Journal of Executive Education

Volume 7 | Issue 1 Article 1

October 2013

An Exploratory Analysis of the Impact of Price on the Search and Selection Process for Executive MBA Programs

Francis Petit
Fordham University, petit@fordham.edu

Follow this and additional works at: https://digitalcommons.kennesaw.edu/jee

 Part of the Business Commons, and the Education Commons

Recommended Citation
Petit, Francis (2013) "An Exploratory Analysis of the Impact of Price on the Search and Selection Process for Executive MBA Programs," *Journal of Executive Education*: Vol. 7 : Iss. 1 , Article 1.
Available at: https://digitalcommons.kennesaw.edu/jee/vol7/iss1/1

This Article is brought to you for free and open access by DigitalCommons@Kennesaw State University. It has been accepted for inclusion in Journal of Executive Education by an authorized editor of DigitalCommons@Kennesaw State University. For more information, please contact digitalcommons@kennesaw.edu.

Journal of Executive Education, 7(1) (2008). pp. 1-14

An Exploratory Analysis of the Impact of Price on the Search and Selection Process for Executive MBA Programs

Francis Petit, Ed.D.
Assistant Dean and Director of Executive Programs
Fordham University
Graduate School of Business Administration

Abstract

The purpose of this research is to determine the role of price (tuition costs) and its impact for prospective students during the Executive MBA search and selection process. To determine this information, a survey was recently distributed and completed by current Executive MBA students enrolled in programs in the Northeast United States in which the students were asked to rate various attributes, in terms of importance, while they were searching and selecting a program. The main findings of this study indicate that price took on an increasingly important role during the program selection process, as opposed to the search process, however was not the sole driver impacting enrollment decisions. The conclusions of this study indicate that students are willing to pay the current market tuition rate and even a premium price so long as the academic institution has a powerful brand and offers a program format that is convenient and desirable for today's busy executive. The results of this exploratory study can have significant implications on pricing strategies for academic institutions as well as resource allocation for brand building and program development.

Introduction

The senior leadership of graduate schools of business administration within institutions of higher education are under immense pressure to build resources, improve rankings and grow revenues within each respective school. Deans, in their never ending quest to grow revenues, often turn to their Executive MBA Program in achieving these goals since these programs have become the most lucrative programs within their unit (Zell, September 2005). In addition, such programs, given their revenue generation potential and success, have been designed to be the net contributor of resources back to each institution (Simmons, Wright & Jones, 2006).

Executive MBA Programs incorporate a premium pricing strategy which has led to its revenue surge. The product itself is the Master of Business Administration degree offered in the executive style which includes significant "bells and whistles" above and

beyond the traditional full-time MBA or part-time MBA programs (Petit, 2005). Included in the tuition can be food, overnight accommodations for residencies, travel expenses for international residentials and laptop computers (Speizer, January 15, 2007). Such a strategy has led schools such as the University of Western Ontario and Queen's University in Canada to generate over $15 million per year in tuition revenue just from each school's EMBA Program (Canadian Business, November 11, 2002).

With this as a background, the purpose of this study is to determine if price (tuition) plays a dominant factor for prospective students in the search and selection process for these programs. What program and institutional attributes are important to prospective students during these phases and where does the price fit in? This study set out to answer these questions with the goal of determining effective pricing strategies for such programs.

It is the general belief and hypothesis of this paper that tuition price does in fact matter however students should be willing to pay more out of pocket for key attributes within these high priced programs. It is also a hypothesis that since students are in fact paying more of their own funds for these programs, the career services attribute will take on an increasing level of importance among Executive MBA students.

The Executive MBA Industry

The next section will discuss the statistics and indicators that illustrate the continued growth within the Executive MBA market. While on the surface there appears to be momentum and growth, there exists other indicators, more specifically the dwindling corporate financial sponsorship and the increased disparity of tuition prices that can have a significant impact on future pricing strategies for these programs. Below please find how this situation unfolds.

