

SPENDING WISELY IN HARD ECONOMIC TIMES: USING THE KANO METHOD TO BEEF UP MBA PROGRAMS

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ABSTRACT

MBA programs enjoy tremendous popularity in business schools around the country. A tremendous source of pride and much needed revenue, MBA programs are often in a state of flux. In an effort to balance the changing and sometimes conflicted needs of students, employers, and faculty, surveys have become a popular tool of choice for decision makers to determine future direction. This paper suggests an innovative technique that can be used in surveys to maximize customer satisfaction and minimize customer dissatisfaction. The technique is illustrated with data from three surveys.

INTRODUCTION

The Masters of Business Administration degree remains a popular degree in the marketplace today. Boasting average starting salaries in excess of \$80,000, the MBA degree inspires potential students to fork out significant sums of money in its quest. Often a significant source of pride and revenue for business schools, the MBA degree is not without its challenges. To ensure employability and boost rankings of their schools in the eyes of potential employers, most schools attempt to appease their key demands. The faculty and students also have their own expectations or demands from the program.

ATTRIBUTE	AUTHORS
Relevant and Accountable to Market Needs	Bok (1986), McEvoy & Kragen (1987), Keys & Wolfe (1988)
Split between Practice and Theory	Fortunato et al (1995)
Analytically Detached	Muller et al (1991)

Integration of Arts and Science	Boyatzis et al (1995)
People Skills	Whetten and Clark (1996)
Global Management Skills	McEvoy (1998), Bennis & O'Toole (1995)
Understanding Multiple Cultures	Shimoni & Bergmann (2006)
Leadership, Interpersonal Skills, Communication	Pfeffer and Fong (2002), Richards-Wilson (2002)
Diversification, Projects with Global Themes	Sharma & Ann Roy (1996)
Social Development to Compete Globally	Kedia and Harveston (1998)

TABLE 1: Ever Changing Expectations from MBA Programs (Source: Adapted from [1])

Keeping pace with the ever-changing demands of multiple constituencies (see Table 1), some of which may be ranked differently, or be in direct conflict with others, can be a challenge. In tough economic times, this balancing act can assume a strategic importance. Surveys are a popular vehicle for gauging consumer behavior. Tabulating responses to questions on an established Likert scale, computing their significance, and ordinal rank ordering them has become a standard feature in the marketing literature. The traditional survey instruments often request consumer ratings on various attributes (e.g. My MBA program should be technically competitive). These are often compared with competitors or some desired standard and measures are put in place to influence it in the desired direction. The House of Quality (HOQ) technique in the quality and operations management literature provides a vivid example of this.

The Kano method adds value to the traditional survey model by providing customer satisfaction and dissatisfaction information based on all attributes. In addition, it classifies each customer attribute into one of five types. This provides important information that can guide the decision maker. For instance, it is helpful to know that spending money on a particular attribute will not influence customer satisfaction.

The Kano method, an invention of Professor N. Kano of Japan, greatly improves upon the understanding of customer responses by researchers. Historically, researchers assumed a linear relationship between customer satisfaction improvement ratio and importance increment ratio. This suggested that paying more attention to attributes held dear by the customer would increase customer satisfaction and vice versa. Kano argued that while the assumption was intuitively appealing, it wasn't necessarily true. If a customer

expected certain things to be there (e.g. a scratch-free car), putting more effort there would not yield additional satisfaction. He suggested that all customer desired attributes could be classified, and each one would have its own functional relationship with customer satisfaction.

In absence of the Kano method, the decisionmaker can be left in a quandary. Responders may rank the importance of several items at the highest level. Which items should the decisionmaker pursue? This takes on increasing importance in a period of limited or shrinking budgets. The potential risk of losing future students due to action or inaction on key issues is a source of serious concern. How can one prioritize multiple items that received the same ordinal ranking? The Kano method offers help in this regard. It does that by asking the survey takers to respond to each traditional survey question in two format – functional and dysfunctional.

A traditional survey may pose the following question:

On a 5-point scale, 5 being the highest, rank the importance of having international programs in the MBA program.

