What Determines the Performance of Graduates? Evidence From Top Business Schools

Matt Peterson
University of Northern Iowa

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What Determines the Performance of Graduates? 
Evidence From Top Business Schools

Matt Peterson

ABSTRACT. There are hundreds of MBA programs in the United States and abroad graduating thousands of MBAs each year. An MBA is thought to be a very marketable degree with broad applications and a high starting salary. There are many factors that affect the salaries of MBA graduates and the reported starting salary of graduates varies substantially among programs. What factors influence these differences? I investigate the specific determinants of business school graduates’ salaries. The rank or selectivity of an MBA program is the most important factor that determines an MBA graduate’s starting salary.

I. Introduction

Many economists are interested in the factors that affect salaries. In today’s uncertain economy, the importance of the return to higher education is greater than ever before. With the recent financial crisis and many people out of work, the opportunity cost of going back to school is now lower for many people. A Masters of Business Administration (MBA) is known to be a very marketable degree with broad applications and a high starting salary; thus, MBA programs have seen a rise in applications. MBA programs, while opening doors for high income, also have a high up-front cost.

Master’s of Business Administration programs throughout the world have gained prominence largely due to the high starting salaries that graduates command. What influences these salaries, and how do they vary among schools? Schools compete for the best candidates based on characteristics that also influence success after graduation from the MBA program. This paper uses regression analysis to identify the underlying factors that determine this success, defined as post-graduate starting salary, for recent MBA graduates at the top MBA programs in the world.

II. Literature Review

Many studies consider the determinants of wages and returns to education, but few have looked specifically at the determinants of salary on graduation from an MBA program. In the general human capital
literature, studies find that additional years of schooling and experience,
as well as increased age, are correlated with higher salaries.

James, et al. (1989) consider whether graduates of more selective
undergraduate schools earn more than graduates from less selective
schools. They find that students who graduated from the most highly
ranked undergraduate institutions did not earn significantly more than
students of similar ability who went to schools that were not ranked as
highly.

Dale and Krueger (2002) find similar results to the study by James et
al (1989). They find that students who attended more selective colleges
earn about the same as students of comparable ability who attended less
selective schools. They also determine that the effect selectivity and rank
have on earnings might be biased because higher ranked institutions admit
students partially based on characteristics that lead to higher future
earnings.

Link (1975) looks at the impact of graduate school education on
earnings for a group of 843 male electrical engineers. Link controlled for
many things, the most interesting of which were the amount of graduate
education attained, the quality of that education, informal training, and
ability. He found that the variables dealing with quality and amount of
education had a significant effect on salary but only explain small
changes in salary. He found that actual experience, rather than formal
education, was better able to explain changes in salary. The most
interesting variable used in Link’s regression was the proxy for student
ability. A variable called “Intellectualism” was used to do this. This
variable is made up of other student characteristics like SAT scores,
percentage of Merit Scholars, median high school grades, etc.
Intellectualism had a statistically significant effect on wages; when it was
included in the regression the returns from education were diminished by
25 to 33 percent.

Behrman, Rosenzweig, and Taubman (1996) looked at a sample of
twins that grew up in the same home and had attended the same schools
before entering college in order to control for pre-university human
capital accumulation. They concluded that dimensions of college quality
like higher paid faculty, smaller size, and the granting of Ph.D.s had
important positive effects on wages outside of individual characteristics
and pre-college human capital investments.

Eide, Brewer, and Ehrenberg (1998) show that consistent
accumulation of high quality human capital begets more accumulation of
high quality human capital. They find that attending a highly ranked private undergraduate institution increases your chances of attending and succeeding at a highly ranked graduate research institution.

Although I am unaware of any studies that predict the factors that determine MBA salaries, there have been studies that look at the determinants of after-graduation success of law school graduates. Marshall (2007) finds what is intuitive: a combination of inherent ability and institutional characteristics leads to eventual success in the careers of law school graduates.

The Graduate Management Admission Council (GMAC) is the body that creates and administers the Graduate Management Admissions Test (GMAT.) The test is created by the GMAC with input from business schools throughout the world. The GMAC claims that, “Studies continue to show that only one factor predicts success in graduate business school better than the GMAT exam: combining the GMAT exam with undergraduate GPA” (GMAC 2011).

