

# The “War” for Talent

## Macro Realities and Micro Considerations: The Graduate Management Education Market

### Key Questions

- Are younger students (Early Career or Millennials) and/or women key market segments for my program?
- How does my program’s market share of these groups compare with overall trends?
- What types of outreach and recruiting activities are successful with these groups in today’s market?

### Good News for GME

- ↑ DEMAND worldwide
- ↑ GLOBAL educational attainment
- ↑ YOUNGER students interested in GME

### STATS

Change in the number of GMAT® examinees under 25 from TY2003 to TY2007:

- ↑ 13% Europe
- ↑ 11% Asia
- ↑ 6% U.S. & Canada

outreach efforts, such as Harvard Business School—where roughly a third of its entering class consisted of students age 25 and younger even before it unveiled the HBS 2+2 Program™ targeted at college seniors.

In addition, the proportion of GMAT® examinees younger than 25 has increased in every region. Between TY2003 and TY2007, for example, the proportion of exams taken by U.S. and Canadian citizens under 25 years old increased from 34 percent to 40 percent. The change seen in exams taken by Europeans and Asians was even larger, where the proportion rose 13 percent and 11 percent, respectively.

A corresponding trend has been a general reduction in the average amount of work experience among candidates in the pipeline. A recent look at the Graduate Management Admission Search Service® (GMASS®) reveals that, of worldwide participants with a reportable GMAT® exam score, 16.2 percent had less than one year of work experience.<sup>1</sup> Chinese citizens are the extreme example of the early-career emphasis—35.1 percent of its respondents have less than a year of work experience.

The size of this younger student pipeline—with wide diversity of younger students’ experiences, perspectives, academic disciplines, cultures, and ethnicities—will undoubtedly have an impact on GME.

### Millennials: How Can You Better Understand Your Next Generation Students?

Millennials, a cohort whose members were born between 1982 and 2002, are the next demographic to impact the landscape. They currently represent 15 percent of the American workforce<sup>2</sup> and 11 percent of the workforce in Europe<sup>3</sup>—and as more of them leave school and join the labor market their proportion will rise. While Millennials are a large cohort in the United States (approximately 70 million), in less than a decade their numbers in Asia will be staggering—in the hundreds of millions. The number of 20-24 year olds in China is projected to grow to 116.3 million by 2010, before declining significantly thereafter. India, on the other hand, is projected to grow rapidly through 2015 before leveling off near 123 million.<sup>4</sup>

**G**lobal educational attainment is rising. For individuals looking to maximize their personal and professional potential, the knowledge economy allows for a host of attractive options. Such conditions create intense competition among business schools, particularly in the recruitment of top female candidates, early career talent, and members of the Millennial cohort in graduate management education (GME).

### Are You Looking for Younger Students? The Return of Younger GMAT® Examinees

After a decade in which the average age of graduate management students increased, business schools are beginning to see an influx of younger applicants. This may reflect the increasing number of younger students in the pipeline and success in efforts by schools to recruit more early-career candidates. There are notable examples of

# The “War” For Talent

The Millennial generation and its defining characteristics are a global phenomenon that has been identified and studied in the United States, Canada (where they are called the “Sunshine” generation), Australia, China, and Western Europe.<sup>5</sup> They are defined in part by a slate of core characteristics shared by many in the cohort, which stem from a discrete set of shared experiences. Millennials are seen as optimistic, self-confident, and interested in making a difference in the world that, in their view, has been put at risk by the inaction of Baby Boomers. Millennials differ from previous generations in their values and motivations, the level of feedback they seek, who (and what) influences them, and how they choose to pursue their interests.

