

## **For MBAs, waiting is the hardest part**

Anne VanderMey

*Waitlisted applicants were hoping to be tapped for the last remaining B-school slots, but top schools now say those candidates are out of luck.*

The waitlist of an MBA program is never a fun place to be, but this year's candidates have had more reason to hope than most. With the economy in crisis and the credit markets on life support, many thought that this year's accepted MBAs would turn down their offers, choosing to cling to their jobs rather than fork over \$150,000 in tuition. This prospect, that admits would stay home and make space in the classroom, represented the last best hope for waitlisted students and fourth-round applicants looking for a break from this year's unusually fierce competition. According to data released by top schools in recent weeks, however, those students could be in for a big disappointment.

Admitted students at most of the top schools appear to be accepting their offers at about the same rate as last year, or higher in some cases. Of BusinessWeek's top 10 ranked schools, seven were far enough along in the admissions process to be able to hazard predictions about this year's yield based on early May matriculation numbers. Of those, six reported that yield—the percentage of accepted applicants sending in deposits—was similar to last year's. The seventh, Duke University's Fuqua School of Business (Fuqua Full-Time MBA Profile), reported a 10 percentage-point bump—a bad sign for those on the waitlist.

For the rest of the top 20, most schools that could make predictions estimated it would be the same—or, in the case of the University of Notre Dame's Mendoza College of Business (Notre Dame Full-Time MBA Profile), slightly lower. A few predicted yields that were modestly higher than last year, including the University of North Carolina at Chapel Hill's Kenan-Flagler Business School (Kenan-Flagler Full-Time MBA Profile).

### Planning left to chance

The news is a blow to applicants on the waitlists who may have had high hopes for admission, and bodes ill for late-round applicants still awaiting a decision, who will begin getting the bad news in coming weeks. Many expected low yields, perhaps believing the applicant pool had been spooked by the collapse of the MBA job market—forcing schools to turn to their waitlists to fill out their classes. But that didn't happen, and it's unclear exactly why. One possibility: MBA applicants aren't nearly as concerned about the future return on their MBA investment as graduating MBAs seem to be.

What's bad news for some applicants, though, is great news for MBA programs, which with few exceptions now have almost exactly the number of the students they need for the class that will be arriving in the fall. Because schools can exercise only so much control over whether admitted students will accept their offers, crucial planning elements—class sizes, housing, and student services—are left up to chance and mathematical models. And models can hold up only so well in a financial crisis—it's hard to calculate the impact on student sentiment of, say, a nearly unprecedented housing bust. This year was expected to be the most unpredictable on record.

### Not over yet

In an interview a few weeks before the results came in, J.J. Cutler, director of MBA admissions and financial aid at the University of Pennsylvania's Wharton School (Wharton Full-Time MBA Profile), speculated that the 2009 yield could go up tremendously or plummet, calling it "wildly uncertain."

"My guess is everyone is building as much flexibility and uncertainty into their equations as they've ever built," he said.

So it comes as no surprise that the steady yield rates that many schools, including Wharton, now anticipate are a boon to many admissions officers. "Let me just say I feel good," says Beth Flye, assistant dean and director of admissions at Northwestern University's Kellogg School of Management (Kellogg Full-Time MBA Profile), who in an interview a week earlier jokingly confessed to lying awake worrying about yield. "I feel like I can sleep at night," she now says.

At Kellogg, Flye says, the yield is on par with past years, but varying admit rates in different admissions rounds mean it will be a relatively good year to be on the waitlist. More than 50 people have already been taken off the list, and several more are likely be admitted at some point during the summer. By comparison, fewer than 40 students were admitted off the list two years ago.

At Fuqua, where the yield spiked, the picture for hopeful admits isn't as rosy. The class is oversubscribed by 6%, and although that number will almost certainly fall as students back out of their commitments over the summer, the school will likely not need to turn to its waitlist to fill out the class. The same goes for Kenan-Flagler, where high yield has led to a class that's now 5% oversubscribed.

A high level of commitment in May does not necessarily lead to a high level in the fall, however. This year in particular, admissions directors believe that the deposits students send in could prove to be placeholders rather than firm commitments. Many schools fear that students will pull out at the last minute, leaving their deposits behind, if they can't get a loan or sell their house. Even at Duke, which looks like it may have a larger-than-expected class, Associate Dean for Admissions Liz Riley Hargrove believes a lot could change between now and the fall. "We know that things will be pretty rocky between now and the time our class enrolls," she says.

At Cornell University's S.C. Johnson Graduate School of Management (Johnson Full-Time MBA Profile), Randall Sawyer, director of admissions, financial aid, and inclusion, says he could take anywhere from 15 to 60 applicants off the waitlist depending on how many choose to forfeit their deposits and not enroll. Most schools say they won't have even a ballpark estimate of how deeply they'll go into their waitlists until later this summer, when they'll know if committed applicants will actually come. Says Kellogg's Flye: "The admissions mantra is they're not here until you see the whites of their eyes."

#### An economic indicator

Even without a dramatic swing in yield, however, many admissions directors say they can see the impact of the economic crisis in applicants' decisions. Schools that typically battle with other schools for students' hearts have found themselves in a very different kind of fight, as would-be MBAs decide whether or not to go to school at all based on economic considerations. "Rarely had I heard before, 'Randall, I'm not going to take the offer because I'm staying at my job,'" Sawyer says. "Usually it's, 'I gave my two weeks' notice already. I'm out of here.' It's just very different for us."

Still, the fairly steady number of successful applicants choosing to get an MBA could be a good sign that recovery is ahead of us—even if it's very far ahead of us. "The key factor is how confident they are that the economy will be better in two years," says Peter Johnson, director of admissions for the full-time MBA program at UC Berkeley's Haas School of Business (Haas Full-Time MBA Profile). "There's less pessimism about it than I might have expected."

However, there does seem to be a good deal of pessimism about the months directly ahead. At the Johnson School's one-year MBA program, which enrolled 44 students this year, yield is down 20 percentage points, roughly half of that because of increased requests for one-year deferrals. The yield at Kellogg's one-year program seems to be holding strong, but it's waning at Babson College's Olin Graduate School of Business (Olin Full-Time MBA Profile), if only by 3 percentage points. Dennis Nations, Babson's director of graduate admissions, says that economic fears drove some students who might have been better suited to the one-year program to apply for the two-year instead.

"People are saying, 'I don't want to be coming onto the workforce 12 months from now,' " Nations says, adding that several one-year applicants pulled out at the last minute for financial reasons. "Twenty-four months from now they can't imagine things won't have turned around in some way, shape, or form."

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