On face value, the Executive MBA market continues to be in the growth stage of the product lifecycle. This is especially true for programs outside the United States (EMBA Council, 2007). According to the Executive MBA Council, which is the international governing body for Executive MBA Programs, there exists data that supports this growth market. For example, according to the EMBA Council, 57% of programs worldwide are considering expanding their programs and/or establishing new satellite locations (EMBA Council, 2007). In addition, 84% of all non U.S. Programs were established since 1990 with over a 21% growth rate in private institutional programs since this time (EMBA Council, 2003). It has also been reported that there has been a 25% overall increase in admission applications, with the Northeast experiencing a 14% increase, and as a result of this surge, acceptance rates for these programs have decreased from 67% to 63% (EMBA Council, 2007). Mean Class (cohort) size, which has reached approximately forty three (43) students, has also seen an 8% increase within schools from the Northeast United States (EMBA Council, 2007).

The EMBA Council has also reported a very satisfied EMBA student customer. For example, research from the EMBA Council's Student Exit Surveys indicate that 99% of EMBA students would refer their programs to other prospective students (EMBA Council, 2005). In addition, 50% of EMBA graduates report new responsibilities gained as a result of program entry and about 33% of students received a promotion during their studies (EMBA Council, 2005). The council also reports that almost 80% of EMBA graduates indicate their value to their organizations increased as a result of entering their

program and on average, it takes seventeen months from the start of the program for a sponsoring company to gain its return on investment (EMBA Council, 2005).

Adding to this program satisfaction, mean salaries for 2007 EMBA graduates have increased 21% in two years to $130,056 (EMBA Council, 2007). These salary increases are up from $96,300 which was the mean salary for EMBA students in 2001 (EMBA Council 2003).

While all these statistics illustrates not only a potentially satisfied EMBA student as well as an industry that has experienced growth, there are other indicators that have emerged that are a cause for concern. For example, corporate financial reimbursement policies for such programs have experienced decreased support. This can be seen in 2001 when 44% of all EMBA students were 100% financially sponsored and only 9% were self financially sponsored (EMBA Council, 2003). In 2007, full corporate financial sponsorship has decreased to 33% with an increase in self sponsorship to approximately 33% (EMBA Council, 2007). In essence, what the market is dictating is that there exists an increased amount of corporations unwilling to pay full freight for such programs with the increased financial burden placed on the students. Such a burden, according to Ethan R. Hanabury, Associate Dean for EMBA Programs at Columbia Business School, has created the biggest change impacting the overall EMBA market (Speizer, January 15, 2007). Yet this burden is not negatively impacting volume as applications, as indicated earlier for such programs, have increased.

In terms of pricing, the five New York based schools are prime examples of the tuition disparity phenomenon that is occurring. Four schools in this area are private institutions and the total tuition price for each of these programs are $133,200, $128,000, $122,400 and $77,500 respectively according to each school's web site during the Fall 2007 term. The fifth school, which is a public institution, has a total price of $63,500.

Overall, these select schools in the New York market, like many EMBA markets, have a vast disparity in pricing for these degree programs. This coupled with the fact that companies are paying less and less full freight for such programs as well as the anticipation of new programs emerging in the marketplace are causes for concern.

While there is no exact rule of thumb on how to price such programs, one position is that tuition should not exceed the current and expected mean salary of students enrolled in such programs (Scalberg, Spring 2001). As a result, since mean salaries for students enrolled in these programs are generally high, the tuition should be earmarked as such. While this strategy appears to be logical, one cannot ignore the potential impact of these new market developments from a strategic and tactical program pricing perspective.

Therefore, on face value, the EMBA market continues to appear to be in the growth stage of the product lifecycle and as a result, there is a big imperative and strong financial motive for institutions of higher education to grow such programs for expanded revenue and inevitably resources for a school (Jahera, 2006). However, it must be noted that the pricing strategy for such programs may have to be re-evaluated given the new market conditions. Therefore, determining the critical attributes that impact prospective students' decisions during the EMBA search and selection process is of critical importance from a program management, execution and pricing perspective.