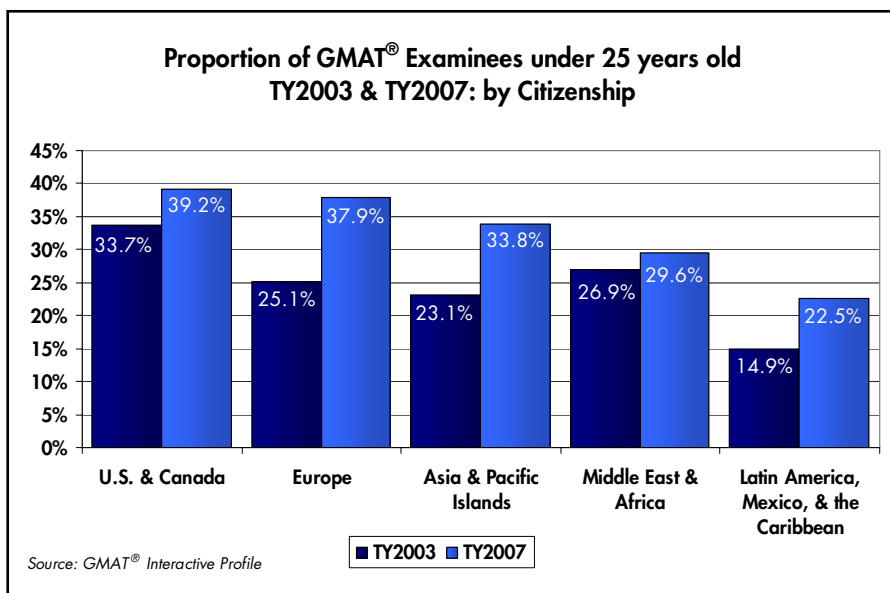
Millennials are likely to change management education as much as they are changed by it. With a higher percentage of the global population pursuing higher education, Howe and Strauss assert that Millennials are on track to become the best-educated adults in history.<sup>6</sup> Their heavy presence will most likely influence graduate management education in the ways that have already changed undergraduate admissions, campus life, networking, how schools market to them, and the approach companies take to recruit them.

These characteristics are already translating into GME. For example, GMAC<sup>®</sup> survey research has found that students younger than 25 apply to more programs than their older counterparts. They are likely to change the dynamic in the graduate management classroom, and perhaps even of programs as a whole. While younger students will likely bring the benefits of excellent study habits and tech-savvy skills, they will have little to contribute to the practical experience side and challenge the peer learning environment of MBA study groups and team projects. Moreover, the presence of parents is becoming more common, an observable fact not likely to reverse. Parents of Millennials are a major influence in their children’s lives, principally in the role of “co-investor” in their graduate education, and thus expect to be a decision-making partner for college and beyond. The “Second Annual National Survey of Future College Parent Expectations” conducted by College Parents of America and Colleges of Distinction, indicated nearly 95 percent of parents expected to attend a college orientation session for

parents, and a majority desires such services as a parent-oriented Web site or newsletter.<sup>7</sup>

Millennials’ perceptions and expectations have been shaped by technology and unprecedented opportunity. Decades ago, it took years for cohorts to “transition” across the world; today’s technology facilitates shared interests and experiences, many of which are virtual. Although these encounters are electronic, that does not make them less significant for this age group. This global generation has always used a computer for schoolwork, used the Internet as a research tool, communicated via cell phone and e-mail, and searched for and applied to college online. In fact, technology is so integrated into their collective existence that it is not a tool per se but instead is viewed as another sense with which to navigate life.<sup>8</sup>

The ability of a school to understand the Millennial generation and their parents—and the degree to which business school professionals seize the opportunity to be innovative and responsive—will likely have a significant impact on the future success of their school’s recruitment and enrollment.



## Are You Looking for Top Female Students? Where Are the Women?

While in some countries gender has a significant influence on access to higher education, growing participation by women has been a major driver of growth in college and university programs worldwide.

