

# Ten Reasons Why MBA Rankings Do Not Make Sense—And One Reason Why They Do

by Jack A.A. van der Veen, Universiteit Nyenrode,  
The Netherlands Business School

It seems like the various rankings of MBA programs attract more attention every year. Whereas rankings were considered as a rather interesting but harmless phenomenon some 10 years ago, nowadays they are taken very serious. The ranking positions are heavily used in MBA program advertising. Schools have formed “ranking committees” to make sure the best information can be delivered to the ranking organization. Dropping or climbing more than 10 positions generates headlines in all the major newspapers. Rankings are heavily discussed in the executive boards of participating business schools. Being so popular with readers, most serious business journals and magazines seem to feel the need to come up with their own MBA ranking.

As long as there have been rankings, there have been critical remarks about the methodology that rankings use (see, e.g., Schatz, 1993; Corley & Gioia, 2000; Dickson, 2001; and Zimmerman, 2001). Several of these comments and recommendations were picked up and corrected by the ranking organizations. (By a “ranking organization” the organization that is in charge of creating a ranking is meant such as the *Financial Times*, *Business Week*, *The Economist*, and *The Wall Street Journal*.) However, the critique has never faded away. This is due to the fact that the core methodology of determining rankings is not appropriate. The problem with rankings is not a superficial one but is deeply imbedded in the way rankings are constituted. Anyone who would really dig into the way rankings are made would come to the conclusion that they are in fact of very limited value. Not because the ranking organizations are making a mess of it, but simply because the methodology used cannot and,

therefore, will not provide results that are really valuable.

Unfortunately, many of the users of rankings such as potential students and recruiters are not fully aware of the true value (rather, the lack thereof) of the MBA rankings. Therefore, the main goal of this paper is to summarize the weak points in the MBA ranking methodology. As such, the contribution of this article is not to shed new light on the ranking issue but to list many of the objections against MBA rankings in an organized fashion.

The remainder of this article is structured as follows. First, a brief description will be given of the core methodology of creating an MBA ranking. Next, eight fundamental flaws in the methodology and two resulting additional problems with rankings will be listed. This leads to the conclusion that MBA rankings have a very limited value. The paper continues with a discussion of issues such as “Why participate in MBA rankings at all?” and “What are good alternatives for MBA rankings?” Finally, some conclusions are drawn.

## The Weighted Score Method

The whole idea underlying an MBA ranking is to find out what the best MBA is. The higher on the list, the better the MBA program is supposed to be. But when is one MBA program better than another MBA program? How do we measure the quality of an MBA program? The problem here is that “quality” is a word that we all easily and frequently use, but measuring quality is not a straightforward task at all. One thing that everybody does agree on is that quality has many dimensions. And surely there is not one MBA program that is superior on all quality dimensions. If you compare



**Jack A.A. van der Veen**

is a professor of supply chain optimization at the Center for Supply Chain Management of Universiteit Nyenrode, The Netherlands Business School. Also, he is the director of

Universiteit Nyenrode's MBA programs. His research interests include Operations Management, Management Science, and Supply Chain Management. He has published various articles and books on these topics both in the academic and managerial literature.

[j.vdveen@nyenrode.nl](mailto:j.vdveen@nyenrode.nl)

two MBA programs, usually one will do better on a couple of dimensions, while the other will perform better on other dimensions.

In general, if one must find the best alternative (i.e., best MBA) where each alternative can be measured on many factors (quality dimensions), one is facing what is known in the literature as a multiple-criteria decision-making problem—a topic that is covered in virtually all MBA programs. One of the more popular methods used to reach a decision for such a problem is the so-called weighted score method (see Slack et al., 2004). This is also the method adopted by all MBA rankings.

The approach of the weighted score method is fairly simple. First an extensive list of factors, or quality dimensions, is created. These are the criteria used to measure the quality of several MBA programs. To unify all the quality dimensions into a single one (“overall quality”), weights are assigned to each factor. If one quality dimension is considered more important than another, it gets a higher weight. The weights are scaled so that the sum of the weights equals one, that is, the weights used are percentages. The next thing is to determine a score for each MBA program on each factor. The scores are nothing else than the raw data. For instance, if a certain MBA program has 57 full-time faculty members, then the score for that MBA program on quality dimension “number of full-time faculty members” is 57. Once all the raw data are collected, the number crunching starts. First the scores on the various factors need to be reworked so that they are commensurable. Then for each MBA program the scores are multiplied with the weights assigned to the associated quality criterion. This leads to a weighted score for each MBA program. Finally, the MBA programs are ranked according to their weighted score.