Yang and Rosa (2001) study the predictive power of the GMAT and undergraduate GPA in determining success in an MBA program as defined by graduate MBA GPA. They find that undergraduate performance most strongly predicts performance in a graduate management degree. The addition of the GMAT intensifies the effect on MBA GPA. They find that that age and gender have no effect on academic performance.

In a similar study, Graham (1991) studies the factors that predict success in an MBA program. Graham uses MBA graduate GPA as his proxy for MBA success. He includes the number of semesters in the program, undergraduate GPA, age, ethnic background, gender, marital status, GMAT score, MAT score (another test of ability), number of years since undergraduate degree completion, and the type of undergraduate degree earned (BS vs. BA). Graham’s results support the GMAC claims. He finds a strong positive relationship between GMAT score and graduate MBA GPA. Including undergraduate GPA strengthens the results.

III. Data and Descriptive Statistics

My data come from the MBA rankings provided by The Economist in 2009 and 2010, the MBA rankings from U.S. News & World Report in 2008, and the MBA selectivity ratings from The Princeton Review in
2008, 2009, and 2010. The years of data reported vary based on what each company was willing to disclose. The variables reported by each data source vary both in what is reported and, in some cases, how the variable is measured. I will describe these nuances in detail.

Salary is used as the proxy for post-graduate success. The salaries reported by each school are from self-reported graduate data. In The Economist, the average salary for MBA graduates over the two years that are reported is $93,662. The range of the MBA graduate salaries is from $11,234 at Tillberg University in the Netherlands to $137,525 at HEC in Paris, France. For U.S. News & World Report it is important to note that bonuses are included in its salary measure. For U.S. News & World Report, the average salary, including bonuses, is $98,553. It reports salaries from $58,471 at Syracuse to $135,630 at Harvard. The Princeton Review, like The Economist, excludes bonuses from its measure of salary. The average salary over the three years of reported data from The Princeton Review is $73,364 with a low of $45,215 at Texas Tech and high of $101,988 at MIT. Regardless of data set, the salary data is self-reported by graduates. Because of this, the values may be inflated. The results of the regressions will not likely be affected, though, because the problem is common to all data sets.

Rank is a number assigned by The Economist and U.S. News & World Report to indicate relative quality. Lower numerical rank indicates higher quality. Rank varies based on the ranking system. The Economist ranks 100 schools worldwide. U.S. News & World Report ranks 65 schools, with some schools assigned the same ranking based on a “tie” of the underlying data used to determine rank. In general, the rankings are quite similar. Stanford Business School and Harvard Business School are in the top ten for both ranking systems.

Selectivity Score is a number assigned by The Princeton Review. A higher numerical selectivity score implies greater quality. Selectivity Scores range from 60-99 for a few hundred schools depending on the year. The rankings are similar to that of The Economist and U.S. News & World Report.

Percentage Women is the percentage of female students in an MBA program. The Economist reports an average of 32 percent women over the two years of reported data. The lowest reported percentage of female students is 15 percent at The Indian Institute of Management, and the highest percentage is 67 at the International University of Monaco. The Princeton Review shows an average of 42 percent women overall. The
lowest percentage of female students is zero at Marist, Cal-Sate Fullerton, The University of Wisconsin at Milwaukee, and Loyola. The highest percentage of women is 83 percent at Concordia.

*Percentage Minority* is the percentage of non-white students in an MBA program. According to *The Princeton Review*, the only source reporting this statistic, the school with the highest percentage of minority students is Barry University at 78 percent, and the school with the lowest is Indiana University at Kokomo with one percent minority students.

*Work Experience* is the average of the number of years a student was in the work force prior to entering the MBA program. The average years of work experience is around 5 years regardless of year reported or data source.