# The “War” For Talent

Around the globe, women are projected to participate in higher education in increasing numbers over the next decade. For example, a recent study by Watson Wyatt asserted that the younger generation of women in India is expected to achieve educational parity with men by 2016.<sup>9</sup> Data from the Organisation for Economic Co-operation and Development (OECD) for countries other than the U.S. and Canada confirm that from 2000 to 2005 the number of female graduates in business administration was up 53 percent, compared to male graduates’ rise of 35 percent.<sup>10</sup> Statistics from the U.S. Department of Education show that women have already posted similar gains relative to men in the number of bachelor’s, master’s, and doctoral degrees conferred.<sup>11</sup>

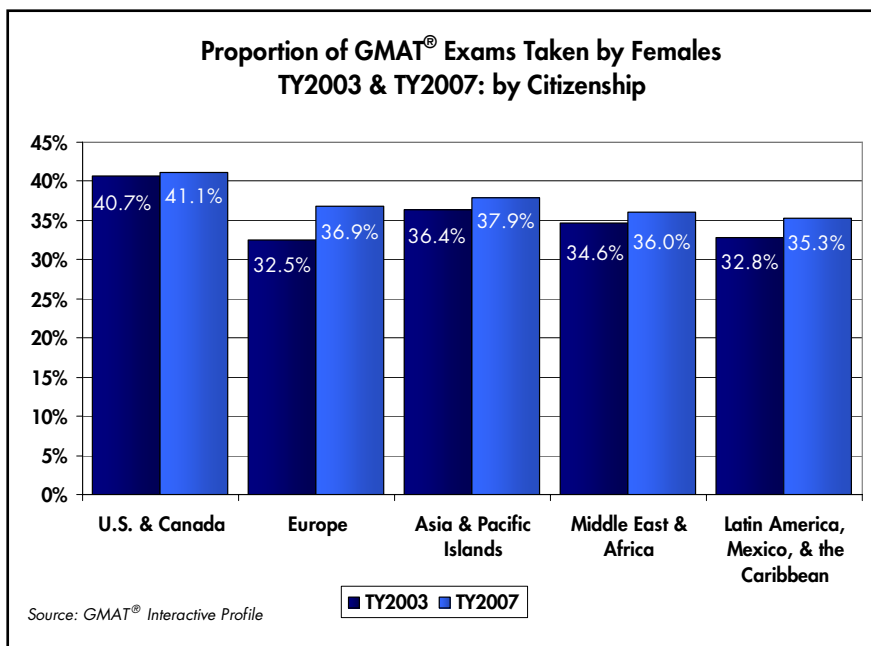
In the U.S., undergraduate enrollments are over 50 percent female<sup>12</sup>, and women earn nearly half of all undergraduate business degrees. Yet while graduate schools of medicine<sup>13</sup> and law<sup>14</sup> have had gender parity for many years, graduate management programs worldwide have rarely enrolled above 35 percent women.<sup>15</sup> Many schools have worked diligently to increase their women enrollees, and the situation is indeed beginning to show improvement. A greater proportion of GMAT<sup>®</sup> examinees worldwide are female and many regions of the world are approaching the 41 percent level of women who take the GMAT<sup>®</sup> exam in North America (see chart).

In 2006 GMAC<sup>®</sup> undertook survey research that found that U.S. men and women were driven by the same motivators—career enhancement, career switching, and personal development for job success. However, in examining *primary* motivators for pursuing graduate management education, women more than men appeared to be motivated by the desire to enhance their careers. And, while both perceived their greatest barrier to graduate management education as being financial resources, women also expressed more concern with preparedness than men.<sup>16</sup>

Business school, especially the traditional MBA program model requiring two to three years of work experience, can pose specific barriers for women. Those challenges include the timing of other significant life decisions, such as marriage and child-rearing; the pressures of traditional

social and professional roles; and the importance of career as a lifelong commitment. Compounding these lifestyle decisions at an early stage is the fact that women worldwide face reduced earnings relative to men when they enter the workforce, which results in a longer timeline to pay off equivalent levels of student debt. According to a recent study in the United Kingdom, it will take a female student who entered higher education in 2006-07 approximately 16 years to pay off student debt, compared to 11 years for their male counterparts.<sup>17</sup> According to one women’s policy expert, American women alone spend an average of 10 years out of work to take care of their home, children, and parents, which hinders their ability to increase their experience, seniority, and compensation.<sup>18</sup> UK data highlights the inability of women to arrive at leadership positions: women make up around half of the workforce in Britain’s FTSE 100 index of blue chip companies, but only hold 12 percent of the senior jobs in those firms.<sup>19</sup>

Business schools face the task of creating necessary incentives within the framework of women’s personal and professional decisions to effectively attract more females into management programs.



