



12th International Strategic Management Conference, ISMC 2016, 28-30 October 2016, Antalya, Turkey

## Determination of MBA Program Preference at State vs. Foundation Universities in Turkey: Evidence from Survey Research

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### Abstract

In the globalized business world, the MBA programs have been playing essential role for skilled human resources for the business world. Thus, determining the factors that have effect on preference of MBA program in Turkey is essential research question for business education. In this paper, the discrepancies in MBA program selection between public and foundation universities are researched by using Multinomial Logit Model. The Logit model is based on the survey research which conducted at 3 universities in Turkey. The obtained findings show that the main difference between public and private MBA program selections come from job experience, contents of lectures are main determinants for selection of MBA programs in Turkey.

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Peer-review under responsibility of the organizing committee of ISMC 2016.

**Keywords:** MBA Programs, student preferences, determinants of selection of MBA programs

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### 1. Introduction

Increasing the transferability of managerial knowledge and competencies from occupational areas to industries (Rubin and Dierdorff, 2013), MBA programs are quite popular among students and industry actors for enhancing the organizational performances. For GMAC (2012) MBA programs can improve the competitiveness of the market by

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providing students with the competitive advantage and required qualifications for current market while increasing the rates of job offerings for graduates.

Among numerous studies about the development of MBA programs, a restricted number compares the private and public universities. In this respect, some studies show that students' motivations diverge according to the institutional foundations of the university, whether private or public. On the other hand, an institutional constituent of universities determines its functions, motives, and governance structures. Therefore, public and private universities diverge with their offerings as well. In line with this, public and private universities develop different characteristics. For instance, private universities use appraisal systems with a student-focused approach while public universities heavily value development interviews (Turk and Roolah, 2005).

In order to meet the expectations of both students and corporations, universities are supposed to have critical tangible and intangible resources simultaneously. Satisfaction of MBA students and industry actors may enhance the performance of market mechanisms and increase the number of applicants for MBA programs.

For Petit (2007) Fulfilling MBA candidates' and the market's demands with MBA programs are offerings plays a key role for both private and public universities. In case they do not meet the expectations of MBA students and industry actors, the transferability of qualified knowledge between professional area and universities may collapse. Following this, the rate of MBA programs' application rate probably faces a sudden decrease. To be able to remain the application rate at a high level and ensure the survival of the MBA programs, it is important to find out the expectations of MBA students both from public and private universities. Together with this, there are findings indicating differences between private and public universities based on their institutional foundation (Lyons et al., 2006) and on students' expectations from each type of university. However, studies comparing the foundation and public university offerings and students' expectations from each type of university are quite limited, especially in Turkey (Icli and Anil, 2014; Sencan and Karabulut, 2015). Therefore, this study aims to find out contribute to the related literature and to the professionals to enhance the quality of MBA programs of both private and public universities.

The main objective of the paper is to determine discrepancies in MBA program selection between the foundation and public universities. Analyze the main determinants of MBA program selection in Turkey is a vital research object in Turkey for developing the MBA programs in the further. Within this scope, the study is organized as follows; in the second chapter, the literature review is given, in the third chapter, data and methodology are given, and in the last chapter, findings and conclusion are discussed.

## 2. Literature

State and private †institutions differ according to their functions, motives, and governance structures. In this regard, public and private universities have many differences in terms of service quality, education program, administrative service quality and financial costs, etc. Employees in state-funded institutions which is not governed by state (universities, hospitals etc) value the works which contributes society more, while employees in private institutions value promotion opportunities and prestigious work (Lyons et al., 2006). In the last 40 years, governments in the market economies privatized the state firms and developing countries started to embrace private ownership. Basic government services such as education, phone service, health care have been replaced with private provision (Shleifer, 1998). Similarly, public universities aim to bolster local economy through qualitative human capital but private universities do not have such considerations (Groen and White, 2003). For this reason, public universities have fewer application criteria for in-state applicants while private universities have the same criteria for both in-state and out of state applicants in the USA (Groen and White, 2003).