Methodology

During the Fall 2007 and Spring 2008 academic terms, fifty (50) Executive MBA students enrolled in programs based in the Northeast United States, who were randomly

selected, completed a survey to determine the key attributes that led to the decision of their enrollment (survey instrument attached). The sample included a broad spectrum of programs including Tier I institutions ranked within the Top 25 within the *2007 Financial Times EMBA Program Ranking* edition plus programs not ranked within the Top 75 within this publication.

The sample also represented a broad range of tuition prices including premium priced programs costing over $124,000 to programs priced in the $50,000 to $60,000 range.

In terms of the sample set, the mean age of the respondents was 33 and the mean years of work experience was ten. Seventy percent of the respondents were male which closely mirrors the gender composition of all EMBA programs within the current market (EMBA Council, 2007). The mean total salary of the respondents, which includes annual base salary plus bonus, was approximately $135,000.

The total salaries within the sample set ranged from as low as $65,000 to $250,000 which illustrates the broad range of industries within the sample including finance, accounting, management consulting, pharmaceuticals, insurance, automotive, wine and spirits, telecommunications, entertainment, package goods, real estate, non-profit and government. What is interesting to note of this sample is that approximately one third of the respondents were fully financially sponsored by their organizations, one third were partially financially sponsored while one third were self sponsored which once again closely mirrors the industry sponsored statistics by the EMBA Council (EMBA Council, 2007).

Approximately half of the respondents who were partially sponsored received between 25% to 49% of total tuition support while the remaining half received less than 25% support of tuition costs. This is very important to note in that the students who received partial tuition support received only half or less tuition sponsorship from their employer thus requiring a significant financial burden from the student's perspective. Lastly, when rating the tuition sensitivity on a one to five scale (1=not tuition sensitive; 5=very tuition sensitive) at the point of selection, the mean score in terms of tuition sensitivity was a 3.06 out of a 5.00. This potentially illustrates that regardless of the current state of the corporate financial support for these programs, students in the sample did not consider themselves neither tuition sensitive nor tuition insensitive.

Furthermore, each of the respondents were asked to evaluate, on a one to five sale (1=not important at all; 5=extremely important), the institutional attributes that were deemed important during the Executive MBA search and selection process. The attributes that were included for the students to evaluate on this survey during both phases can be seen below under the following headings:

Academic Attributes	**Non Academic Attributes**
Program Focus	Program Format
Cohort Focus	Program Location
International Trip	Brand Value of Institution
	Length of Program
	Program Price
	Experience During Selling Process
	Career Service Offering

The remaining questions on the survey were demographic in scope. A tally of the attributes was taken from the corresponding questions and subsequent means were determined for the questions in the study. In addition, further analysis ensued to determine statistical validity of the findings.

Results

Table I indicates the ranking of attributes that were important to students during the EMBA search process. The students rated the following five attributes, in order, as their principal attributes of importance when searching for EMBA Programs.

1. Program Format
2. Brand Value of Institution
3. Program Location
4. Length of Program
5. Program Price

When searching for Executive MBA Programs, the results indicate that *Price* only ranked as the fifth most important attribute. Other attributes such as *Program Format, Brand Value of Institution, Program Location* and *Length of Program* were more critical in the search process. The results indicate that at least during the search process, the students surveyed, were exploring many options and were very attracted to the *Program Format* and *Brand* of each program in the marketplace. Adding to this, and as can be seen within the Appendix, the results of these top five rated attributes have attained significance level, within the sample of fifty (50) students, as seen with the p-value of this test statistic.

What is interesting to note in Table I is that the *Career Service Offering* attribute ranked last in importance of all attribute choices during the search process. While this finding was not statistically significant, one possible reason supporting it is that each student surveyed, when searching for EMBA Programs, were fully employed and were not looking, at least at that juncture, to immediately utilize the *Career Service Offering*. However, as previously stated within the hypothesis, this attribute should potentially take on a more important role during the selection process.

The results however differ when it came time to selecting a program as can be seen in Table 2. Below find how the students rated the attributes of importance during the selection process of EMBA Programs.

