

# Unpacking the Appeal of For-Profit Graduate Business Programs to US Underrepresented Populations





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# Executive Summary

An area of graduate management education (GME) that has excelled at attracting underrepresented populations (URPs)<sup>1</sup> is the for-profit sector, including programs at nationally-known brands like the University of Phoenix, Strayer University, and Capella University. URP students in total accounted for half of for-profit GME degrees conferred in 2015-2016, including 37 percent among African Americans alone.

The purpose of this paper is to detail a study conducted by the Graduate Management Admission Council (GMAC), in partnership with marketing strategy firm globalsojourn, to learn more about the URP recruitment success of for-profit GME programs, URP candidates who consider and enroll in for-profit GME programs, aspects of for-profit GME URP candidates find most appealing, and what possible implications may be for nonprofit programs in their efforts to increase diversity in their applicant pools. Additionally, this paper highlights insights and examples from notable diversity initiatives at nonprofit GME programs and makes recommendations to inform nonprofits' strategies to grow diversity.

The study found that for-profit GME programs are enrolling potentially high-quality URP candidates that could be competitive applicants at nonprofit programs based on their educational and professional backgrounds. Through their marketing and recruitment strategies, for-profit GME institutions very effectively position their programs in a way that maximizes their appeal to URP candidates, and, through a finetuned engagement process oriented toward "closing," for-profit representatives deftly assuage prospects' concerns and quickly convert them to students. Perhaps in part due to the efficacy of their marketing and engagement practices, respondents perceive for-profit GME programs as superior to nonprofit programs in the areas for profits highlight most in their program positioning: program flexibility, a quality education to boost their career from instructors with relevant experience, and an easy application and admissions process.

Respondents largely view the overall quality and costs of for-profit programs as at parity with nonprofit programs, and across the various attributes explored in this study, there

were no aspects in which respondents perceive nonprofit programs to be superior to for-profit programs. Excluding the most prestigious, household name brands among nonprofit GME programs, for-profit URP candidates do not differentiate between nonprofit and for-profit programs from a quality and brand perspective.

Nonprofit GME programs seeking to attract more URP candidates who consider for-profit programs should focus on more effectively recruiting and converting URP nonprofit bachelor's degree earners. The study findings suggest these individuals are those that nonprofit GME programs would have the best chance at "stealing away" from for profits, as they view for-profit GME programs less favorably, and are less likely to evaluate for-profit GME options and enroll as a for-profit GME student. Nonprofit GME programs should proactively promote the benefits of GME to their URP undergraduates, as many are not fully aware of GME opportunities, the details of the application process, and the versatility and flexibility of a degree like an MBA.

Another recommendation is to recognize that for-profit programs operate from a position of strength among URP candidates, and nonprofit programs should not assume that their brand carries more weight than for-profits' brands. Nonprofit GME programs should acknowledge the favorable perceptions of for profits among this population, and develop strategies to educate URP candidates on the comparative advantages of investing in a degree from a nonprofit GME program. Additionally, nonprofit GME programs should consider providing—and effectively marketing—career assistance aimed at URP candidates' expected professional outcomes, which the study reveals are most often short-term and pragmatic. In addition to long-term career building, providing and marketing career assistance aimed at short-term career progression opportunities and practical advice on topics like networking, navigating company politics, negotiating salary increases, and succeeding as a person of color in the workplace would likely resonate with this population.

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<sup>1</sup>Throughout this paper, the term *underrepresented populations* refers to racial or ethnic minorities that include the following groups of US citizens: Hispanic American or Latino, Black or African American, Native Hawaiian or Pacific Islander, and American Indian or Alaska Native. The category does not include Asian Americans.



