



Team 3 - 2014

BA5801 – Industrial Organization
and Corporate Strategy

- Obtaining an EMBA at a **Top 50 US Academic Institution is economically justified** based on a positive net present value and reasonable return on investment and rate of return

Hypothesis

- Real forecasting of long term goals is extremely challenging in a program such as an EMBA
- Increased disconnection between career choices offered from employers and what the employees are seeking
- 35% of EMBA students pay their own way. About 30% receive full tuition reimbursement from their employers (down five percentage points from 2006). And the remaining 35% percent receive partial reimbursement
- Students' average salary at the start of their EMBA program was \$125,029, according to the survey of 3,348 students from 112 programs.
- Upon completion of the EMBA, students' average salary rose 9 percent to \$136,722. **Remember these numbers were recorded in the most severe recession since the Great Depression.** The graduating students, moreover, expected a payback period on the degree of some 49 months

Socioeconomic Scope

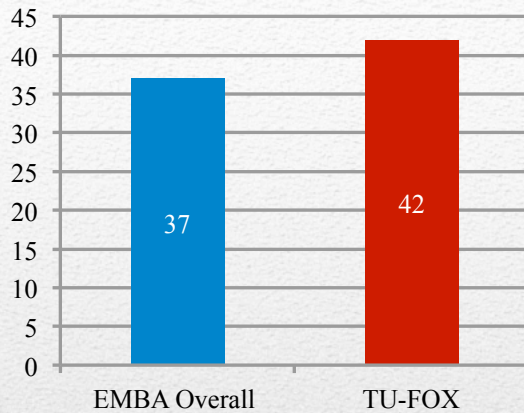
- Some Critics say that getting an EMBA is like getting a degree they don't need.
- “Business schools don't create successful people,” insists Kaufman. “They simply accept them, then take credit for their success. With heavy debt loads and questionable returns, MBA programs simply aren't a good investment—they're a trap for the unwary.” -Josh Kaufman, Author of the PersonalMBA
- **GETTING AN ELITE MBA IS LIKE BUYING YOURSELF A \$150,000 INTERVIEW**
- The biggest benefits of an EMBA program is the ability to network with other executives – to learn from each other, exchange ideas and make deep connections that last beyond graduation.

Socioeconomics Scope cont.

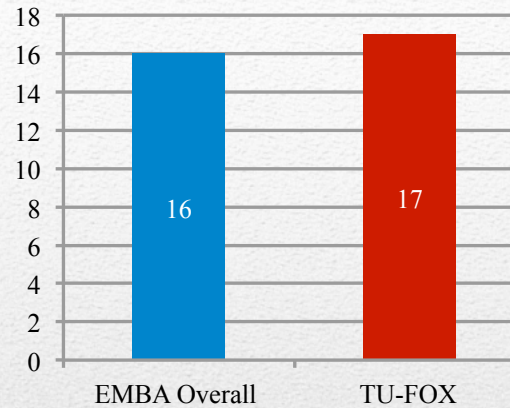
- Individuals usually get an EMBA to turbocharge their careers, however research suggest that one can achieve similar results with getting some certifications, building your network and last but not least professional association involvement
- Getting an EMBA is simply to keep up with the joneses
- Need to an an understanding of the EMBA in your organization. What is it worth?