## Are You Able to Grab Their Attention? Do You Sense a “War” for Talent?

Capturing a share of global talent has become a consuming activity for all stakeholders. Prospective graduate management students have more choices for

# The “War” For Talent

where and how they study for an undergraduate degree, where they will work after graduation, and what business school they will attend. Throughout these stages, they have unparalleled access to information about their options.

“Empires of the future will be empires of the mind,” Winston Churchill told an audience at Harvard University in 1943.<sup>20</sup> Decades later, his vision rings true—schools, companies, and even countries seem to now compete fiercely for people who are “technologically literate, globally astute, and operationally agile.”<sup>21</sup> Competition for talent among stakeholders will continue to focus on select groups, including the influx of candidates from non-traditional markets and emerging-economy countries, the new college-age generation (Millennials), and the larger pool of women who have in the past eluded GME providers.

## Recruiting & Outreach: Everyone Wants a Share of the Best and Brightest

There is real competition, not just between business schools for students and faculty, but also from traditional employers, entrepreneurial ventures, and social organizations with global reach such as Teach for America® and the Peace Corps. To illustrate, in 2006 Teach for America®, one of the largest recruiters of college seniors, received 19,000 applicants—more than Microsoft, Procter & Gamble, Accenture, or General Electric—and accepted only 13 percent. The organization has a partnership with investment banking firm J.P. Morgan to host on-campus recruiting events, and seniors who are accepted into both organizations receive summer internships, job deferrals, and relocation bonuses from the firm.<sup>22</sup>

Employer efforts to retain talent have made it possible for high-potential applicants to either delay or bypass business school altogether. A recent article in *The New York Times* on the increase in hiring at hedge funds is a timely example: none of the managers interviewed endorsed MBA programs as a logical career move for their target recruits.<sup>23</sup>

Responding to the demands of the knowledge economy, corporations continue to engage in a variety of strategies to train and retain employees, including implementing in-house training programs, launching corporate universities, partnering with business schools to create company-

specific programs, and funding students to take courses while working.

## Are these Demographic Changes Global?

Higher education is a critical priority for a number of countries. According to statistics from the OECD, tertiary graduation rates in the developed and developing world are increasing (as measured by the total number of tertiary graduates divided by the population at the typical age of tertiary graduation). The result is that the benefits of higher education are reaching a broader segment of society. The average OECD graduation rate nearly doubled between 1995 and 2005<sup>24</sup>, and a 2006 report from UNESCO (United Nations Educational, Scientific, and Cultural Organization) suggests that the growth in tertiary enrollment and graduation is associated with the steady rise in social and economic globalization and mobility.<sup>25</sup>

The goal of creating a truly global workforce in the context of rising educational attainment faces many challenges. Countries differ markedly in:

- How higher education is structured and how employers choose to tap into the market;
- How education is financed (e.g., public good versus individual investment);
- How much autonomy schools can exercise in determining their growth and curriculum, which ultimately impacts access, quality, and learning outcomes;
- How much access to higher education exists and the rate at which tuition and fees can rise. In many countries educational costs rise faster than wages, which could limit access to education and constrain human capital;
- How to address the acute faculty shortage, which further limits access and broader adoption of quality. For example, recent reports note that 25 percent of faculty positions at Indian universities are vacant,<sup>26</sup> and the shortage can spike as high as 35 percent at some Indian universities.<sup>27</sup>



# The "War" For Talent

Some countries are addressing these challenges by improving quality, expanding access, and marketing to attract students from within their country and abroad.