*Average GMAT* is the average of students’ scores on the standardized Graduate Management Admission Test administered by the Graduate Management Admissions Council. GMAT scores range from 200 to 800. According to *The Economist*, the average GMAT score for entering MBA students over the two years of reported data was 658, or the 82nd percentile. The highest is Stanford with a 730, or the 96th percentile, and the lowest is International University of Monaco with an average of 513, which is the 24th percentile. *U.S. News & World Report*, in 2008, reports an average GMAT score of 664 or the 82nd percentile. The low is 598, or the 60th percentile, at Bentley College and a high of 721, or the 94th percentile, at Stanford. *The Princeton Review* reports an average GMAT score of 576, or the 56th percentile, over the three years reported. They report a low of 400, or the 13th percentile, at Francis Marion and a high of 720, or the 94th percentile, at Stanford.

The averages for *Undergraduate GPA* vary greatly for MBA programs. This may be because GMAT score and the type of work experience needed for entry into a program can diminish the importance of undergraduate GPA. *U.S. News & World Report* shows that the school with the highest average undergraduate GPA is Harvard with a 3.63, and the lowest is Wake Forest University with a 3.10 average undergraduate GPA. According to *The Princeton Review*, the school with the highest average undergraduate GPA is St. Mary’s with a 3.72, and the lowest is Portland State with a 2.97 undergraduate GPA.

*Faculty to Student Ratio* is ratio of faculty to students at each school. *The Economist* reports that the faculty to student ratio is lowest at both EADA and INSEAD with a ratio of 0.10, and highest at EMLYON with a ratio of 1.50. *The Princeton Review* data show a low faculty to student
ratio of 0.03 at Wayne State, and a high of 1.00 at Ithaca College.

Acceptance Rate, reported by *U.S. News & World Report*, is the percentage of applicants who were accepted into the school but did not necessarily enroll in the program. The school with the highest acceptance rate is the University of Oklahoma with an acceptance rate of 71.9 percent and the school with the lowest is Stanford with an acceptance rate of 7.9 percent.

*Student Score* is a number specific to *The Economist’s* rankings and is provided by the students at each school on a scale of 1-100 based on perceived quality.

*Faculty Score* is a number specific to *The Economist’s* rankings and is provided by the faculty at each school on a scale of 1-100 based on perceived quality.

### Table 1–Descriptive Statistics

<table>
<thead>
<tr>
<th>The Economist</th>
<th>Mean 2009</th>
<th>Std Dev 2009</th>
<th>Mean 2010</th>
<th>Std Dev 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$96,795</td>
<td>$21,738</td>
<td>$90,529</td>
<td>$21,539</td>
</tr>
<tr>
<td>Rank</td>
<td>50.500</td>
<td>29.011</td>
<td>50.697</td>
<td>29.092</td>
</tr>
<tr>
<td>Work Experience</td>
<td>5.651</td>
<td>1.861</td>
<td>5.535</td>
<td>2.011</td>
</tr>
<tr>
<td>Average GMAT</td>
<td>656.900</td>
<td>36.146</td>
<td>660.535</td>
<td>38.823</td>
</tr>
<tr>
<td>Percentage Women</td>
<td>31.290</td>
<td>6.632</td>
<td>32.070</td>
<td>6.873</td>
</tr>
<tr>
<td>Faculty Per Student</td>
<td>0.671</td>
<td>.447</td>
<td>0.556</td>
<td>0.305</td>
</tr>
<tr>
<td>Faculty Score</td>
<td>52.570</td>
<td>30.534</td>
<td>53.364</td>
<td>31.022</td>
</tr>
<tr>
<td>Student Score</td>
<td>52.830</td>
<td>30.798</td>
<td>52.929</td>
<td>30.556</td>
</tr>
<tr>
<td>N</td>
<td>100</td>
<td></td>
<td>99</td>
<td></td>
</tr>
</tbody>
</table>
### U.S. News & World Report

<table>
<thead>
<tr>
<th></th>
<th>Mean 2008</th>
<th>Std Dev 2008</th>
</tr>
</thead>
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<td>Salary</td>
<td>$98,553</td>
<td>$19,177</td>
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<tr>
<td>Rank</td>
<td>32.277</td>
<td>18.712</td>
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<tr>
<td>Average GMAT</td>
<td>664.185</td>
<td>30.963</td>
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<tr>
<td>Undergrad GPA</td>
<td>3.392</td>
<td>0.164</td>
</tr>
<tr>
<td>Acceptance Rate</td>
<td>37.823</td>
<td>14.530</td>
</tr>
<tr>
<td>N</td>
<td>65</td>
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</tr>
</tbody>
</table>