## Ten Reasons Why Rankings Are of Limited Value

The first eight points raised below are closely related to the elements of the weighted score method, that is, quality dimensions, weights, scores, and calculation scheme. (Please note that the various ranking organizations each have their own set of quality dimensions. Some of the issues raised do not apply to all rankings equally

strong.) The final two points relate more to the overall usage of MBA rankings. Needless to say, the points are not listed by order of seriousness.

**Reason #1: Many quality dimensions do not make sense.** Many of the quality dimensions are really up to discussion. For instance, let us take the above-mentioned “number of full-time faculty.” The idea seems to be that if there is more faculty, then the student is better served. Obviously, this needs to be compared to the size of the MBA class. But even then, usually research and other programs at the business school also use up faculty time. So, “number of full-time faculty” is a poor proxy for “time spent with student” or “teacher availability.” And why should it be “full-time”? There are many reasons to have instructors at business schools that hold part-time jobs outside the school, in the “real” business world. Other examples of puzzling criteria are “number of women in the board” (no further explanation needed) and “Research output of the school.” Research output usually refers to papers in selected academic journals—those at the forefront of scientific development. Surely, such research can be of quite a benefit to the students if the instructor is able to translate the academic knowledge in understandable and workable ideas. But why does this knowledge need to originate from the business school in question? And let’s face it, an MBA program is targeted at managers (to be), not at academic researchers. Moreover, in many institutes the focus of faculty is on research so strongly that teaching an MBA class comes in second place. Therefore, scoring high on research output can, but certainly does not always, lead to a better MBA program.

**Reason #2: Missing factors.** In deciding which MBA suits candidates best, individuals look at factors such as “length of the program” and “cost of the program.” One could argue that cost is not a quality dimension. However, if one is really customer focused, defining quality as “value for money” would perhaps make more sense than simply leaving out the money factor like most rankings do. Similar remarks hold for the length of the program, simply because a shorter program would mean less opportunity cost.

**Reason #3: Predetermined weights.** Each ranking uses a single set of weights to

create the ranking. But anyone who deals with customers knows that different people want different things. So, each customer should be allowed to enter the weights to his or her own liking. Some find “salary increase” highly important, others are more concerned with “number of nationalities.” When you start to think of it, the weights assigned by the ranking organization are highly arbitrary. The key problem is simply because these weights are assigned by the ranking organization, not by the customers. If one considers this from the point of view of business schools, the same thing applies. Each MBA program chooses its own factors to excel in and therefore should be able to assign the weights according to their own strategic positioning. Obviously, it goes without saying that a different set of weights would lead to a totally different ranking. So, if we agree that the weights are arbitrary, the conclusion should be that the rankings are also arbitrary, at least to a very large extent. And, more seriously, they do not provide the stakeholders with relevant information.

**Reason #4: Scores provided by recruiters are not trustworthy.** Basically, there are three parties that deliver data to the ranking organization, namely, company recruiters, MBA alumni, and MBA schools. Let us start with the recruiters. Can they really provide good information about the quality of MBA programs? The answer must be—absolutely not. They might have recruited a couple of graduates from two or three schools. They probably have a clear opinion about how these people perform in their organization. But is this telling us anything about the MBA program? Well, maybe yes, but only if the sample is large enough. And it hardly ever is. And most certainly they will not be able to compare more than three schools. So, how do these recruiters reach their conclusions? Usually by talking with colleagues at social events or seminars and not by a thorough value-free investigation. In fact, it can be claimed that the most important input for the recruiters’ opinion is the previous ranking. A perfect example of a self-fulfilling prophecy.

**Reason #5: Scores provided by alumni are not trustworthy.** Of course the alumni are the best judges of the value and quality of an MBA program. After all they are the

---

ones that really lived the program and saw its value on the labor market. But the MBAs cannot compare their program with others since, obviously, they only experienced the one program. The problem for the rankings is that many MBA alumni feel that the value of their degree depends on the ranking. After all, if your MBA program is of a high quality, you are more attractive to employers. So, when alumni fill out the questionnaire from the ranking organization, they have a huge incentive to make their MBA program look good. Undoubtedly, some alumni juggle with the dilemma between expressing their honest opinion and real facts on the one hand, and providing data that pushes their MBA higher up the list on the other hand. Forecasting what each alumnus will do with this dilemma is an impossible task, and therefore the ranking results sometime look more like an outcome of a random number game than anything else.