However, private universities offer voucher discounts for high ability students with low income and benefit these students more than low ability students with high income (Epple and Romano, 1998). Together with this, private

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† In this paper, private and foundation universities are used together due to the private universities are the object of the literature which is USA based, however, in Turkey, based on the Higher Education Council Law, there is no room for private universities. Therefore, we use foundation university term in Turkey based studies, and in our survey.

universities may attract new entrepreneurs in the education sector and increase the volume of the private sector (Epple and Romano, 1998).

A distinct literature has come up with numerous findings regarding the betterment of MBA programmes in different contexts (Sauer ve diğ., 1997; Pfeffer ve Fong, 2002; Bennis ve O'toole, 2005; Ghoshal, 2005; Altbach, et al. 2009; Anto, 2011; Ly et al., 2015). However, few studies have compared state and private universities. There are limited studies comparing public and private universities according to expectations of students, service quality and administrative issues (Joseph et al., 2012; Al-Alak, 2009; Turk and Roolaht, 2005; Icli and Anıl (2014). Joseph et al. (2012) compare the expectations of students from private universities and public universities. While the first group value reputation, selectivity personal interaction, facilities and financial cost the latter values programmes, athletics, reputation, financial cost, accommodation and university location (Joseph et al, 2012). Students' expectations differ in their perceptions of reputation. In this regard, public universities are assumed to have a reputation for their education quality or accreditation while private universities are assumed to have a reputation either with name recognition or faculty/university reputation (Joseph et al, 2012). Also, Joseph et al (2012) claims that students both in private and public universities expect innovative technology, community involvement, and good campus facilities. Al-Alak (2009) states that business departments of private universities compete far better than public universities and provides higher quality services (Al-Alak, 2009). In line with this finding, students in private universities seem to be much more satisfied with services they are offered compared to students in public universities (Al-Alak, 2009). Besides, Turk and Roolaht (2005) stressed that public universities differ according to their performance appraisal systems as well. While private universities have appraisal systems based on feedback, student-focused approach, and university-wide application, public universities intensely value development interviews (Turk and Roolaht, 2005).

Icli and Anıl (2014) state that academic quality, and quality of administrative services, library services, supportive services as well as providing career opportunities reveals the foundation and public university students' expectations in İstanbul. Comparing foundation and public universities in Turkey, Sencan and Karabulut (2015) claim that there is no significant difference in respect to course materials, control of basic course book of the students, enrichment of the teaching methods, following the teaching plan, lecturers' attendance of the course, timing of the lecturer for conducting the course, teaching techniques, presentation and course administration and measuring the student's satisfaction.

Also, Joseph et al. (2012) claims that students both in private and public universities expect innovative technology, community involvement and good campus facilities. Al-Alak (2009) states that business departments of private universities compete far better than public universities and provides higher quality services (Al-Alak, 2009). In line with this finding, students in private universities seem to be much more satisfied with services they have been offered compared to students in public universities (Al-Alak, 2009). Besides, Turk and Roolaht (2005) stressed that public universities differ according to their performance appraisal systems as well. While private universities have appraisal systems based on feedback, student-focused approach and university-wide application, public universities intensely value development interviews (Turk and Roolaht, 2005).

### 3. The Hypotheses of Research

The research has novelty due to using differentiation perspective on foundation vs. public universities, in terms of MBA program preference. The difference of preference of MBA program at foundation vs. public university in Turkey is tested from the hypotheses as follows;

H1: The preference of MBA programs differs according to difference in working experience

H2: The preference of MBA programs differs according to gender directly related to the preference of MBA programs.

H3: Difference in physical conditions of university plays a role in preference of MBA programs.

H4: Difference in career plan that MBA program may cause the difference between MBA applications of foundation and public universities

H5: Difference in student affair satisfaction originates the difference in MBA program selection between public and foundation universities

H6: Difference in tuition fee of the MBA program is the reason for the difference between MBA application of foundation and public universities

### 4. Empirical Analysis

#### 4.1. Data and Methodology

The data which we use in this paper come from the questionnaire we conducted at 3 universities which are 2 public and 1 foundation universities. The questionnaire in which 13 questions about socio-demographic features, academic and student affairs satisfaction based questions. The reliability of the questionnaire is %87 according to Cronbach's  $\alpha$ . The sample consists of 196 students; all of the students are enrolled at MBA programs. The dependent variable, which is denoted as UNIVERSITY, is constructed as follows;

If the MBA student enrolled at Public University 1 = 1

If the MBA student enrolled at Public University 2 = 2

If the MBA student enrolled at Foundation University =3

Therefore the UNIVERSITY variable has 3 values as 1, 2, 3.