### Princeton Review

<table>
<thead>
<tr>
<th></th>
<th>Mean 2008</th>
<th>Std Dev 2008</th>
<th>Mean 2009</th>
<th>Std Dev 2009</th>
<th>Mean 2010</th>
<th>Std Dev 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$74,851</td>
<td>$14,713</td>
<td>$71,628</td>
<td>$13,504</td>
<td>$73,615</td>
<td>$14,896</td>
</tr>
<tr>
<td>Selectivity Score</td>
<td>80.889</td>
<td>9.257</td>
<td>81.304</td>
<td>9.795</td>
<td>79.172</td>
<td>11.113</td>
</tr>
<tr>
<td>Work Experience</td>
<td>4.692</td>
<td>1.882</td>
<td>4.829</td>
<td>1.755</td>
<td>4.954</td>
<td>2.664</td>
</tr>
<tr>
<td>Undergrad GPA</td>
<td>3.295</td>
<td>0.240</td>
<td>3.282</td>
<td>0.142</td>
<td>3.291</td>
<td>0.127</td>
</tr>
<tr>
<td>Average GMAT</td>
<td>574.885</td>
<td>61.573</td>
<td>574.290</td>
<td>79.250</td>
<td>580.397</td>
<td>67.169</td>
</tr>
<tr>
<td>Percentage Women</td>
<td>0.547</td>
<td>2.889</td>
<td>0.369</td>
<td>0.107</td>
<td>0.379</td>
<td>0.102</td>
</tr>
<tr>
<td>Percentage Minority</td>
<td>0.174</td>
<td>0.366</td>
<td>0.149</td>
<td>0.134</td>
<td>0.149</td>
<td>0.119</td>
</tr>
<tr>
<td>Student-Faculty Ratio</td>
<td>0.163</td>
<td>0.580</td>
<td>0.123</td>
<td>0.151</td>
<td>0.142</td>
<td>0.838</td>
</tr>
<tr>
<td>N</td>
<td>296</td>
<td>296</td>
<td>301</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IV. Method

Model

Mincer (1974) studies human capital as the central explanatory variable for wage determination. The two principal elements of human capital in the Mincer model are schooling and post-schooling investment (work experience). Schooling is measured as years of education, and post-school investment is estimated from age and length of schooling. Mincer shows that years of experience should be used in a model to predict wage rather than age because those with less schooling have more experience. A model that only includes years of schooling is not sufficient to explain wages because schooling does not account for all of an individual’s investment in human capital. If it were, then earnings would be a simple regression of logged earnings on years of schooling (Mincer 129). The schooling model on its own cannot explain inequality of earnings among individuals who differ not only in years of schooling but also in other characteristics that contribute to the level of human capital (Mincer 45).

My hypothesis is that program rank or selectivity, along with pre-MBA human capital, affects post-MBA starting salary. In regression analysis, complications arise because highly ranked MBA programs have students with high levels of human capital. To separate the effects of rank and pre-MBA human capital on post-MBA salary, I use a Two-Stage Least Squares regression. The first stage regression equation is

\[ \text{Rank or Selectivity} = B'X + e, \]  
\hfill (1)

This is a traditional ordinary least squares regression where the dependent variable is rank or selectivity of MBA program, and \( X \) is a vector of relevant independent variables to predict rank. The second stage (2) uses a labor-market model to determine salary. The second stage regression equation is

\[ \ln \text{Salary} = B'X + e, \]  
\hfill (2)

Here, the dependent variable is the natural log of the average salary for MBA graduates by school, and \( X \) is a vector of the independent variables that includes predicted rank as well as human capital and institutional variables that should predict salary. Left out of this second stage regression are variables that would most strongly predict rank.
Equations (3) and (4) describe the models for the data from *The Economist*.