1. Program Format
2. Brand Value of Institution
3. Program Price
4. Program Location
4. Length of Program
6. Cohort Format

When selecting Executive MBA Programs, as seen with the sample set of fifty (50) students, *Price* took on a more significant role and ranked third among all attributes surveyed behind *Program Format* and *Brand Value of Institution*. This is further reinforced by the significance level of the p-value of the test statistic. The major decline

in industry wide full financial sponsorship, as indicated earlier, could be the main factor for the surging importance of price. This result supports the initial hypothesis stated earlier that *Price* does in fact matter however there are other attributes, such as *Program Format* and *Brand Value of Institution,* that prospective students are willing to pay a higher price for so long as these attributes are attractive.

With an increased percentage of students covering a higher amount of tuition themselves, it is natural to think that *Price* does in fact matter. This is especially true with the sample set as it contained 33% of the students fully financially sponsored, 33% of the students partially financially sponsored and 33% of the students self financially sponsored. In addition, of the students that were partially financially sponsored by their institutions within the sample, all of them received less than 50% reimbursement of the total tuition price from their employer. This further potentially reinforces why *Price* took on an increasingly important role in the selection process.

Interestingly though, *Price* at the point of selection, was not more important than the *Program Format* and the *Brand Value of Institution* which indicates that students are interested in a specific/convenient program format as well as the market perception of the brand and are willing to pay more out of pocket for those attributes.

It should also be noted that the *Career Services Offering*, during the selection process, took on an increasingly important role as it moved from the last ranked attribute during the search process (10 out of 10) to the seventh ranked attribute when it came time to select an institution. While not statistically significant, the *Career Service Offering* has taken on an increasingly important role during the selection process. Overall, additional statistical exploration will need to be done, as a result of the p-value as seen in the Appendix, to determine if this is a statistically significant trend.

When companies were fully financially sponsoring students, University's did not offer career service options to EMBA students as this may in fact alter the institution's relationship with the sponsoring company (Petit, 2006). Now that there exists dwindling corporate financial sponsorship, this increased importance at the time of selection may indicate that students are very interested in taking advantage of the *Career Service Offering* and hence institutions must potentially devote more resources to this area.

Conclusion

The Executive MBA market is changing. Among these changes are an increased number of program options available, a more junior candidate interested in pursuing these programs and a steady dwindling of full corporate financial sponsorship over time. Consequently, determining the impact of *Price* (tuition), from an institutional perspective, during the search and selection process for prospective students, is of critical importance.

The results of this study indicate that *Price* does take on an increasingly important role during the EMBA selection process. However, it must be noted that *Program Format* and *Brand Value of Institution* edges out *Price* in terms of importance during the search and selection process. Not only that, the Executive MBA students surveyed did not consider themselves overly tuition sensitive at the point of selection as their mean for the question was only a 3.06 out of a 5.00 scale. Perhaps their mean salary of $135,000 diffused some of their price sensitivities.

What is interesting to note is the results of this study are similar to the results of the Second Annual Executive MBA Council Student Entry Benchmarking Survey released

by the EMBA Council in March 2008. Within this survey, it indicates that when selecting an Executive MBA Program, the "school's reputation" and the "program format" ranked as the second and third attribute behind "quality of faculty" which was not an attribute measured for this study. The EMBA Council's study indicates that "career services" ranked sixteenth in importance out of a possible seventeen attributes measured when selecting a program which is similar to the positioning of the Career Service Offering within the search phase of this study (EMBA Council, 2008).

As a result of these initial findings, institutions must continue to build their brand in the market, continue to effectively communicate the value of the offering to prospective students and offer a desired program format for today's busy professional. Focusing on these areas can potentially allow institutions to continue their current pricing strategies in the EMBA market even if full sponsorship continues to decline. Lastly, an increased institutional focus on career services for this segment may also bring about a more satisfied student which could possibly lead to future program referrals. It should be noted, however, that further research on the impact of *Price* on the EMBA decision process for prospective students as well as the importance of the *Career Service Offering* must be conducted especially since organizations are continuing to cut back on their reimbursement policies for these programs.