**Reason #6: Scores provided by business schools are not trustworthy.** Clearly, schools have many incentives to look good in the rankings. It has to be admitted that however clear the instructions given by the ranking organizations are, there is a fairly large gray area between giving accurate information and providing data that will help you move up in the ranking. Take, for instance, the list of faculty. The MBA director's favorites in this respect are not the faculty that perform best in class, but the full-time, female, international faculty members with a PhD. Whether these professors actually teach in the MBA is less of an issue. As mentioned earlier, many business schools now have committees whose sole purpose is to submit data to the ranking organizations so that the MBA ranking is as high as possible, without running too high a risk of being caught cheating should their entry be reviewed. Worse still is that some schools have a larger gray area than others do. Examples are known of private business schools that are remotely connected to a public university who use the selected research output of that university in their submission even though the researchers themselves never set a foot inside the business school.

**Reason #7: Rankings are highly sensitive to individual scores.** It is well known that there are a couple of top schools that do well whatever the measuring method

is, and similarly there are schools that are in the second and third tier. However, differences between the schools within a group are usually very small. Since the rankings insist on creating a neat list (rather than categories), the sensitivity to individual data is extremely large. Growing the list of research publications by two articles or finding one unhappy alumnus among your group of respondents can easily move you 10 places up or down in the rankings. So, whether you are 63rd or 36th on the list can be due to quality, but also due to bad (or good) luck. In other words, the exact ranking is not to be taken very seriously.

**Reason #8: Number crunching method obscures results.** Surprisingly, the ranking organizations do not provide full insight on how exactly the raw data are transferred in commensurable scores. Not even the final weighted scores are provided. Everybody who has ever worked with the weighted score method knows that this transfer is not as straightforward as it seems and therefore leaves considerable freedom to the model-builder. Lack of transparency in this regard adds significantly to the arbitrary nature of the end-results. This is particularly bad in combination with the previous point as the calculation scheme can sometimes be more influential than the actual data, especially if the differences in the results are small. In other words, the ranking frequently says more about the (unknown) calculation scheme than about the quality of the MBA programs.

So much for the methodology. It should again be stressed that many of the points cannot be repaired, as they are fundamental to the approach used. As the flaws mentioned are so serious and cannot be easily remedied, the only conclusion should be that MBA rankings are of limited value.

The following two points are more general of nature and stem from the fact that MBA rankings have such a high influence.

**Business schools are tempted to do well in the rankings rather than doing their real job.** Of course all MBA programs want to belong to the top. Not fully taking into account the above mentioned points, some business schools are tempted to define "the top" as being high in the rankings. This can have serious side-effects. From a rankings point of view, candidates with a high pre-

MBA salary are not very attractive and can be rejected from the program (even if they otherwise would be strong candidates), simply because their leap in salary after graduation is likely to score low in the ranking survey. Or, schools may not admit candidates from third-world countries who intend to go back to their home country because their post-graduation salaries would be relatively low; for the same reason, schools might pass on people who want to start their own company and thereby opt for relatively low starting salaries. Similarly, schools might set admission quotas, limiting the admission of local students to maintain international diversity so that the schools look good in the rankings. The sad thing is that schools who follow this tempting but questionable strategy are often rewarded by getting the desired upswing in the ranking, as well as the associated prestige.

**Rankings contribute to the bad image of MBA graduates.** If we take the previous point one step further, it is no wonder that MBA graduates have a bad image among many people. Frequently heard complaints about graduates are that they are superficial, greedy, and tend to focus on numbers rather than people. To these critics, MBA stands for "Mediocre But Arrogant." Indeed, if we look at the quality dimensions used in rankings, there is an enormous bias towards having successful careers, where success stands for a high position and a lot of money. As the U.S. schools are leading the pack, schools elsewhere feel at least some pressure to copy this approach by focusing on similar aspects. Due to the rankings, there seems little opportunity for differentiating towards education for a more meaningful career, where social responsibility, sustainable business, entrepreneurial spirit, and business ethics are more important than a company car, options, and bonuses. Such nonfinancial values do not appear in the rankings and therefore are not considered important.

