



# The rankings game: and the winner is . . .

The rankings  
game

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## Abstract

**Purpose** – The purpose of this paper is to assess the value of the media rankings of business schools from the perspective of students, business schools and the media.

**Design/methodology/approach** – The paper analyses the rankings given to various schools by various publications.

**Findings** – The media rankings give the perception that there are more significant differences between similar MBA programs than actually exist. Indeed, many times it is the arbitrary weighting assigned by the media to the variables in the ranking rather than the quality of the school that accounts for differences across similar programs. A more accurate description of quality would be obtained by rating schools in groups of programs of similar quality.

**Originality/value** – Business school applicants can utilize media rankings to identify the top 100 MBA programs but should not base their decision between different programs on a specific ranking of one school relative to another. Rather, the applicant should examine the raw data behind the ranking, along with many other non-quantitative factors, in assessing which is the program best matches their particular interests and aspirations.

**Keywords** Business schools, Performance measures, Information media, Students, Data analysis

**Paper type** Viewpoint

## Introduction

With the twentieth anniversary of media rankings of business schools on the horizon, it seems a fitting time to reflect on their impact. Much has been written on the value of the rankings and, not surprisingly, there are a variety of opinions (see, for example, Corley and Gioia, 2000; Tracy and Waldfogel, 1994; Trank and Rynes, 2003; Policano, 2005; Schatz, 1993). For the most part, there are two divergent points of view: the media feel the rankings have added positive value and academia, on balance, feels the opposite. This conflict is not new and is easily understood; after all, the two parties have different objectives. The media are attempting to maximize profits – certainly not an objectionable goal. Academia wants statistical validity, robustness and accurate measures of quality – also not objectionable goals. While there is a common ground for achieving these objectives, to date little overlap exists and little hope exists for finding a common ground in the future.

As would occur in any successful industry, the profitability of the rankings has drawn in a host of new entrants, especially over the past decade. This proliferation of media rankings has itself had some profound impacts. With an almost monthly release of the latest ranking by some magazine, newspaper or organization, it is only natural that the marginal value of any one ranking has diminished. There is now so much data readily available and so many rankings that there is little news left to be uncovered. This proliferation has challenged both new and existing players to find something different to measure. One positive result for business schools is that every school is



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now assessed on so many different dimensions that there is always some measure and some ranking that makes the school shine. The proliferation of rankings now allows 20 schools to tout that they are in the top ten and at least 50 to boast that they are in the top 30.

While the marginal impact of any one ranking has diminished, the overall impact is still significant. Here we discuss whether the rankings have added significant value to either:

- provide guidance in the MBA applicant's decision process; or
- improve the quality of the learning environment in business schools.

### **The value of rankings**

There is no doubt that the rankings add value to the applicant's discovery process. The media provide information that helps perspective students identify a set of top programs from around the world. The more recent rankings deriving from media in Europe and Asia have been especially helpful to raise awareness of schools outside the USA, which dominated the initial rankings reports. But how much do the rankings add in the way of accurate, relevant information to help applicants choose between specific programs?

One effect of the rankings has been to influence applicants to place more emphasis on variables like perceived prestige rather than on variables like the quality and relevance of the curriculum. In business schools throughout the world, applicants at some point in their application process will inform the MBA Admissions director of the following:

I am deciding between your program and one that is ranked 5 (to 10) places higher. I am leaning toward their program because of their ranking.

This statement highlights several potentially harmful impacts of the rankings. First, the applicant has been led to believe that there are more differences than actually exist between schools ranked within five or ten places of one another. Second, given this typical behavior of an applicant, schools spend significant resources to attempt to close trivial differences between themselves and competing schools in variables used in the rankings. Often this expenditure does little to improve overall program quality.

To examine the extent to which the rankings provide helpful information in the applicant's decision process we use the raw data behind the construction of one of the rankings (that is, unweighted actual school data). *US News* makes this data readily available while many other media rankings do not, and thus we use the *US News* data below (see *US News and World Report*, 2006). The results should be similar for all the rankings since the implications are based on the fact that little variation exists in the data for schools within clusters.

Consider variables like average GPA or average GMAT that *US News* uses as measures of student quality. The difference in the *US News* Top 50 between the highest and lowest data points for both these variables is less than 14 percent. The employment percentage with months follows a similar pattern: with two exceptions, all of the top 50 schools place between 87 and 97 percent of their students. The difference in these variables within a smaller band of schools is even less significant. So, for example, should a prospective student choose the school that *US News* ranked fourth, which we will refer to as School A, or the school ranked sixth, which we will refer to as

School B? Certainly, *US News* would have you believe that the data suggest School A is better than School B. A closer look at the data shows that A had an average GMAT equal to that of B and an average GPA that is lower (3.45 compared to 3.5). This minor difference alone should make the applicant dubious about the relative rankings. But interestingly enough, School B had a higher employment percentage both at graduation and at three months. So how is it that School A is ranked more highly than School B? As with all media rankings, *US News* arbitrarily selects weights for the variables included in their ranking. In this case, it turns out that the reputation factors are one tenth of one point higher for A than B. *US News* arbitrarily assigns a relatively large weight to reputation and thus A is ranked more highly than B.

What would happen if different weights were chosen? Would schools stay in their same relative position or would there be significant differences in the ranking? In other words, how robust are the rankings in *US News* or in any ranking? As we will see below, changing the weights can have a significant impact.

