regardless of the degree-granting type of business school, its operating budget, and whether it is a public or private institution. We do not detect any significant improvement in those factors when benchmarking is limited to the use of such arm's length methods as examination of publicly available information or the use of external consultants.

Incidentally, our survey reveals that fewer than one in four business schools is exerting a substantial amount of effort on the benchmarking process, and one in five is exerting little or no effort. The overall level of benchmarking among business schools is surprisingly low, but we believe that the new accreditation standards approved by AACSB International will stimulate efforts in this area.


Be bold. Many schools today are facing an increasingly threatening environment—one where their school's financial and reputational status is under escalating pressure. Many administrators react by choosing comparison schools that will make their own schools look good. For example, a school that is facing a sudden drop in reputational rankings

might change its comparison group from a wide range of “top” schools to a narrower range of top “small” schools or top “quantitatively oriented” schools. In essence, they are introducing a greater number of structural and identity-related variables to define their relevant comparisons. We found that schools under greater threat also choose comparisons that are lower in reputational status, which has the short-term effect of making comparisons look more positive.

While making a school appear to be a big fish in a smaller pond might make some constituents feel better in the short term, in the long run such a strategy chokes off the influx of diverse ideas that could be gathered from the benchmarking process at a time when a particular school most desperately needs to break out of a slide. We’re not saying that benchmarking lower-ranked schools is bad in all cases—there is a great deal to learn from many different types of schools and organizations. But it is not a winning long-term strategy to focus only on lower-ranked schools in an attempt to look better in comparison.

Be true to the goals of benchmarking. Use the new AACSB International comparison standards as an opportunity for productive change. Benchmark and change the things that provide a better upside potential, even though they might be more difficult to change. Many times business schools benchmark easily visible aspects of their comparison choices such as reputation, student quality, program offerings, and mission. Such data can be retrieved from publicly available sources such as school Web sites and popular business periodicals.

A school will be more successful if it can improve factors such as teaching quality, faculty research, and the development of financial resources. These are factors that require gathering richer information over a longer period of time and using more intensive benchmarking practices such as campus visits and individual networking with peer administrators. These efforts require more commitment from top administrators, but they ultimately will pay off by providing a competitive advantage for the business school.

We realize that creating these comparison groups will pose a challenge for many schools. If done properly, however, interorganizational monitoring can serve as a catalyst for major improvements in business schools across many levels of teaching, learning, and research. 

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