Among recent examples:

- India announced that it would set up seven new Indian Institutes of Management<sup>28</sup> and grant authorization to the Indian Institute of Management-Bangalore as the first IIM to have a program outside of the country;<sup>29</sup>
- Australia is attracting more international students, particularly from Latin America, who find tuition there affordable and the social climate welcoming.<sup>30</sup>

## Conclusion

With further integration expected, this environment bodes well for continued demand. The bottom line for the GME sector is that the combination of early career talent, rising female and global educational attainment, and the global Millennial cohort represent real opportunity for schools. The overall attractiveness of the MBA and business-related programs will thus hinge on the perception and experience of these groups. They are, in fact, critical market segments for management education and constitute a pipeline that can and should be strategically and systematically cultivated. Yielding them, however, will take a commitment to understanding and responding to their needs, as well as a commitment to innovation—in the realms of quality, access, and outreach. Although challenging, the ability to prevail in the "war" for talent today may ensure the value and relevance of graduate management education in the future. ■

**PowerPoint® slides corresponding to the discussion in this "The 'War' For Talent" e-report can be found online at [www.gmac.com/globaltrends](http://www.gmac.com/globaltrends)**

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<sup>1</sup> Based on GMASS® search covering candidates available with reportable GMAT® scores from January 1, 2007 through January 1, 2008.

<sup>2</sup> Eisner, Susan, "Managing Generation Y," *S.A.M. Advanced Management Journal*, 70(4), Autumn 2005, p.4.

<sup>3</sup> Forrester Consulting, "Is Europe Ready for Millennials?" November 2006.

<sup>4</sup> Based on UN World Population Prospects: The 2006 Revision (Medium Data Variants), where age group data was last available; accessed online February 2008 at <http://www.un.org/esa/population/unpop.htm>

<sup>5</sup> Howe, N. & Strauss, W. (2003) *Millennials Go To College*.

American Association of Collegiate Registrars and Admissions Officers (AACRO) & LifeCourse Associates: USA.

<sup>6</sup> Howe, N. & Strauss, W. (2003) *Millennials Go To College*.

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<sup>7</sup> College Parents of America, "Future College Parents Expect To Be Very Involved In Key College Concerns of Their Children," Press Release, March 22, 2007. Accessed online at <http://www.collegeparents.org/cpa/about-press.html?n=1695>; "The Second Annual National Survey of Future College Parent Expectations" in its entirety can be accessed online at <http://www.surveymonkey.com/Report.asp?U=349377462725>.

<sup>8</sup> Gray, Audrey, "Millennials Rising," *Dealerscope Journal*, 48(4), April 2006, p. 30.

<sup>9</sup> Majumdar, Shayamal. "The 'she'-change in employment," *Business Standard* (online), February 21, 2008.

<sup>10</sup> OECD, Online Education Database – Graduates by field of Education

<sup>11</sup> NCES, Digest of Education Statistics 2006, p. 416-424.

<sup>12</sup> NCES, Digest of Education Statistics 2006, p. 273 and p. 431.

<sup>13</sup> Association of American Medical Colleges (AAMC), *Women in Academic Medicine Statistics and Medical School Benchmarking 2004-2005*, accessed online at:

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<sup>15</sup> Ellis, Elissa, "Where Are All the Female MBAs?," *BizEd*, May/June 2007, p. 64.

<sup>16</sup> Graduate Management Admission Council®, Marks, Janet and Edgington, Rachel. "Motivations and Barriers for Women in the Pursuit of an MBA Degree," Research Report August 1, 2006.

<sup>17</sup> Curtis, Polly, "Women take longer to repay student loans", *The Guardian*, January 2, 2008.

<sup>18</sup> Johnson, Chloe. "Experts unsure why more women than men graduating from college," *Fosters.com* (online), January 27, 2008.

# The "War" For Talent

[Katie Merrow, director of the New Hampshire Women's Policy Institute quoted]

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<sup>20</sup> "The Battle for Brainpower," *The Economist.com*, October 5, 2006.

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<sup>22</sup> Sellers, Patricia. "Schooling corporate giants on recruiting," *Fortune*, November 27, 2006. Accessed online at

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<sup>24</sup> OECD, Education at a Glance 2007, Chart A3.1; Data source can be accessed online at <http://dx.doi.org/10.1787/068037263103>

<sup>25</sup> UNESCO, Global Education Digest 2006, p. 3

<sup>26</sup> Neelakantan, Shailaja. "India's Prime Minister Assails Universities as Below Average and 'Dysfunctional,'" *The Chronicle of Higher Education*, June 25, 2007. Accessed online at

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