## Discussion

So, the conclusion is that MBA rankings do not add value to the stakeholders and do not help the participating schools in the right direction. Reading this, your likely reaction is: "Surely there must be some-

thing good about MBA rankings? It can not be all bad." Well, yes and no. There actually is one thing good about rankings—they are very appealing and easy to read and understand (at least at a superficial level). If you go to your 80-year-old grandmother and tell her that you are admitted to one of the top 20 MBA programs in the world, she is likely to be very proud of you. At face value the rank of an MBA program is easy to understand and communicate. A ranking makes the very complex world of business schools and MBA programs deceptively easy to understand for a relative outsider. This is good as not everybody has the time to really conduct a detailed investigation into what is available in the MBA market. The fact that ranking organizations are not associated to the MBA programs makes them more-or-less independent observers, which contributes heavily to the perceived objectivity of a ranking. This is what makes rankings so popular. After studying a rankings list for five minutes, one feels fully updated on a matter that would otherwise take weeks to investigate. And this is exactly the reason why business schools participate in the MBA rankings. After all, they are invited by the ranking organizations and therefore free to enter or not. Rankings matter to the potential students, to their family and employers and to the recruiters. Right or wrong, customers value MBA rankings. And if you learn one thing at business school it is that if something is important to customers, it is of utmost importance to you. Moreover, the ranking is one of the really few quality aspects that are easy to communicate. But that is it. That is the only good thing about MBA rankings.

Arguing that MBA rankings are of limited value is one thing, but what are reasonable alternatives? One very attractive alternative is MBA accreditation. International independent bodies such as the Association of MBAs (AMBA) and the American Assembly of Collegiate Schools of Business (AACSB) have put together a set of widely shared quality criteria that MBA programs must satisfy in order to receive their accreditation (for a limited number of years). Only the better MBA programs are eligible for such an accreditation. The drawback of this method is that an accreditation is a binary variable, either you have it or you do not get it. Apart from

MBA accreditations, other alternatives are not really available. This is remarkable because, at least from a theoretical perspective, alternative schemes of semi-rankings and a further differentiation of accreditations are not difficult to develop. Some ideas that immediately spring to mind are introducing a "Michelin-guide for MBAs" (assigning 0-3 stars to each MBA program) or using a technique called Data Envelopment Analysis (DEA) (see, e.g., Cooper et al., 1999). The ranking organizations and accreditation bodies should be challenged to work in this direction. This surely would benefit all parties involved.

## Conclusions

In this article it has been argued that the methodology underpinning rankings has many fundamental flaws. From a more scientific point of view the only conclusion can be that rankings are of limited value. Yet, rankings are very popular with potential candidates, students, alumni, and recruiters. They do provide an easy-to-read access to the complex world of MBA programs. Rankings are superficially appealing, but they are also potential misleading, as hardly anybody is really interested in the underlying methodology. It also has been argued that, apart from the already well-established MBA accreditations, there are no alternatives available. So, where does that leave us? Here are some conclusions for the various stakeholders.

**Ranking organizations.** This paper is not to be read as a complaint against the rankings per se. The better-known rankings are thorough and well organized. In a way, one should be happy to have independent bodies going through the effort of collecting and organizing all the necessary data and making these available to the larger audience. Although further improvements are appreciated, these people are not to be blamed. It is not fair to expect that ranking organizations downgrade or even stop their commercial successful activity. That would be similar to relying on cigarette manufacturers to give extensive health warnings to their buyers.

**Users (MBA candidates and recruiters).** In selecting an MBA program or recruiting an MBA alumnus, the ranking of the MBA programs should only take a minor role. Candidates should learn to recognize that a quality MBA program is one

that is going to help each individual to achieve his or her aims. Therefore, selecting an MBA program requires an analysis of such personal aims as well as a detailed study of goals, contents, structure, and atmosphere of various MBA programs. Recruiters should feel encouraged to have a more open mind towards individual MBA graduates and not put too much emphasis on the ranking of the school they attended.

**Business Schools.** Somehow business schools are caught in the "ranking game." Stepping out is not really an option, as one would disappear from the list and lose recognition. In a way, schools cannot live with ranking and cannot live without them. So schools are perpetuating the rankings game. However, despite all the critical remarks made in this paper, there is absolutely no need to step out. It is not the rankings that are to be stopped, but the way they are seen by the larger audience. Rankings should be seen for what they are, an interesting exercise that is not to be taken very seriously. Giving "health-warnings" is not the task of the ranking organizations nor of the users. It is the job of the business schools to educate their candidates and recruiters. First, they should stop using rankings as such a dominant marketing tool. Instead, schools should help individuals learn how to recognize and judge the quality of their MBA program. And they should make it very clear what the aims of their MBA program are. Business schools have the difficult task to actively conform to the rankings requirements and at the same time downplay the ranking results (even if they turn out to be favorable) and stay true to their own values. In short, schools should do more of what is said in their core mission: they are there to educate people.