The Kano method would ask the same question in two formats:

On a 5-point scale, 5 being the highest, how do you like it **if you have** international programs in the MBA program? [*Functional format*]

On a 5-point scale, 5 being the highest, how do you like it **if you don't have** international programs in the MBA program? [*Dysfunctional format*]

The responses on the two formats for each question help classify it into one of six categories – must-be (M), one-dimensional (D), attractive (A), reverse (R), indifference (I), and sceptical (Q). Figure 1 shows the different combinations of response values that result in the various classifications. A “must-be” or “M” classification implies that the requirement must be fulfilled as stated to avoid order loss (i.e. Not having international programs will result in losing potential students from the MBA program). A

“onedimensional” or “D” classification means that fulfillment of the requirement will directly increase customer satisfaction while absence will increase customer dissatisfaction (i.e. students will be very pleased if international programs are included in the MBA program and very displeased otherwise). An “attractive” or “A” classification implies that absence of the requirement will not produce any dissatisfaction. However, its presence will add to customer satisfaction. A “reverse” or “R” rating implies that absence of the requirement will not produce any dissatisfaction. However, its presence will add to customer dissatisfaction. The indifference or “I” classification produces no effect on customer

		Dysfunctional Performance				
		5	4	3	2	1
Functional Performance	5	Q	A	A	A	D
	4	R	I	I	I	M
	3	R	I	I	I	M
	2	R	I	I	I	M
	1	R	R	R	R	Q

FIGURE 1: Five Types of Kano Classification

satisfaction or dissatisfaction whether or not the requirement is fulfilled. The “Q” category shown in the figure implies that the response giver is completely inconsistent in the responses afforded. For instance, voting a “5” on both functional and dysfunctional statements would show confusion in the responder’s mind, and is that is certainly cause for skepticism in the researcher’s mind. Since the “R”, “I” and “Q” classifications do not impact customer satisfaction or dissatisfaction by their absence, the Kano method limits the classification of attributes to “A”, “D,” or “M.”

THE SURVEYS Three surveys of former MBA graduates were conducted sequentially using the web. It was felt that three surveys were needed to limit the individual survey size and the completion time. To enhance the response rate for the surveys a modest prize was announced for the first 50 respondents. The surveys had 24, 30, and 30 questions respectively, based on 12, 15, and 15 issues. A summary of the issues is presented in figures 2, 3, and 4. The surveys presented each of the questions in functional and dysfunctional formats.

1	Your MBA program has great scholarships
2	Your MBA program is well-known nationally
3	Your MBA program has strict admission requirements
4	Your MBA program is highly integrated and seems like one big course
5	Your MBA program provides degrees for specific industries
6	Your MBA program has a strong internship program for students lacking work experience
7	Your MBA program offers students an opportunity to study abroad
8	Ample parking exists near your classroom building
9	Your MBA program is known for quality in the region
10	Your MBA program has a waiting list of applicants
11	Your MBA program offers a degree in one or more specialized areas
12	Your MBA program faculty members have Doctorate degrees

Figure 2: Self-Statement Importance Questionnaire for your MBA Program

The issues raised in the first survey included scholarships, reputation of program and faculty, curriculum issues, and parking. Figure 2 shows the details. The second survey collected data on issues of intellectual challenge, technology, teamwork, liberal arts, accreditation, business leaders, employers' recommendation, offering times, and distance learning. Figure 3 shows the details.

1	Your MBA program is intellectually challenging
2	Your MBA has a strong writing program
3	Your MBA program uses wireless technology
4	Your MBA program emphasizes real world applications
5	MBA program has high tech classrooms
6	Teamwork skills are stressed in your MBA program
7	Your MBA has a strong quantitative orientation

8	Your MBA program offers on-line or electronic courses
9	Your MBA program has faculty that interact with students
10	Your MBA program is part of a Liberal Arts college
11	Your MBA program is AACSB accredited
12	Business leaders and employers regularly speak to classes
13	Employers recommend your MBA program
14	Your MBA program has part-time and week-end courses
15	Your MBA program uses Distance Learning

Figure 3: Self-Styled Importance Questionnaire for your MBA Program(2)

The third survey dealt with issues of placement, recruitment, alumni support, curriculum, graduation rate, jobs, salaries, geographic diversity, ethnic diversity, executive MBA, communication, and work experience. Figure 4 shows the details.

