

What Determines the Probability of Having an Accredited Undergraduate Business Program?

Melanie Marks, David Zirkle, and R. Wixel Barnwell

College of Business & Economics, Longwood University, USA

Abstract. There are three primary accreditations for business with different reputations and appeals, creating potential for misconceptions. For example, are AACSB institutions large, public, or more exclusive? Are unaccredited institutions only those who are private, small, or less exclusive? In an exploratory study, we answer a central question: what variables impact the probability an undergraduate business program is accredited? Data is collected from four-year, comprehensive, nonprofit institutions in US states. Regression results suggest that the probability of AACSB accreditation is increased by being public, larger, and having a school of business. However, they dispel any potential misconceptions that only the most selective in admissions are AACSB accredited. The probability of ACBSP or IACBE accreditation increases if private and lower SATs; interestingly, size has no explanatory power. A key finding is that it is difficult to characterize those schools who are unaccredited, as public funding and exclusivity measures have no predictive power.

Keywords: business, accreditation, AACSB, ACBSP, IACBE, universities, colleges, undergraduate, regression, USA.

1. Introduction

For those educating tomorrow's businesspeople, third-party verification of standards and achievements through accreditation can be both vital and controversial. Accreditation offers a sense of credibility and prominence but requires an investment of both time and money (Subraamanniam, Hancock, and Birt 2022; George 2018). As such, schools of business should only pursue accreditation when perceived benefits outweigh the costs. Accreditation might make it easier to compete with peer institutions, or on-campus, when fields such as computer science, data analytics, or economics offer substitutes. Some institutions choose not to pursue any accreditation in business, potentially due to the high financial and resource cost. The most exclusive accreditation's focus on research may also pose a constraint for institutions wishing to remain teaching oriented.

There are three primary accrediting bodies for business in the US. Association to Advance Collegiate School of Business (AACSB), founded in 1916, is the

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oldest and is often heralded as the gold standard. In fact, the association touts this on their website:

AACSB-accredited schools are considered to be the best business schools in the world. Their undergraduate, master's, doctoral, and executive education programs have passed rigorous standards for quality. AACSB-accredited schools have better programs, better faculty, better students with higher overall GPAs, more international students, and more employers that recruit them (AACSB 2022).

This superior perception of AACSB has been commented upon by multiple scholars (Francisco, Noland, and Sinclair 2008; Hardin and Stock 1995; Hunt 2015; Subraamanniam, Hancock, and Birt 2022, Tullis and Carney 2007; Webster, Hammond, and Rothwell 2010). Using experiments and surveys, Hardin and Stock (1995) showed a decided preference among accounting firm interviewers for recruits from AACSB-accredited programs. Likewise, based on a survey of deans and chairs, AACSB institutions were shown to have a perceived advantage in recruiting faculty (Roller, Andrews, and Bovee 2003). AACSB accreditation is the most demanding and costly, with the longest approval period and shortest reaccreditation cycle. AACSB's competitors, Accreditation Council for Business Schools and Programs (ACBSP) and International Assembly for Collegiate Business Education (IACBE) are far younger. The three accrediting bodies have varying resource requirements, expectations, and therefore, appeals (Brink and Smith 2012; Francisco, Noland, and Sinclair 2008; George 2018.)

Accreditation is a choice on the part of institutions; they may pursue the more prestigious AACSB accreditation, the less costly and more flexible ACBSP or IACBE accreditations, or remain unaccredited. Are larger institutions with greater resources more likely to be AACSB accredited? Are selective institutions more likely to be AACSB accredited? What about institutions choosing to remain unaccredited? Does this distinction fall to the smallest or least exclusive institutions? Interestingly, our data set, comprised of US institutions from 24 randomly selected states, shows that the largest 60 schools are, indeed, AACSB accredited. However, when organized by exclusivity measures such as average SAT or acceptance rate, there is greater variation in type of accreditation in the top 60. There are also more schools that are not accredited. Size appears to impact the probability of AACSB accreditation. But exclusivity does not appear to be a clear predictor of AACSB accreditation, or of accreditation, in general. This led us to our key question, "what factors impact accreditation decisions for American colleges and universities?" The literature does not provide us with answers. Also, little is known about those institutions who choose to remain unaccredited.