The detailed description of variables are used in this paper is depicted in Table 1.

**Table 1. Description of Variables**

Variable name	Description
UNIVERSITY	1= Enrolled at Public University 1 2= Enrolled at Public University 2 3= Enrolled at Foundation University
EXP	If the student has working experience at least 3 years
CONS	If the student satisfied about the content of lectures=1, otherwise 0
GENDER	If the gender of student is woman =1, otherwise 0
PSYS	If the student is satisfied about physical conditions of the University =1, otherwise=0
CPS	The student is satisfied that career plan the MBA program gives=1, otherwise=0
SAS	If the student is satisfied about the student's affairs =1, otherwise=0
TF	If the student is satisfied about the tuition fee of MBA program =1, otherwise=0
constant	Constant of the model, $\beta_0$

### 4.2. Multinomial Logit Model

Multinomial logit model is used in the research due to the model fits to our purpose of research, in terms of the dependent variable has 3 options, and also multinomial logit models are often preferred in the survey studies in the literature. Multinomial Logit Model is defined algebraically as follows;

$$V_{nj}^* = x_n' \beta_j + \varepsilon_{nj} \tag{1}$$

where  $x_n$  denotes the exogenous variables, while  $\beta$  denotes the parameter of the estimation.

$$P_{nj} = P(y_n = j | x_n) = \frac{e^{x_n' \beta_j}}{\sum_{i=1}^J e^{x_n' \beta_i}} \tag{2}$$

The probability of each individual is calculated as above; where

$$y_n = \begin{cases} 1 & \text{if } V_{n1}^* \geq V_{ni}^* \text{ for all } i \\ 2 & \text{if } V_{n2}^* \geq V_{ni}^* \text{ for all } i \\ \vdots & \\ J & \text{if } V_{nJ}^* \geq V_{ni}^* \text{ for all } i \end{cases}$$

$y_n$  is the  $y_n \in \{1, 2, \dots, J\}$

### 4.3. Findings

The obtained results show that the content of lecture and job experience are the main determinants for choosing MBA program at the foundation university. Furthermore, it is hard to interpret the results of Multinomial Logit Model directly due to its non-linear nature, we use relative risk ratio for comparing each public university to private university. The relative risk ratio results are shown in Table 4. According to the relative risk ratios, experience and content of lecture have significant effects on choosing MBA program at the foundation university positively, and more than public universities.

**Table 2. The Multinomial Logit Estimation Results**

Dependent Variable:	UNIVERSITY
<b>Public University 1</b>	
TF	0.655 (1.27)
CPS	-0.670 (-0.80)
CONS	-1.410** (-2.77)
PSYS	-0.306 (-0.48)

SAS	1.072 (1.60)
EXP	-2.068*** (-4.88)
GENDER	0.566 (1.47)
CONSTANT	1.527 (1.83)
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<b>Public University 2</b>	
TF	0.771 (1.23)
CPS	-0.877 (-0.98)
CONS	0.609 (0.72)
PSYS	0.879 (0.96)
SAS	0.367 (0.48)
EXP	-1.118* (-2.21)
GENDER	-0.341 (-0.79)
CONSTANT	-1.328 (-1.07)
<hr/>	
Base=	Foundation University
<hr/>	
N	191
<hr/>	
t statistics in parentheses	
* p < 0.05, ** p < 0.01, *** p < 0.001	

**Table 3. The Goodness of Fit Statistics of the Model (R<sup>2</sup> Statistics)**

Test name	Test Result
McFadden's R2:	0.133
McFadden's Adj R2:	0.013 0.243

Maximum Likelihood R2:	0.277
	0.429
Cragg & Uhler's R2:	0.068
	2.056
Count R2:	-532.390
Adj Count R2:	
AIC:	
BIC:	