Emotional aspect

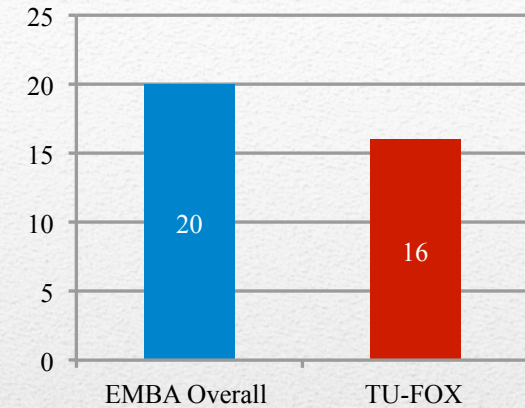
Age



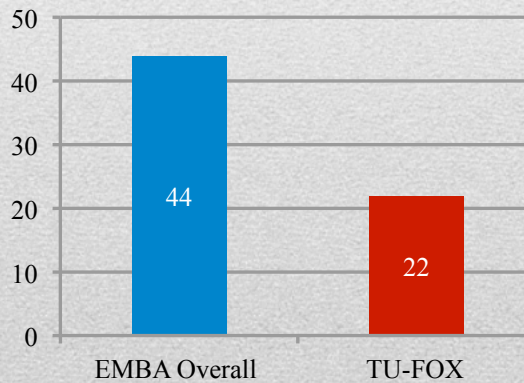
Years of Work Experience



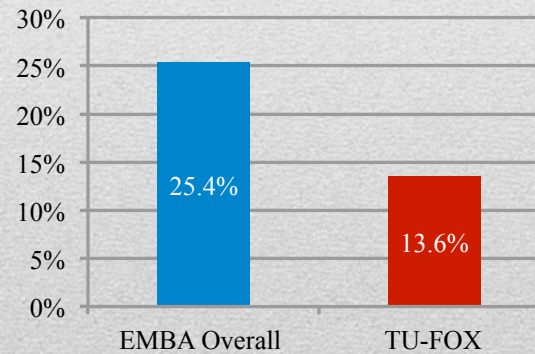
Program Length (months)



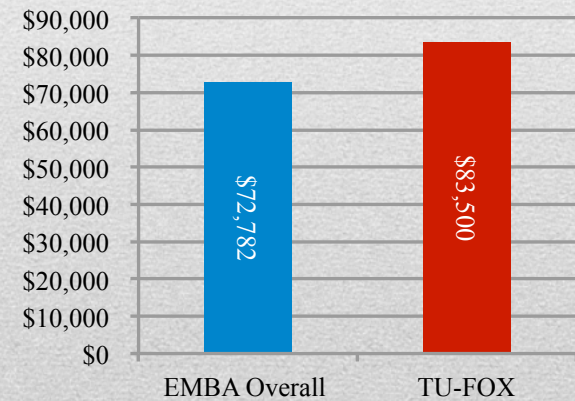
Class size



Percent of Female Students



Cost



General Statistics: 2012

- Employers are increasingly less likely to pay for EMBA tuition
- The reason? Lack of ROI to employer
- Many are paying bulk of their tuition themselves
- Percentage of students receiving full financial sponsorship from employers decreased from 27.3% in 2011 to 25.9% in 2012
- Percentage of self-funded students has increased from 36.9% in 2011 to 39% in 2012
- Partial funding declined slightly from 35.9% in 2011 to 35.1% in 2012

Corporate Sponsorship – Fading Trend

A

- Fast-track means to improved job performance
- Curriculum that covers and integrates all functional areas of business
- Expanded professional network
- Global vision of corporate leadership across borders
- Access and encouragement of innovation and ideation

ROI - Measured by Companies

- 2011 Financial Times Data
 - School Name
 - 3 year Average Ranking (2009-2011)
 - 100 Global EMBA programs
 - Filtered Data for US based and US co-located programs
 - Top 50 programs were analyzed
 - Salary of EMBA Graduates – 3 years post graduation
 - Salary Increase Percentage
 - EMBA Program Tuition Cost

Payback Period Analysis

- Calculate Entrance Salary
 - $= (\text{Ending Salary Post-Grad} / (1 + (\text{Increase Percentage} / 100)))$
- Calculate Opportunity Cost
 - $= (\text{Entrance Salary} / (40 \text{ hpw})) * (30 \text{ hpws}) * 1.67 \text{ years}$
- Calculate change in Salary
- Calculate Total Loan Amount
 - $= \text{Tuition of Program} + \text{Opportunity Cost}$
- Interest Rates of Graduate and Graduate PLUS Loans
 - 7.9% in 2011

What we needed to calculate?

- Calculate DPP – Discounted Payback Period

$$DPP = \ln \left(\frac{1}{1 - \frac{O_1 \times r}{CF}} \right) \div \ln(1 + r)$$