Table I is based on *US News* data. The first column shows the *US News* ranking. The second column shows the results if instead we choose a different but reasonable alternative weighting scheme where the variables are equally weighted. Let's again ask the same question: should an applicant choose the school ranked fourth by *US News* over the school ranked sixth? *US News* says it is a better school. But with equal weighting, the school ranked fourth falls to sixth and the school ranked sixth rises to third. Now, what should the decision be?

<i>US News</i> rank	Rank with equal weights	<i>US News</i> rank	Rank with equal weights
1	1	26	28
2	2	26	34
3	4	28	25
4	5	29	26
4	6	29	46
6	3	31	23
7	7	31	31
7	8	31	38
9	10	34	27
10	9	34	29
11	12	34	32
11	14	34	42
13	11	38	37
13	13	38	41
15	15	38	43
16	16	41	35
16	18	41	36
18	17	41	45
18	19	44	39
20	30	44	47
21	24	46	40
22	21	46	44
23	20	48	48
23	22	49	49
23	33	49	50
		49	51

**Table I.**  
The effect of equal  
weights on the *US News*  
ranking

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Better yet, one might reasonably conclude that the schools ranked by *US News* in the 20s are better than schools ranked in the 30s. But, as Table I shows, with equally weighted variables, three schools that *US News* ranks in the 30s jump into the 20s and three schools ranked in the 20s fall into the 30s. So, what sense does this ranking make when another arbitrary, yet plausible, set of weights causes significant changes in the ranking?

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The same criticism applies to any ranking: attempting to draw definitive statistical differences, i.e. attempting to assign a point estimate to each school's ranking, is misleading and can cause the applicant to overestimate the differences between schools in the same statistical cluster. In the above example, students may be swayed to attend a school ranked 23rd when in fact a school ranked 31st, with a reasonable change in the weights, would have ranked higher. The applicant who makes this decision is basing the decision more heavily on the choice of weights by *US News* than on real differences in the programs.

How can the media make their results more robust and more helpful to students? The answer is straightforward. The media should rate schools, say on a 1-5 star basis, rather than rank them. For example, the top 20 schools globally would receive five stars, the next 30-40 would be given four stars, and the next group, say up to 100, would receive three stars. And the media could go further and identify the next cluster that would receive two stars.

When you recognize the misperceptions that rankings can cause, you would imagine that the media would want to correct this deficiency. But they don't. And why they don't became apparent to me during a conversation that I had with the editor of one of the rankings publications. Basically, I suggested rating, not ranking schools. Of course, there would be less change from one year to the next and thus less perceived news associated with any newly released rating and thus, less public interest. But ratings would provide a more accurate portrayal of the relative quality of programs. The editor responded emphatically they would never adopt any change that would decrease circulation. An interesting response – profits above accuracy. It certainly doesn't seem that, in the rankings game, prospective students are winners.

The conclusion is that business school applicants can utilize media rankings to identify the top 100 MBA programs but should not base their decision between different programs on a specific ranking of one school relative to another. Rather, the applicant should examine the raw data behind the ranking, along with many other non-quantitative factors in assessing which is the program best matches their particular interests and aspirations. Rating schools would automatically induce students to follow the above strategy; rankings on the other hand can result in poor decision-making.

Have business schools benefited from the rankings game? Again, there have been positive impacts in terms of increased awareness of programs. But as the internet has grown along with GMAC's Pathfinder, AACSB's website and extensive school websites, the need for the media to provide information has diminished.

Much has been written on possible adverse effects of rankings on business schools. I won't summarize these effects here – the references cover these issues well. But one significant point is that the rankings game is a very expensive game to play. Today almost every major business school spends significant sums on marketing that would otherwise not be necessary if it were not for the existence of rankings. A further point

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that is rarely discussed is that every major business school employs staff members whose main responsibility is to respond to data requests from the media. This data is available on business school websites and could be collected directly by the media, but the media have pushed this task and the associated cost onto business schools. My estimate, based on a recent informal survey of several public university business schools in the USA, is that the extra marketing and reporting cost associated with the rankings is the equivalent of 3-4 tenure-track faculty members. The implication is that there are 12-16 courses each year that every top school could offer to students; instead they spend these resources on reporting data to the media and on their rankings strategy. In the rankings game, it is difficult to see business schools as net winners.

### What's next?

The media have had too much control; as I have discussed elsewhere (see Policano, 2005) academia has numerous initiatives underway to make easily accessible, accurate data available and to work with the media to make the rankings more accurate and a better reflection of quality. At the same time, some schools are opting out. Wharton has recently announced initiatives to improve their already excellent MBA program in spite of the fact that these changes would probably hurt their student satisfaction rating and damage their ranking. Quality over rankings – a very bold step. And both Harvard and Wharton have opted out of *Business Week*; they care more about their student's rights of privacy than they do about appearing in the ranking. Another bold move. Over time, academia will exert more control. The movement is just beginning.

Moreover, every new entrant into the rankings game diminishes the impact of every existing ranking. Still, the rankings are here to stay but, over time, the media will recognize that it is in their best interest to provide a more accurate depiction. There are many high quality business schools globally. Not just the 50-100 picked out by the media. In the end, we should all recognize that it doesn't matter who is number one or five or who is 25 or 35. What matters is the ability of business schools to create and study new business practices and strategies, to facilitate the process of innovation, to work with the business community to enhance productivity and to produce future leaders who can provide for sustainable growth and a better world economy and society. There are many business schools that are performing excellently on these dimensions. Now, a rating that measures this value-added activity of business schools is a rating we would all like to see.

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