References

Berndt, T. J. (2002). Friendship quality and social development. *Current Directions in Psychological Science, 11*, 7-10. A Lesson in Business,"(November 11, 2002), *Canadian Business*, Toronto, Vol. 75.

Executive MBA Industry Trends and 2003 Research Results. (2003). *The Executive MBA Council*.

Executive MBA Rankings Issue. (October 23, 2007). *Financial Times*.

Jahera, John S. (2006). Education for the Educated: An Administrative Perspective. *Journal of Executive Education*, Vol. 5, Issue 1.

On Students' Minds. (March 18, 2008). *EMBA News-Quarterly Online Magazine of Executive MBA Council*.

Petit, Francis (2005). Incorporating Customer Experience Management Concepts within your Executive MBA Program.. *Journal of Executive Education*, Kennesaw State University, p. 65 – 78.

Scalberg, Enerst J. (Spring 2001). Lessons from China. *Selections*. Santa Monica, Vol. 1, Issue 1, pp. 6-10.

Simmons, Cynthia, Wright, Michael and Jones, Vernon. (2006) Full Costing of Business Programs: Benefits and Caveats. *The International Journal of Education Management*, Bradford, Vol. 20, Issue 1, p. 29-41.

Speizer, Irwin. (January 15, 2007). Back to School: Executive Programs See Resurgence. *Workforce Management*, Costa Mesa. Vol. 86, Issue 1, pp. 19-22.

The Impact of Executive MBA Education. (2005). *The Executive MBA Council*

Zell, Deone. (September 2005). Pressure for Relevancy at Top-Tier Business Schools. *Journal of Management Inquiry*, Thousand Oaks. Vol. 14, Issue 3, pp. 271- 275.

2007 Executive MBA Survey Results. (2007). *Executive MBA Council*.

APPENDIX

Table 1

Ranking of Attributes During Executive MBA Search Process

N = 50

Question: Please Rate the following attributes, in terms of importance, on a 1 – 5 scale, during your EMBA Program Search Process.

Scale
1 = Not Important at All
5 = Extremely Important

Attribute and Ranking	**Mean Score**
Program Format	4.58
Brand Value of Institution	4.42
Program Location	4.34
Length of Program	4.28
Program Price	4.22
International Trip	4.18
Cohort Format	4.02
Program Focus	3.98
Experience During Selling Process	3.84
Career Service Offering	3.74

APPENDIX

Figure 2

Ranking of Attributes During Executive MBA Selection Process

N = 50

Question: Please Rate the following attributes, in terms of importance, on a 1 – 5 scale, during your EMBA Program Selection Process.

Scale
1 = Not Important at All
5 = Extremely Important

Attribute and Ranking	**Mean Score**
Program Format	4.62
Brand Value of Institution	4.56
Program Price	4.46
Program Location	4.42
Length of Program	4.42
Cohort Format	4.24
Career Service Offering	4.10
International Trip	4.08
Experience During Selling Process	3.84
Program Focus	3.74

APPENDIX

QUESTIONNAIRE

(Survey Instrument)

N= 50

(20 current New York City EMBA Students interviewed in a qualitative format)

Question #1
When searching Executive MBA Programs, as a prospective student, please indicate which attributes were important for you using the scale below:

1=not important at all 5=extremely important

Attribute and Ranking	**1**	**2**	**3**	**4**	**5**
Program Format (One Weekend Per Month)	1	2	3	4	5
Program Location	1	2	3	4	5
Brand Value of Institution	1	2	3	4	5
Length of Program	1	2	3	4	5
Program Price	1	2	3	4	5
Program Focus	1	2	3	4	5
Cohort Format	1	2	3	4	5
International Trip	1	2	3	4	5
Experience During Selling Process	1	2	3	4	5
Career Service Offerings	1	2	3	4	5

Question #2
When selecting your Executive Program, please indicate the most important attributes that led you to select your program using the scale below.