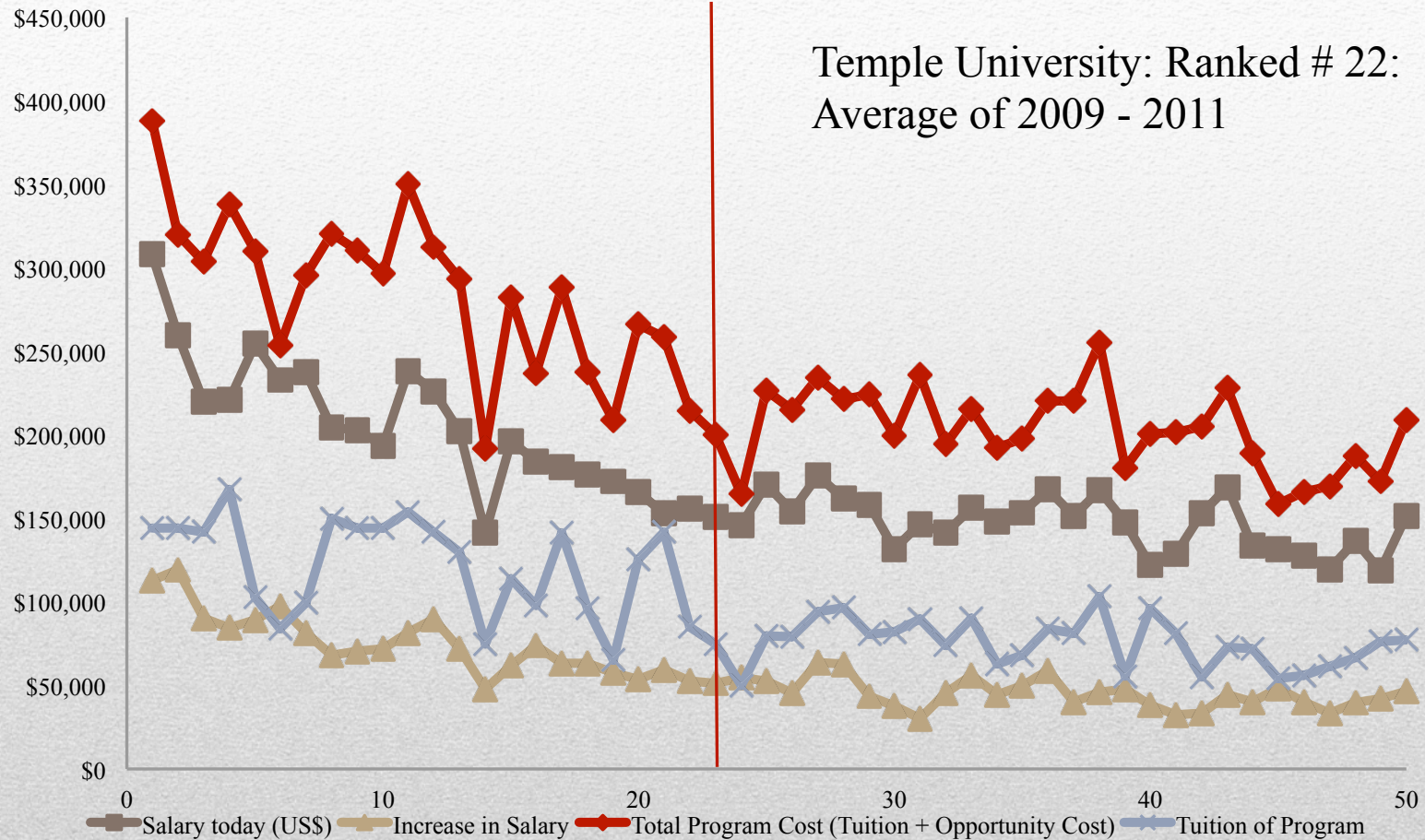
$O_1 = \text{Initial Investment (Outflow)}$

