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Methodology: How the ranking was put together

By Adam Palin

The second annual FT masters in finance rankings aim to assess the top international programmes. There are two rankings – one each for pre-experience and post-experience degrees – based on surveys of business schools and their alumni.

The FT defines pre-experience programmes as those aimed at students with little or no work experience. Post-experience degrees, on the other hand, are those that require entrants to have worked.

To participate, schools must meet certain criteria. **They must be internationally accredited** and the programme must have run for at least four consecutive years. Masters in financial engineering degrees are not eligible as they tend to place greater emphasis on quantitative skills.

The rankings are compiled using data from two sets of online surveys. The first is completed by each of the 48 schools that participated in the rankings this year, and the second by their students who graduated in 2009.

For programmes to be eligible for inclusion, a 20 per cent response rate is required from alumni, with a minimum of 20 responses. This year, 1,458 alumni responded for the two rankings.

For the pre-experience ranking, data from alumni questionnaires were used to compile six of the 16 criteria that determine the ranking. These criteria, from “salary today” to “placement success” and “international mobility”, account for 55 per cent of the ranking.

In calculating salary data, those of alumni employed in the non-profit and public sectors, and those in full-time education, are removed.

The remaining salaries are converted to US\$ PPP equivalent figures using purchasing power parity rates supplied by the International Monetary Fund. Conversion to PPP accounts for differences in the cost of purchasing the same goods in different countries. Following this PPP conversion, and the removal of the very highest and lowest salaries, the average “salary today” is calculated for each school.

The remaining 10 criteria, which account for 45 per cent of the ranking, are calculated using data from school questionnaires. These criteria include the diversity of teaching staff, school board members and the programme’s students, according to nationality and gender, and the international reach of the programme. For gender-related criteria, schools that have a 50:50 (male: female) composition receive the highest score.

The calculations for the post-experience ranking are the same, with two exceptions. First, the inclusion of a “salary increase” criterion, accounting for 20 per cent of the post-experience ranking weight.

This is calculated for each school according to the difference between average alumni salaries before the degree and their salary today, three years after graduation – a period of typically four to five years. Half of this salary increase figure is calculated according to the absolute increase, and half according to the percentage increase relative to alumni salaries before commencing the masters programme. Only the percentage increase is published in the ranking table.

The second of these differences is the omission of the languages criterion in the post-experience ranking, since none of the participating programmes require students to study an extra language. Overall, alumni data inform 60 per cent of the post-experience ranking, and school data 40 per cent.

For both rankings, data collected last year are used where available, to calculate criteria based on alumni responses. If two years of alumni data are available, the weighting is 60:40, with 2012 data worth 60 per cent, with the exception of salary data where the weighting is 50:50 to negate inflation-related distortions. “Value for money” is based on “salary today” and the minimum programme fee, taking into account the programme’s length.

Following calculations for each criterion, an FT score is calculated for each school. First, a Z-score – a mathematical formula that creates numbers reflecting the range of scores between the top and bottom school – is calculated for each of the measures. These scores are then weighted, according to the weights shown in the key to the table, and then added together, giving a final total score. It is according to this score that schools are ranked in descending order to give the FT’s Masters in Finance Rankings 2012.

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