# Introduction

The composition of the US population is undergoing a historic transformation. The US Census Bureau currently projects that most Americans will be non-white by the year 2044.<sup>2</sup> As the country moves toward this milestone, industries across the economy are grappling with how to best position themselves for success in a more diverse future. In the case of higher education, colleges and universities are on the leading edge of this shift because of the age cohort they serve. The US millennial generation—people approximately 21 to 37 years old—is already 44 percent non-white, compared with just 32 percent of the population older than millennials.<sup>3</sup>

While the percentage of bachelor's degrees earned by URPS has steadily climbed from 17.8 percent to 23.2 percent over the last decade,<sup>4</sup> the Graduate Management Admission Test® (GMAT®) pipeline has not experienced the same level of diversification. For example, despite accounting for 20.8 percent of the US millennial population and earning 12.0 percent of the total number of bachelor's degrees conferred in 2014-2015, Hispanic Americans accounted for just 7.7 percent of unique US citizen GMAT examinees in the most recent testing year (TY 2017), up only slightly from 10 years ago (5.5%). African Americans are 13.9 percent of the US millennial population and earn 10.6 percent of the bachelor's degrees, but accounted for just 7.9 percent of unique GMAT examinees, flat from 10 years ago (8.1%).<sup>5</sup>

## Ten-year trend in race and ethnicity representation among US citizen bachelor's degree conferrals and US citizen unique GMAT examinees

	US citizen bachelor's degree conferrals			US citizen unique GMAT examinees		
	2004-05	2014-15	Change	TY 2008	TY 2017	Change
Hispanic American	7.3%	12.0%	+4.7%	5.5%	7.7%	+2.2%
African American	9.8%	10.6%	+0.8%	8.1%	7.9%	-0.2%
Native American	0.7%	0.6%	-0.1%	0.8%	0.7%	-0.1%
<b>Total</b>	<b>17.8%</b>	<b>23.2%</b>	<b>+5.4%</b>	<b>14.4%</b>	<b>16.3%</b>	<b>+1.9%</b>

Source: National Center for Education Statistics and GMAT testing data.

<sup>2</sup>United States Census Bureau (2015). New Census Bureau Report Analyzes U.S. Population Projections. <https://www.census.gov/newsroom/press-releases/2015/cb15-tps16.html>

<sup>3</sup>Frey, William H. (2018). "The millennial generation: A demographic bridge to America's diverse future." The Brookings Institution. <https://www.brookings.edu/research/millennials/>

<sup>4</sup>National Center for Education Statistics (2018). Bachelor's degrees conferred by postsecondary institutions, by race/ethnicity and sex of student: Selected years, 1976-77 through 2014-2015. [https://nces.ed.gov/programs/digest/d16/tables/dt16\\_322.20.asp?referrer=report](https://nces.ed.gov/programs/digest/d16/tables/dt16_322.20.asp?referrer=report)

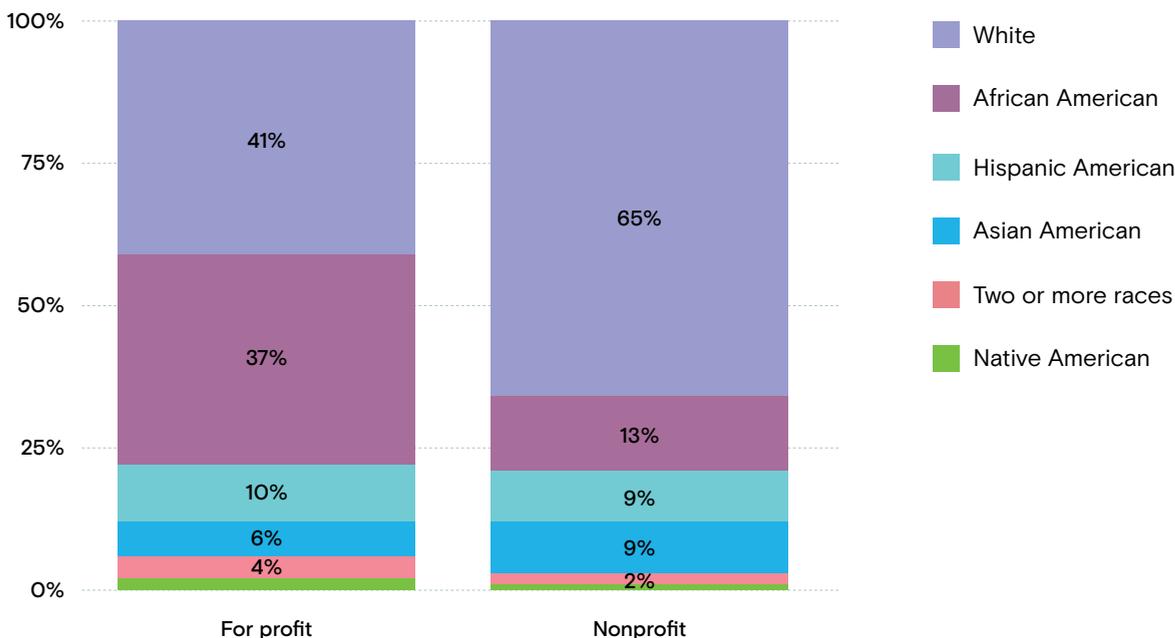
<sup>5</sup>Graduate Management Admission Council (2017). GMAT exam data, testing year 2017.