$r = \text{rate}$

$CF = \text{Periodic Cash Flow}$

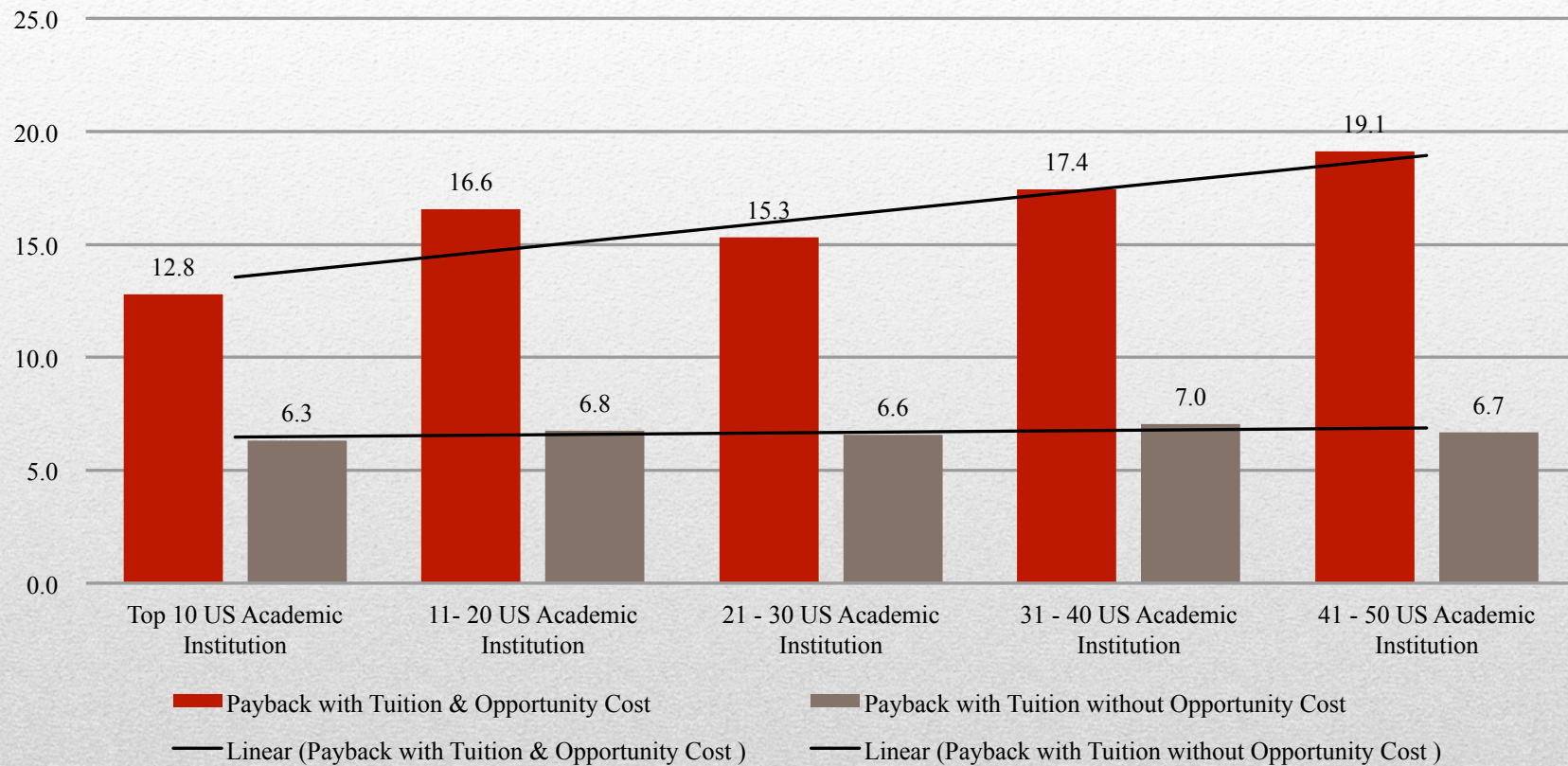
Payback Period Analysis Calculations

Graduation Salary (Post 3 Years) vs. School Ranking of Top 50 Academic



Payback Period vs. School Ranking

Payback Period Analysis using Discounted Payback Period Analysis



Payback Period

- Judging by payback period alone, especially when considering opportunity costs our hypothesis cannot be affirmed.
- Quantifying socioeconomic scope and standardization requirements for upward mobility may swing the pendulum to justifying our hypothesis
- Has the Master's degree become the new bachelor's degree?

Conclusion



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EMBA ROI - Dilbert

- **What is the Return On Investment of the Executive MBA?**
By Kristin Polito, Director, Executive MBA Program, Suffolk University (Boston, Mass.)
HR Management
<http://www.hrmreport.com/article/What-is-the-Return-On-Investment-of-the-Executive-MBA/>
- **The Argument Against Business School**
by John A. Byrne
Poets and Quants for executives
<http://poetsandquantsforexecs.com/2011/02/27/201/>
- **Career Development International**
Emerald Article: Cognitive and affective processes underlying career change
by Naser Muja, Steven H. Appelbaum
- **The ABCs of Executive MBA Programs**
by Paul S. Bodine
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<http://poetsandquantsforexecs.com/2011/02/23/the-abcs-of-executive-mbas/>
- **Career Services for the Executive Set**
by Melissa Korn
Wall street Journal
http://online.wsj.com/article/SB10001424052702303506404577446783434444256.html?_requestid=268058
- **Expensive executive MBAs**
A costly lesson
The Economist online
http://www.economist.com/blogs/newsbook/2010/08/expensive_executive_mbas
- **Executive MBA council**
http://www.emba.org/pressroom_in_the_news.html
http://www.emba.org/research_prog_results.htm

Appendix – A (Citations)