## Acknowledgment

*This paper was considerably improved through the valuable and constructive feedback I received from many colleagues within Universiteit Nyenrode.*

## References

- Cooper, W. W., Seiford, L. M., & Tone, K. (1999). *Data envelopment analysis*. Kluwer Academic Publishers.

See **MBA RANKINGS**, page 13

it is important to draw the line in the sand very early in the process regarding the amount of taking that will be tolerated. When that line is crossed, it is time to seek a new career, because you will know that further pursuits of excellence will not be supported. I have been fortunate to work with a university president who understands the importance of autonomy, support, and entrepreneurial activity by individual school deans. If you find yourself in an organization with the uniform mediocrity affliction, it is time to consider alternative career choices.

**Have fun in your organization.** The underlying tenor of your organization should be to have fun. Faculty should enjoy what they do. Staff should enjoy their jobs. You should enjoy yours. Don't take yourself or your organization too seriously. Great things happen when people are having fun.

To be sure, these thoughts don't provide a complete blueprint for success in academic administration. Other things are, perhaps, even more important—such as recruiting the right staff and faculty members, supporting faculty research agendas,

supporting and encouraging the teaching mission of the faculty, attracting the best and brightest students, challenging everyone (faculty, staff and students) for excellence, and securing the resources to pull it all off. But these ideas do have considerable merit as you work to build a great organization. ■

*Feature Editor Krishna S. Dhir invites papers, essays or notes for the Deans' Perspective feature column from administrators and faculty members. It is hoped that this column will become a thriving forum for dialog among our readers on issues pertaining to academic leadership. It offers an opportunity to administrators and faculty members alike to speak their minds on any and all aspects of the various leadership issues confronting them. Articles may be of any length up to a maximum of about 2500 words.*

**Krishna S. Dhir**, Feature Editor  
Dean, Campbell School of Business  
Berry College  
(706) 238-7942 or (706) 346-5066  
Fax (706) 802-6728  
kdhir@berry.edu

## DSI Online Membership Directory Is Available to All Institute Members

To access the DSI online membership directory, point your browser to:

<http://decisionsciences.org/directory/auth.asp>

Log in using your email address and membership number as password. If you do not remember your membership number, you can have the system send your password to you from the authentication page. If you have not registered an email address, contact us at [dsi@gsu.edu](mailto:dsi@gsu.edu) with your membership number and email address, and we will update your profile for you. Once you are logged in, you can also update your own profile. ■

### MBA RANKINGS, from page 10

Corley, K., & Gioia, D. (2000). The rankings game: Managing business school reputation. *Corporate Reputation Review*, 3, 319-333.

Dickson, T. (2001). Ranking the rankers. *European Business Forum*, 7, Autumn.

Schatz, M. (1993). What is wrong with MBA ranking surveys? *Management Research News*, 16(7), 15-18.

Slack, N., Chambers, S., & Johnston, R. (2004). *Operations management* (4th ed.). Financial Times, Prentice Hall.

Zimmerman, J. L. (2001). *Can American schools survive?* Working paper No. FR 01-06, Simon School of Business. ■

**Shawnee Vickery**, Feature Editor  
Broad Graduate School of Management  
Michigan State University  
vickery@msu.edu

## Decision Sciences Institute Budget Summary FY 2004-2005

July 1, 2004-June 30, 2005

### Revenues Summary (Exhibit II)

Publications	\$ 53,554
Membership Revenues	220,488
Convention	374,908
<b>Total revenues</b>	<b>\$648,949</b>

### Expenses Summary (Exhibit III)

Publications	\$86,558
Member Services	280,958
Convention	280,264
<b>Total expenses</b>	<b>\$647,780</b>
Net Revenue Over (Under) Expenses	<u>1,170</u>
Plus Depreciation Expense (Not a cash expense)	<u>8,040</u>
<b>Net Revenue Over (Under) Cash Expenses</b>	<b><u>\$9,210</u></b>