\[
\text{Rank} = \alpha + \beta_1 \text{Experience} + \beta_2 \text{GMAT} + \beta_3 \text{Faculty-Student Ratio} + \beta_4 \text{Percent Women} + \beta_5 \text{Student Score} + \beta_6 \text{Faculty Score} + e \tag{3}
\]

\[
\ln \text{Salary} = \alpha + \beta_1 \text{Predicted Rank} + \beta_2 \text{Experience} + \beta_3 \text{GMAT} + \beta_4 \text{Faculty-Student Ratio} + \beta_5 \text{Percent Women} + e \tag{4}
\]

Equations (5) and (6) describe the model when I use data from *U.S. News & World Report*.

\[
\text{Rank} = \alpha + \beta_1 \text{Acceptance Rate} + \beta_2 \text{GMAT} + \beta_3 \text{UGPA} + e \tag{5}
\]

\[
\ln \text{Salary} = \alpha + \beta_1 \text{Predicted Rank} + \beta_2 \text{GMAT} + \beta_3 \text{UGPA} + e \tag{6}
\]

Equations (7) and (8) describe the model for *The Princeton Review* data set.

\[
\text{Selectivity Score} = \alpha + \beta_1 \text{Experience} + \beta_2 \text{GMAT} + \beta_3 \text{UGPA} + \beta_4 \text{Faculty-Student Ratio} + \beta_5 \text{Percent Women} + \beta_6 \text{Percent Minority} + e \tag{7}
\]

\[
\ln \text{Salary} = \alpha + \beta_1 \text{Predicted Selectivity Score} + \beta_2 \text{Experience} + \beta_3 \text{UGPA} + \beta_4 \text{Faculty-Student Ratio} + \beta_5 \text{Percent Women} + \beta_6 \text{Percent Minority} + e \tag{8}
\]

**Predicted Signs of First-Stage Coefficients**

Rank and selectivity are proxies for quality of institution. For rank, lower numbers indicate higher quality. For selectivity, higher numbers indicate higher quality. Therefore, the direction of the correlation with each independent variable in the first stage regression will depend on whether rank or selectivity is reported. For the ease of explanation, I will discuss the direction of correlation in this first stage regression with respect to quality.

*Work Experience:* I expect that as years of work experience increase, earnings will increase. If a student has work experience that is increasingly meaningful, I expect her to attend a higher quality institution.
because of the additions to human capital from the knowledge gained.

Average GMAT: A higher GMAT score predicts performance in business school and in the executive work world. I expect students with higher GMAT scores to attend higher quality MBA programs than students with lower GMAT scores.

Undergraduate GPA: GPA is an indicator of both intelligence and a signal of ability. We expect that students with higher GPAs will attend higher quality MBA programs.

Faculty to Student Ratio: The ratio of faculty to students at each school is a proxy for the level of attention each student can expect to receive from professors at each institution. A higher ratio suggests that there are more faculty members available to help students. If more professorial attention results in a higher quality education or better retention of knowledge, then I expect a positive correlation with the quality of the institution.

Percentage Women: Historically, men have earned higher wages in the marketplace and so I expect an institution of higher quality to have a lower percentage of women, all else equal, because high quality MBA programs choose candidates based on prospects for success.

Percentage Minority: Historically, non-minority individuals have earned more in the marketplace, and, much like the percentage of women students, I expect an institution of higher quality to have a lower percentage of minority students because MBA programs choose candidates based on prospects for success.

Acceptance Rate: I expect institutions that accept higher percentages of students to be institutions of lower quality.

Student Score: If students surveyed are honest and qualified to answer the question of quality, then a higher score should indicate higher quality.

Faculty Score: If the faculty members surveyed are honest and qualified to answer the question of quality, then a higher score should indicate higher quality.

Predicted Signs of Second-Stage Coefficients

Predicted Rank: I expect students who attend better-ranked schools to earn higher salaries. Because the rankings are created such that a lower number indicates higher quality, a negative coefficient indicates that attending a higher quality school leads to higher wages.

Predicted Selectivity Score: Because selectivity scores are set up so
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that higher scores indicate higher quality, I expect that students who attend schools with higher selectivity scores will earn higher salaries.