Please double click to view the data table

EMBA Rankings 2011 FT home > Business School Rankings > EMBA Rankings 2011 > Custom Excel download				Starting Salary = Salary Today - (% increase/100)*Salary Today Calculated			
3 year global average	Domestic Program Rank	EMBA Program	Country	Starting Salary	Salary today (US)	Salary increase (%)	Increase in Salary
2	1	Trium: HEC Paris / LSE / New York University: Stern	US	\$194,815	\$307,808	58	\$112,993
3	2	Columbia / London Business School	US	\$140,450	\$259,833	85	\$119,383
5	3	University of Chicago: Booth	US	\$129,256	\$219,736	70	\$90,480
7	4	University of Pennsylvania: Wharton	US	\$136,237	\$220,704	62	\$84,467
8	5	Duke University: Fuqua	US	\$165,301	\$254,564	54	\$89,263
9	6	UCLA: Anderson / National University of Singapore	US	\$135,423	\$232,928	72	\$97,505
15	7	Washington University: Olin	US	\$158,478	\$237,847	52	\$81,369
16	8	UC Berkeley / Columbia	US	\$136,163	\$204,244	50	\$68,081
16	9	Columbia Business School	US	\$132,836	\$203,239	53	\$70,403
18	10	New York University: Stern	US	\$121,629	\$193,390	59	\$71,761
18	11	Northwestern University: Kellogg	US	\$156,681	\$238,155	52	\$81,474
25	12	Cornell University: Johnson	US	\$136,169	\$226,040	66	\$89,871
28	13	University of Michigan: Ross	US	\$130,488	\$202,256	55	\$71,768
29	14	Purdue / TiasNimbas / CEU / GISMA	US	\$93,509	\$141,199	51	\$47,690
34	15	UCLA: Anderson	US	\$134,592	\$196,505	46	\$61,913
39	16	Georgetown University: McDonough	US	\$110,418	\$184,398	67	\$73,980
40	17	Emory University: Goizueta	US	\$117,427	\$180,838	54	\$63,411
40	18	Rice University: Jones	US	\$113,116	\$176,461	56	\$63,345
42	19	University of Pittsburgh: Katz	US	\$114,741	\$172,112	50	\$57,371
45	20	University of Maryland: Smith	US	\$112,263	\$166,149	48	\$53,886
50	21	Cornell University: Johnson/Queen's School of Business	US	\$93,129	\$152,732	64	\$59,603
50	22	Temple University: Fox	US	\$103,297	\$155,979	51	\$52,682
51	23	University of Texas at Austin: McCombs	US	\$100,073	\$151,110	51	\$51,037
57	24	University at Buffalo, The State University of New York	US	\$91,306	\$146,090	60	\$54,784
58	25	Texas A & M University: Mays	US	\$117,566	\$170,471	45	\$52,905
60	26	Georgia Institute of Technology: Scheller	US	\$108,576	\$154,178	42	\$45,602
60	27	Villanova School of Business	US	\$111,861	\$175,621	57	\$63,760
61	28	Vanderbilt University: Owen	US	\$99,450	\$162,104	63	\$62,654
63	29	Rutgers Business School	US	\$114,571	\$158,108	38	\$43,537
64	30	University of Texas at Dallas: Jindal	US	\$93,978	\$131,569	40	\$37,591
64	31	Thunderbird School of Global Management	US	\$116,276	\$146,508	26	\$30,232
65	32	University of Florida: Hough	US	\$96,247	\$141,483	47	\$45,236
67	33	Fordham University Graduate School of Business	US	\$100,268	\$156,418	56	\$56,150
68	34	University of Georgia: Terry	US	\$103,396	\$147,856	43	\$44,460
69	35	Georgia State University: Robinson	US	\$103,526	\$153,219	48	\$49,693
71	36	Tulane University: Freeman	US	\$108,739	\$167,458	54	\$58,719
74	37	Ohio State University: Fisher	US	\$111,197	\$151,228	36	\$40,031
75	38	SMU: Cox	US	\$121,025	\$167,015	38	\$45,990
80	39	Auburn University	US	\$99,859	\$147,792	48	\$47,933
82	40	University of Rochester: Simon	US	\$83,501	\$121,911	46	\$38,410
82	41	University of Miami School of Business Administration	US	\$96,151	\$128,842	34	\$32,691
82	42	University of Washington: Foster	US	\$119,420	\$152,857	28	\$33,437
83	43	Pepperdine University: Graziadio	US	\$124,009	\$168,652	36	\$44,643
84	44	University of Utah: Eccles	US	\$93,406	\$133,570	43	\$40,164
84	45	Baylor University: Hankamer	US	\$93,280	\$131,582	58	\$48,302
87	46	University of Arizona: Eller	US	\$87,582	\$127,870	46	\$40,288
88	47	Michigan State University: Broad	US	\$85,988	\$119,524	39	\$33,536
88	48	University of Houston: Bauer	US	\$96,725	\$136,382	41	\$39,657
91	49	Loyola University Maryland: Sellinger	US	\$76,535	\$118,630	55	\$42,095
93	50	University of Denver: Daniels	US	\$105,025	\$151,236	44	\$46,211
				\$114,279			

Appendix – B (Data)