1	Your MBA program has a strong job placement program
2	The graduates of your MBA program are heavily recruited
3	The alumni provide great support for your MBA program
4	Your MBA program is highly integrated and seems like one big course
5	Alumni are frequently requested to give to your MBA program
6	Your MBA Program has a high graduation rate
7	Your MBA program graduates get jobs in their chosen fields
8	Your MBA graduates improve their salary by 10% after MBA
9	Your MBA graduates improve their salary by 20% after MBA
10	Your MBA graduates improve their salary by 30% after MBA
11	Your MBA program has a geographically diverse student body
12	Your MBA program has an ethnically diverse student body
13	Your MBA program has an Executive MBA
14	Administrators listen to students in your MBA program
15	Students in your MBA classes have 2 or more years of business experience

Figure 4: Self-Styled Importance Questionnaire for your MBA Program(3)

THE RESULTS

Surveys #1, 2, and 3 produced 114, 98, and 79 responses respectively. While all three surveys were emailed to 437 former graduates, the response rate went a little down with each additional survey, despite the prize inducement. The highest response rate achieved was 26%, for the first survey. Figures 5, 6, and 7 present a

summary of the results.

	#Q	#A	#1-D	#R	#I	#M
#1	1	34	21	0	44	14
#2	0	0	0	99	15	0
#3	1	63	21	0	20	9
#4	0	1	0	51	62	0
#5	0	15	18	1	43	37
#6	3	1	0	60	47	3
#7	2	12	2	10	83	5
#8	5	7	0	29	71	2
#9	1	23	4	2	82	2
#10	0	0	0	64	50	0
#11	0	37	22	0	42	13
#12	0	0	0	64	49	1

Figure 5: Frequency Distribution Results for Survey #1

	#Q	#A	#D	#R	#I	#M
#1	0	4	38	0	4	52
#2	0	0	0	95	3	0
#3	0	18	35	0	19	26
#4	1	0	0	74	23	0
#5	1	35	4	0	57	1
#6	0	0	0	48	48	2
#7	3	15	31	1	16	32
#8	1	1	0	77	19	0
#9	0	41	7	0	41	9
#10	1	0	0	45	52	0
#11	0	13	25	4	34	22
#12	1	3	0	68	26	0
#13	0	28	12	0	39	19
#14	0	0	0	44	47	7
#15	0	21	3	7	67	0

Figure 6: Frequency Distribution Results for Survey #2

	#Q	#A	#D	#R	#I	#M
#1	0	16	30	1	17	15
#2	1	0	0	67	11	0
#3	0	20	32	0	11	16
#4	0	0	0	62	17	0
#5	0	22	13	0	34	10
#6	0	0	0	30	47	2
#7	0	11	3	3	59	3
#8	1	1	0	30	47	0
#9	0	21	9	0	46	3
#10	0	0	0	34	45	0
#11	0	15	13	0	26	25
#12	0	0	0	64	14	1
#13	0	22	28	1	8	20
#14	0	0	1	60	18	0
#15	0	10	17	1	26	25

Figure 7: Frequency Distribution Results for Survey #3

In order to classify the attributes into categories “A”, “D”, and “M”, the frequencies of the attributes in the various categories were examined. If the frequency of the attribute was highest in the “A”, “D” or “M” categories, that category was chosen. If not, whichever of the “A”, “D”, or “M” category had the highest frequency was chosen, provided it was at least 25% of the survey response. If the minimum criterion was not met, it was assumed that no classification was possible. It should be pointed out that while it’s possible to get the classifications of “indifferent” (I), “reverse” (R), and “skeptical” (Q), the rare occurrence of “Q” attribute, the lack of impact on customer satisfaction for the “I” category causes the research focus on “A”, “D”, and “M” nodes. The results are as follows:

A: #1, #3, #11 (survey 1), #5, #9, #13 (survey 2), #5, #9 (survey 3)

D: None (survey 1), #3, #11 (survey 2), #1, #3, #13 (survey 3)

M: #5 (survey 1), #1, #7 (survey 2), #11, #15 (survey 3) These results suggest that in order to be viable, the MBA program must have focus on specific industries, be intellectually challenging, have a strong

quantitative orientation, and admit a diverse student body with two or more years of work experience.

Customer satisfaction would be greatly enhanced by wireless technology and AACSB accreditation, strong job placement program, great alumni support, and having an executive MBA program.

There would be no customer dissatisfaction by their absence, but students would get additional satisfaction by scholarships, strict admission requirements, degrees in specialized areas, high tech classrooms, faculty interaction with students, employers' recommendation of program, asking alumni to give frequently, and MBA graduates improve their salaries by 20% after graduation.

CONCLUSION

The Kano method provided helpful guidance by identifying attributes that will make the MBA program viable. The MBA director will find this information invaluable since absence of these attributes will keep students from selecting the program. Of the 42 attributes examined, 5 are needed to make the program viable, 4 increase customer satisfaction by their presence and vice versa, and 8 have no impact on customer dissatisfaction but do have the potential to increase customer satisfaction when present.

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