1=most important attribute 5=least important attribute

Attribute and Ranking	**1**	**2**	**3**	**4**	**5**
Program Format (One Weekend Per Month)	1	2	3	4	5
Program Location	1	2	3	4	5
Brand Value of Institution	1	2	3	4	5
Length of Program	1	2	3	4	5
Program Price	1	2	3	4	5
Program Focus	1	2	3	4	5
Cohort Format	1	2	3	4	5
International Trip	1	2	3	4	5
Experience During Selling Process	1	2	3	4	5
Career Service Offerings	1	2	3	4	5

Question #3
Please indicate the percentage you are being financially sponsored by your company to attend this program.

- 100 % financially sponsored?
- 75% + financially sponsored?
- 50% - 74% financially sponsored?
- 25% - 49% financially sponsored?
- Less than 25% financially sponsored?
- Are you self financially sponsored?

Question #4
Please indicate your overall tuition (price) sensitivity when searching and selecting an EMBA Program.

1=not tuition sensitive 5=very tuition sensitive

Item	1	2	3	4	5
Tuition Sensitivity Ranking at selection point	1	2	3	4	5

Question #5
What is your annual salary?

Please Note: This question is to be completed anonymously. Please fill out your annual salary and enclosed it in the envelope provided and seal the envelope. The salary information will be processed once all of the surveys are completed.

Question #6
Sample Information.

Male or Female?

Your Age?

Years of Professional Experience (post BA/BS)?

Your Industry?

Thank you for completing this survey.

One-Sample T: Format_1, Brand_1, Location_1, Length_1, Price_1, ...

```
Test of mu = 4 vs not = 4


Variable            N    Mean   StDev   SE Mean       95% CI           T      P
Format_1            50   4.580   0.5746   0.0813 (4.4167, 4.7433)   7.14  0.000
Brand_1             50   4.420   0.731    0.103  ( 4.212,  4.628)   4.06  0.000
Location_1          50   4.340   0.798    0.113  ( 4.113,  4.567)   3.01  0.004
Length_1            50   4.280   0.904    0.128  ( 4.023,  4.537)   2.19  0.033
Price_1             50   4.220   0.815    0.115  ( 3.988,  4.452)   1.91  0.062
International Trip  50   4.180   0.896    0.127  ( 3.925,  4.435)   1.42  0.162
Cohort_1            50   4.020   1.040    0.147  ( 3.724,  4.316)   0.14  0.892
Program Focus_1     50   3.980   1.000    0.141  ( 3.696,  4.264)  -0.14  0.888
Selling_1           50   3.840   1.201    0.170  ( 3.499,  4.181)  -0.94  0.351
Career Services_1   50   3.740   1.242    0.176  ( 3.387,  4.093)  -1.48  0.145
```

Selection Process

One-Sample T: Format, Brand, Price, Location, Length, Cohort, Career Servi, ...

```
Test of mu = 4 vs not = 4


Variable          N    Mean   StDev  SE Mean       95% CI           T      P
Format           50  4.6200  0.6024   0.0852  (4.4488, 4.7912)   7.28  0.000
Brand            50  4.5600  0.6749   0.0954  (4.3682, 4.7518)   5.87  0.000
Price            50   4.460   0.788    0.111  ( 4.236,  4.684)   4.13  0.000
Location         50   4.420   0.810    0.115  ( 4.190,  4.650)   3.66  0.001
Length           50   4.420   0.810    0.115  ( 4.190,  4.650)   3.66  0.001
Cohort           50   4.240   0.938    0.133  ( 3.973,  4.507)   1.81  0.077
Career Services  50   4.100   1.055    0.149  ( 3.800,  4.400)   0.67  0.506
Int Trip         50   4.080   1.027    0.145  ( 3.788,  4.372)   0.55  0.584
Selling          50   3.840   1.201    0.170  ( 3.499,  4.181)  -0.94  0.351
Program Focus    50   3.740   1.242    0.176  ( 3.387,  4.093)  -1.48  0.145
```