While the GMAT examinee pipeline does not reflect the complete picture of entrants to GME, US business school programs' applicant pools have also made limited progress in diversifying. Each of the past four years, about 3 in 5 us graduate business school programs reported flat or down application volumes from URPS.<sup>6</sup> In the context of an overall us candidate pipeline that's been flat for a number of years, these deficits in representation of non-white candidates are particularly troubling because enrollment projections suggest these populations are where future domestic business school recruitment opportunities will be most abundant. For example, the us Department of Education projects that the share of Hispanic Americans enrolled at degree-granting postsecondary institutions will grow from 16.7 percent in 2015 to 19.5 percent in 2025. Over the same period, African American representation among enrolled students will increase from 14.8 percent to 15.7, while the representation of white enrollees will decline from 57.9 percent to 53.3 percent.<sup>7</sup>

An area of GME where URPS enjoy greater representation is in programs at for-profit institutions, including programs at nationally-known brands like the University of Phoenix, Strayer University, and Capella University. URP students in total accounted for half of for-profit GME degrees conferred in 2015-2016, including 37 percent among African Americans alone.<sup>8</sup> This level of URP representation stands in stark contrast to that of nonprofit GME programs, where URP graduates accounted for just 23 percent of degrees conferred in 2015-2016.

What accounts for the success in diversity recruitment among for-profit programs? What aspects of for-profit GME appeal most to URP candidates? What can nonprofit programs learn from for profit success as they seek to diversify their applicant pools? These are among the important questions explored in this paper.

### Master's level business degree conferrals, by race/ethnicity and institution type, 2015-2016



Excludes conferrals of nonresident aliens and race/ethnicity unknown.

Totals may not sum to 100 due to rounding.

Source: National Center for Education Statistics.

<sup>6</sup>Graduate Management Admission Council (2014-2017). Application Trends Survey.

<sup>7</sup>National Center for Education Statistics (2016). Projections of Education Statistics to 2025. Table 19: Fall enrollment of U.S. residents in degree-granting postsecondary institutions, by race/ethnicity: Selected years, 1976 through 2025. <https://nces.ed.gov/pubs2017/2017019.pdf>

<sup>8</sup>GUS Department of Education, Institute for Education Sciences, National Center for Education Statistics. Data accessed from <http://nces.ed.gov> in May 2018. Excludes conferrals of nonresident aliens and race/ethnicity unknown.

# Findings



GMAC partnered with marketing strategy firm globalsojourn to learn more about URP for-profit GME prospects, students, and graduates, what aspects of for-profit GME they find most appealing, and what possible implications may be for nonprofit GME programs in their efforts to diversify their applicant pools. The study, which included qualitative and quantitative phases, took place between June and September 2017 and included a total of 400 US citizens or permanent residents of underrepresented populations.

## Study URP sample details

		Sample size
Race/ethnicity	African Americans	161
	Hispanic Americans	239
	<b>Total</b>	<b>400</b>
For-profit student journey	For-profit GME prospective students	286
	For-profit GME enrolled students	61
	For-profit GME graduates	53
	<b>Total</b>	<b>400</b>
Undergraduate institution type	For profit	241
	Nonprofit	159
	<b>Total</b>	<b>400</b>

Source: globalsojourn.