Work Experience: As the amount of work experience increases, human capital theory suggests that wages will also increase.

Average GMAT: Average GMAT is included as a measure of pre-MBA human capital. As GMAT score increases, human capital theory suggests that wages will also increase.

Undergraduate GPA: Undergraduate GPA is included as a measure of pre-MBA human capital. As undergraduate GPA increases, human capital theory suggests that wages will also increase.

Faculty to Student Ratio: Faculty to student ratio is a proxy for the quality of human capital acquired in an MBA program. As faculty to student ratio increases, human capital theory suggests that wages will also increase.

Percentage Women: I include a measure of the percentage of women in the MBA program in the regression to determine whether gender meaningfully affects post-graduate salary. Women have historically tended to earn less than men in their careers, so we expect a negative correlation with the percentage of women in an MBA program and earnings. For example, women above age 15 who worked full-time earned 67 percent of what males earned on average in the year 2000 (Ehrenberg 2006).

Percentage Minority: Similar to the historical reported earnings for women, minorities have tended to earn less in their careers than non-minorities, so we expect that there will be a negative correlation with the percentage of minorities in an MBA program and earnings. Ehrenberg (2006) investigates the earnings differential between black and white American men and finds that on average, black men earn 67 percent of what white men earn.

V. Results

The first stage regression is simply to gain an independent variable that controls for the success factors that are implicit in rank and selectivity. The magnitudes of the coefficients from the first stage regression will not be discussed because their relevance is limited with respect to my claim. In the second stage, because the model uses the natural log of salary, the coefficients of the independent variables are calculated by \( e^{\text{coefficient}} - 1 \).
For the second stage, Rank or Selectivity is significant for all data sets. For data from The Economist, on average, over the two years reported, a one-unit change in rank corresponds to a 1 percent change in salary. Recall that the coefficient is negative because a lower rank indicates higher quality. For the U.S. News & World Report data, a one-unit change in rank corresponds to a 1.6 percent change in salary. Again, the coefficient is negative because a lower numerical rank indicates higher quality. For The Princeton Review data, I expect a change in salary of 2.8 percent, on average, over the three years that are reported, for each one-unit change in selectivity score. For The Princeton Review, the coefficient is positive because a higher numerical selectivity score indicates higher quality than a lower one.

Work Experience is significant for both The Economist data in 2009 and The Princeton Review data in 2009. For The Economist data, each additional year of work experience would lead to an almost 3.0 percent increase in salary. For The Princeton Review data, I expect that each year of increased work experience would increase salary by 2.2 percent on the average.

Undergraduate GPA was significant for both U.S. News & World Report in 2008 and The Princeton Review in 2009. For U.S. News & World Report, the negative sign on the coefficient is unexpected. The surprising sign suggests a need for further investigation of potential correlation with other independent variables. For The Princeton Review, the magnitude of the effect of undergraduate GPA on salary is next to zero.

Average GMAT score was significant for U.S. News & World Report. As with undergraduate GPA for the same data set, there is a perverse sign. This is further evidence of problems with this data set.

Percentage Minority was significant for The Princeton Review in 2009. The percentage of minority students in an MBA program was positively correlated with salary. This indicates that a higher percentage of minority students in a program is positively correlated with post-graduate starting salary. This is a sign other than predicted but a possible explanation for it could be the increasing trend of East Asian and Indian students of exceptionally high quality attending highly competitive MBA programs.

The Percentage Women, and Faculty to Student Ratio, were not statistically significant for any regression. Table 2 provides the results from stages one and two for each data set.
VI. Conclusion

As with any study, it is important to know the limitations of what is done. With this paper there are many limitations. The most significant limitation for this study is a suspect data quality. There are limitations of what is reported by each data set and limitations of what each school will actually release. There is some human error on the part of *The Princeton Review* that was particularly obvious when I entered the data manually for the total of 887 schools across the three years. There is also the issue of incomplete data for many schools that may influence results.