In Table 3, the goodness of fit statistics of the model is given . The model preferred according to  $R^2$  test results for giving goodness of fit of the model. Apparently, Pseudo  $R^2$  is not used for determining to the goodness of fit of the model, however, we use Adjusted count  $R^2$ , which can be used as adjusted  $R^2$  in the OLS (ordinary least squares) (see for more detailed information; Baum, 2012). Although we have 13 questions in the questionnaire according to  $R^2$  results, we only use 5 questions in the questionnaire, which appropriately describe the model which we estimate

**Table 4. Relative Risk Ratios based on the Multinomial Logit Model**

<i>Dependent Variable:</i>	<i>UNIVERSITY</i>
<b><i>Public University 1</i></b>	
<i>TF</i>	1.92 (1.27)
<i>CPS</i>	0.51 (-0.80)
<i>CONS</i>	0.24** (-2.77)
<i>PSYS</i>	0.73 (-0.48)
<i>SAS</i>	2.92 (1.60)
<i>EXP</i>	0.12*** (-4.88)
<i>GENDER</i>	1.76 (1.47)
<i>CONSTANT</i>	4.60 (1.83)

<b>Public University 2</b>	
<i>TF</i>	2.16 (1.23)
<i>CPS</i>	0.41 (-0.98)
<i>CONS</i>	1.83 (0.72)
<i>PSYS</i>	2.40 (0.96)
<i>SAS</i>	1.44 (0.48)
<i>EXP</i>	0.32* (-2.21)
<i>GENDER</i>	0.76 (-0.79)
<i>CONSTANT</i>	0.26 (-1.07)
<i>Base=</i>	<i>Foundation University</i>
<i>N</i>	191

**Table 5. Changing Probability Results**

<b>Discrete Change 0 to 1</b>				
<b>Variable</b>	<b>Avg/Chg/</b>	<b>Public University 1</b>	<b>Public University 2</b>	<b>Foundation University</b>
<b>TF</b>	.1139973	.10472023	.06627572	-.17099595
<b>CPS</b>	.11267497	-.08179981	-.08721265	.16901246
<b>CONS</b>	.24857373	-.37286058	.15478351	.21807709
<b>PSYS</b>	.08358736	-.12538102	.12085733	.00452372
<b>SAS</b>	.13591447	.20387171	-.00565745	-.19821426
<b>EXP</b>	.26316707	-.3947506	.00336686	.39138375

For more detailed interpretation of choosing MBA program at public university vs. foundation university, we use marginal effects of the estimated Multinomial Logit Model, for preference of MBA programs separately. The changing probability results are shown in Table 5. If MBA students who are unsatisfied about the tuition fee become satisfied public university preference increases by % 11, for public university 1, and Public University 2 are %10, and %6, respectively. If MBA students who are unsatisfied about career planning opportunities of MBA program become satisfied choose to MBA program at foundation university, by %16 increases. If the content of lectures in MBA program improves, and the unsatisfied students become satisfied, the students prefer to the foundation university by %21 and choose the MBA program at public university 2 by %15 increases. The students who are unsatisfied about physical conditions, become unsatisfied choose public university 2 increased by %12; become



student's affairs choose the MBA program at the public university increased by %20, decreased to choosing the MBA program at foundation university decreases by %19. More experienced students prefer to choose MBA program increased by %39 for foundation university, while is decreased by %39 for the public university.

## 5. Conclusion

In the globalized business world, MBA programs need to be blended form in which academic (in terms of theoretical background) and practically oriented courses. In this research, differentiation of student preference of foundation university with the public university in Turkey, for MBA programs by using Multinomial Logit model.

The obtained findings show to some interesting points. Job experience and the content of lectures are main determinants for the preference of MBA students for their right decision for MBA program which is at either public or private. However, the content of lectures seems to be satisfactory in the foundation university, and more experienced students prefer to the MBA program at the foundation university according to the obtained results from Multinomial Logit Model. The changing probability results show that if the public universities decrease the tuition fee of MBA programs, improve the career plan outcomes as well as the content of the lectures, physical conditions,

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