Given the potential misconceptions about accreditation and what types of schools seek the different accreditations (or choose to remain unaccredited), this topic is worthy of investigation. A student searching for a private school business education might be interested to learn that private institutions are less likely to be

AACSB and more likely to be ACBSP or IACBE accredited, holding constant factors such as exclusivity and enrollment. If that student is interested in a smaller school, they might find it interesting that the probability of AACSB accreditation decreases and the probability of being unaccredited increases, all else constant. Additionally, that same student might be surprised to learn that the probability of an institution choosing to remain unaccredited is not impacted by measures of exclusivity. In other words, data dispels the potential misconception that the probability of being an unaccredited business program is related to lower average SAT scores or higher acceptance rates. Greater clarity is needed on what factors affect the probability of AACSB accreditation, ACBSP or IACBE accreditation, and even more importantly, a decision to remain unaccredited in business.

Institutions might be influenced by the accreditation status of peers. As such, this study investigates the effect of saturation on the probability of being accredited. If more competitors are accredited (increased saturation), it might be harder for an institution to compete when it is not also accredited. Thus, accreditation might be more likely when there is a greater proportion of peer institutions accredited. At the same time, an institution stands out by being accredited when fewer peers are. Different measures of saturation are tested.

Our investigation starts with comparisons of means between three sub-samples—AACSB institutions, ACBSP or IACBE institutions, and unaccredited institutions. There are statistical differences between them when looking at variables such as the proportion that are publicly funded, enrollment, average SAT, and the proportion of graduate programs in business. However, a statistical difference in means does not suggest causality. For example, more AACSB institutions have doctoral programs in business than those holding the other business accreditations or having no accreditation. We cannot conclude from this divergence that having doctoral programs in business increases the probability of AACSB accreditation. To disentangle the different elements, other variables must be held constant. For example, isolating the impact of institutional size requires that other potential confounding factors (public or private, measures of exclusivity, if there is an identifiable school of business, etc.) be controlled for. Regression is a more robust approach, as it can isolate these impacts. Linear Probability and Probit regression models were used, allowing for a binary dependent variable (accredited yes or no) where an observation is comprised of an individual college/university at a specific point in time. Data was collected from all 4-year, nonprofit, comprehensive institutions offering face to face undergraduate degrees in business across 24 randomly selected US states.

This study makes multiple unique contributions. First, we can find no other published, comprehensive study or data set that describes characteristics of schools holding different types of accreditation or that remain unaccredited. Accrediting bodies might possess proprietary data, but no study has been made public. Therefore, we have collected such a data set. Second, we offer clarity on what variables influence the probability of each of the accreditations, while

dispelling potential misconceptions, especially with respect to unaccredited schools. Third, we model AACSB accreditation separately from ACBSP or IACBE accreditation, as the literature suggests that they have different costs, expectations, and appeals. This disaggregation allows more to be learned. We also jointly model the choice of AACSB, ACBSP/IACBE, or being unaccredited via multinomial Probit, which helps us to better understand those institutions who remain unaccredited in business. There is not much discussion in the literature about schools that choose to be unaccredited. Fourth, this paper is the first to look at saturation in the market as a factor in business accreditation decisions.

The paper proceeds as follows. We begin with an overview of three accrediting organizations to confirm differences, for example, in costs and expectations. Second, we review the literature related to accreditation in business. Third, we discuss the methodology and detail the models employed. Fourth, we discuss statistical results that explain what factors influence the probability of accreditation and the choice to remain unaccredited. Finally, we offer areas for extension of this research and conclude.

2. Accrediting Bodies for Business

When exploring options for studying business at US institutions, students will find reference to three main accrediting bodies (see Jones 2022 and Sartore 2021; as examples, see Business-Management-Degrees.net, OnlineEducation.com, ZDnet.com, and ValueColleges.com). AACSB is oldest and often considered to be most prestigious; it has over 1,850 members and more than 950 accredited business schools across the globe. ACBSP, founded in 1988, reports 1,200 member campuses, and IACBE, founded in 1997, accredits over 2000 programs. There are other business accreditations that might be combined with these—Association of MBAs (AMBA) in London and European Quality Improvement System (EQUIS) in Brussels, predominantly seen for European institutions but with some US members. Some elite schools seek the “Triple Crown” of AACSB, EQUIS, and AMBA accreditations (Avolio and Benzaquena 2020; Jacquemin and Lefebvre 2021). For example, the Olin Business School at Washington University in St. Louis holds this distinction. Thus, a narrow selection of AACSB, EQUIS, and AMBA have overlapping memberships, unlike AACSB, ACBSP, and IACBE. This study focuses on the three mutually exclusive accreditations that apply most generally to the US market.

George (2018) evaluated the requirements, costs, and rigor of the standards for the three primary accrediting bodies in the US. As costs have changed over time, we offer updates below. Verbiage has changed slightly, but the overall character of these organizations remains consistent. AACSB is widely regarded as the most demanding, ACBSP is thought of as more moderate than AACSB, and IACBE is considered the most flexible (Dunleavy 2021).