Business school gets crowded

Anne VanderMey

Yields are up at full-time MBA programs, and B-schools are enrolling larger-than-ever classes. But not everyone is sharing in the bounty.

MBA programs were braced for the worst this fall. A damaged brand, a shortage of jobs, and questions about return on investment all threatened to send admitted students away from business school and into the relative stability of the workforce. Predicting final enrollment this year, says Beth Flye, assistant dean and director of admissions for Northwestern's Kellogg School of Management (Kellogg Full-Time MBA Profile), was "like trying to land a 747 on a Sunfish sailboat."

But to the relief of many an admissions officer, fears of mass student defection were never realized. Far from it. Flying in the face of many predictions, 2009 enrollment actually soared at top schools. Students accepted their offers of admission in unprecedented numbers, leading many programs to enroll more MBAs than ever in this year's entering classes.

The reasons for the higher-than-expected yields are unclear. The economic forces that boosted enrollments in recent years have clearly not abated, and many applicants may have decided to wait out a jobless recovery in B-school. The fact that top schools saw the biggest gains suggests that prospective students may be opting for B-schools they believe will provide the best ROI in a tough economy.

Among the top schools reaching all-time highs were Kellogg, at 526 from 485 last year; the University of Michigan's Ross School of Business (Ross Full-Time MBA Profile), at 500 from 433; Duke University's Fuqua School of Business (Fuqua Full-Time MBA Profile), at 447 from 434; INSEAD (INSEAD Full-Time MBA Profile), at 990 from 900; and the University of Pennsylvania's Wharton School (Wharton Full-Time MBA Profile), at 862 from 823. Harvard Business School (Harvard Full-Time MBA Profile) also brought in its largest class in recent memory, 937 students, up from last year's 900.

Though several schools planned the increase, the large classes can at least in part be attributed to the lack of what schools call "summer melt," the shrinkage that happens when students back out on their deposits over the summer. Schools were bracing for melt to hit hard this year, but in many cases, it never came—even for the programs that were banking on it.

"I was praying for melt all summer long," says Rosemaria Martinelli, director of admissions at the University of Chicago's Booth School of Business (Chicago Booth Full-Time MBA Profile). "But I just kept talking to my bosses, saying, 'We haven't moved, we haven't moved.'" Until

eventually, they realized it wasn't going to. The standard models used to forecast enrollment didn't pan out this time. "The past isn't a perfect predictor, but it's pretty darn close," Martinelli says. "Until this year." Instead of 50 or 60 people backing out on their deposits over the summer, just 10 dropped off—an all-time low for the school. Booth ended up enrolling 15 more students than last year, 592 in all, its largest class on record.

Playing it safe

For schools further down the totem pole, the picture was more complicated. Many programs didn't see a similar spike in interest or enrollment. At Arizona State University's Carey School of Business (Carey Full-Time MBA Profile), the number of accepted students who enrolled actually dipped slightly, with applicants often citing the financial crisis as a reason for not attending, and more students asking for deferrals.

"That was the biggest difference between this year and last year, people's personal financial situations coming into play," says John Roeder, admissions director at Vanderbilt Unviersity's Owen Graduate School of Management (Owen Full-Time MBA Profile), where melt was on the high end of normal. "We had multiple students who couldn't sell their houses." Other programs reported students who weren't able to secure the loans, didn't want to lose their job, or didn't think their spouses would be able to find work in a new location.

In addition to financial concerns, some schools lost students to the top 10 programs, which used their recession-proof clout to expand enrollment, drawing down the overall pool. The cachet of big names is particularly valuable in the face of economic hardship, says J.J. Cutler, director of MBA admissions and financial aid at Wharton. A top school is often seen as a safer bet. Cutler describes it as a "flight to quality." "In a time like this, people are more acutely concerned about the overall value proposition," he says. "Having a Wharton MBA, the long-term ROI on that is probably stronger in a time of crisis than ever."

At the opposite end of the spectrum, some smaller schools with less name recognition have also weathered the storm well. The appeal of not having to move far from home and the assurance of a fast ROI on an affordable program are doubly appealing in times of financial trouble. At the University at Buffalo's School of Management (Buffalo Full-Time MBA Profile), where 98% of domestic students come from the Northeast and nearly as many graduates stay there, the class was up to 105 students from 86 the year before. At the College of William and Mary's Mason School of Business (Mason Full-Time MBA Profile), the incoming class expanded by 20%, with a particularly strong yield. Growing interest in regional programs could spell trouble, though, for schools in the middle, some of which say they've seen students decline admission in order to attend a more affordable program closer to home, despite the diminished prestige.

Another change this year is that more students are playing it safe by heading to nontraditional programs, instead of taking a risky two years off. Carey's director of admissions, Rudy Pino, said about 5% of admits to the full-time program switched over to either part-time or online MBAs as the year wore on, mostly because of financial concerns. At INSEAD, which upped its incoming class size by nearly 100 students this year, MBA Dean Jake Cohen says the school's nontraditional one-year format drew many students who were hesitant to make a two-year commitment. "I always try to kind of put myself in the student's shoes," Cohen says, "and if I was putting down a deposit and I didn't see a recovery happening, to go to school for two years would be somewhat scary. The one-year program is much easier. There's much more certainty." To support this thesis, Cohen points to the school's soaring enrollment at its campuses in Singapore and France. Thanks to this year's record-breaking class, INSEAD has become the largest MBA program in the world.

Still in the woods

Most schools that are oversubscribed say accommodating the extra students won't be a hardship. Many will deal with the overflow by adding a few more students to each class. Harvard expects each of its 10 sections to grow by three or four students. Several other programs were planning to grow enrollment anyway, as with INSEAD and Michigan, which both recently built new facilities to accommodate larger classes. But most schools will probably admit more cautiously next year.

At the University of North Carolina at Chapel Hill's Kenan-Flagler Business School (UNC Full-Time MBA Profile), where the class was nearly 5% oversubscribed at 298 students, Senior Associate Director of Admissions Alison Jesse said the school will reevaluate how it makes admissions decisions. "I think we'll be a little more careful about next year," she says. Usually, economic hardship leads to an increase in applications with students seeking a safe haven in academia. But this year, there were more moving parts. The downturn was more severe than most and the banking crisis impacted MBA fields disproportionately, throwing a wrench into the equations. "We were using models and making assumptions," Jesse says. "And it just didn't behave like the models."

Next year doesn't promise to be much easier to predict. Traditionally, after a recessionary boom in interest, MBA applications level off as would-be students who survived rounds of layoffs get comfortable in their jobs again. Some schools are concerned, however, that this recovery could result in a bigger hit to applications than usual. "I am worried," says Arizona's Pino. Financial concerns have become a larger-than-ever part of students' decision-making, he says, and fewer opportunities for international students, along with the MBA's battered reputation, probably won't help going forward. For the better part of four years, according to the Graduate Management Admission Council, applications have been on the rise, corresponding with a general increase in the quality of incoming classes. But in recent months test-taking volume and application levels appear to have eased their rapid ascent. Looking ahead, Pino says: "I'm optimistic, but I'm worried."

It might not be all bad if the MBA application boom wanes. Increased class sizes coupled with an ebb in applications could mean those spots will be more attainable. For students hoping for a respite from the breakneck competition, the next few years promise to be good ones.

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