**Table 2–2SLS Regression Results**

<table>
<thead>
<tr>
<th></th>
<th>Coefficient 2009</th>
<th>Std Error 2009</th>
<th>Coefficient 2010</th>
<th>Std Error 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent Women</td>
<td>-0.332</td>
<td>0.375</td>
<td>-0.350</td>
<td>0.318</td>
</tr>
<tr>
<td>Work Experience</td>
<td>0.325</td>
<td>2.674</td>
<td>4.016*</td>
<td>2.056</td>
</tr>
<tr>
<td>GMAT</td>
<td>-0.115</td>
<td>0.130</td>
<td>-0.010</td>
<td>0.121</td>
</tr>
<tr>
<td>Faculty per Student</td>
<td>17.797**</td>
<td>6.413</td>
<td>14.423*</td>
<td>8.043</td>
</tr>
<tr>
<td>Student Score</td>
<td>0.407*</td>
<td>0.175</td>
<td>0.655**</td>
<td>0.159</td>
</tr>
<tr>
<td>Faculty Score</td>
<td>0.235*</td>
<td>0.090</td>
<td>0.205*</td>
<td>0.081</td>
</tr>
<tr>
<td>Constant</td>
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<tr>
<td>R²</td>
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<td><strong>Stage 2</strong></td>
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<td>Predicted Rank</td>
<td>-0.004*</td>
<td>0.001</td>
<td>-0.007*</td>
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<tr>
<td>Percent Women</td>
<td>-0.000</td>
<td>0.002</td>
<td>-0.000</td>
<td>0.004</td>
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<tr>
<td>Work Experience</td>
<td>0.054**</td>
<td>0.011</td>
<td>0.027</td>
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<tr>
<td>GMAT</td>
<td>-0.001</td>
<td>0.001</td>
<td>-0.001</td>
<td>0.002</td>
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<tr>
<td>Faculty per Student</td>
<td>-0.037</td>
<td>0.042</td>
<td>-0.152</td>
<td>0.102</td>
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<tr>
<td>Constant</td>
<td>11.821**</td>
<td>0.745</td>
<td>12.158</td>
<td>1.364</td>
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<tr>
<td>R²</td>
<td>0.567</td>
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<td>0.310</td>
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</table>

** = statistically significant at the 5-percent level

** = statistically significant at the 1-percent level
### U.S. News & World Report

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<tbody>
<tr>
<td>GPA</td>
<td>-5.887</td>
<td>5.317</td>
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<td>GMAT</td>
<td>-0.414**</td>
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<td>Acceptance</td>
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<tr>
<td>$R^2$</td>
<td>0.878</td>
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<tr>
<td>Predicted Rank</td>
<td>-0.016**</td>
<td>0.003</td>
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<tr>
<td>GPA</td>
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<tr>
<td>$R^2$</td>
<td>0.790</td>
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** = statistically significant at the 1-percent level  
*  = statistically significant at the 5-percent level

### Princeton Review

<table>
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<tbody>
<tr>
<td>Faculty Per Student</td>
<td>1.469**</td>
<td>0.560</td>
<td>2.093</td>
<td>3.033</td>
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<td>Percentage Women</td>
<td>0.071</td>
<td>0.107</td>
<td>-7.625*</td>
<td>4.435</td>
<td>-0.012</td>
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<td>Work Experience</td>
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<td>0.174</td>
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<td>0.257</td>
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<tr>
<td>Minority Percentage</td>
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<td>1.477</td>
<td>5.228</td>
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<td>2.658</td>
<td>3.875</td>
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<td>GMAT</td>
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<td>-0.005</td>
<td>0.074**</td>
<td>0.005</td>
<td>0.119**</td>
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<td>41.571</td>
<td>4.535</td>
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<td>$R^2$</td>
<td>0.716</td>
<td>0.400</td>
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</table>
The majority of pre-MBA human capital variables do influence salary in the way that theory would suggest, but the significance varies across data sets and even across years for the same data sets. Any limitations aside, my findings show that school ranking and selectivity are the dominant explanatory variables when determining earnings for an MBA graduate. These findings suggest that the current labor market for MBA graduates pays higher salaries to graduates from higher ranked programs even when controlling for individual student characteristics.

References


66  Major Themes in Economics, Spring 2011