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GMAC partnered with globalsojourn on a previous project focused on gaining insights into the unique factors influencing URP candidate perceptions, level of interest, and pursuit of GME. The findings of this study are summarized in a 2016 paper titled *Increasing Graduate Management Education Candidate Diversity: Improving Attraction to Underrepresented Segments* available at [gmac.com/whitepapers](http://gmac.com/whitepapers).

This initial study found many prospective URP candidates start from a low base of awareness of GME and that a number of perceptual barriers must be overcome to convert these candidates to applicants. These barriers include an absence of meaningful role models with GME backgrounds, a perception that GME is for people “not like me,” and a perceived better fit with alternatives to GME (including full-time employment), in addition to financing concerns.

Additionally, the initial study identified four key factors that drive URP candidate consideration of GME:

- **Exposure** – Gaining an understanding of GME, its benefits, and its impact.
- **Tangibility** – Understanding the applicability of a GME to their individual career aspirations.
- **Real-world considerations** – Fitting GME into the realities of their busy lives and responsibilities.
- **Passion** – Linking GME to their values and goals.<sup>9</sup>

The study detailed in this paper adds to this existing research, providing new insights into a specific subset of URP candidates.

External to GMAC research, a large body of high-quality, scholarly research has investigated for-profit universities, specifically around their aggressive sales tactics, use of federal student loan programs, and student outcomes. The objective of this paper is not to summarize that existing work, but to provide new insights specific to GME, based on this study carried out in partnership with globalsojourn, in order to better understand the appeal of these institutions to URP candidates.



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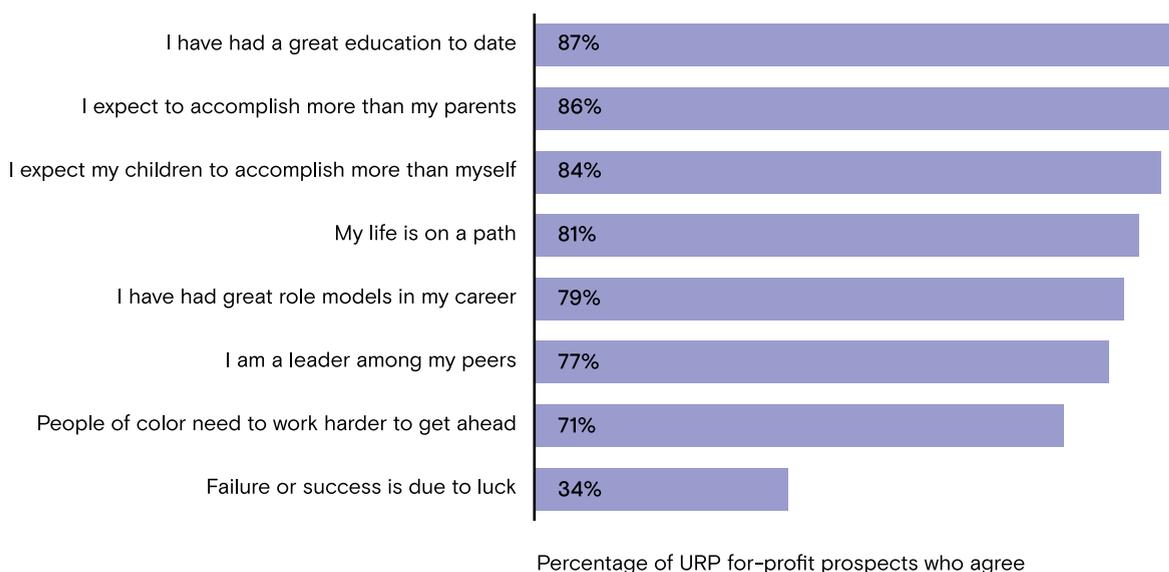
<sup>9</sup>Graduate Management Admission Council (2016). *Increasing Graduate Management Education Candidate Diversity: Improving Attraction to Underrepresented Segments*. <https://www.gmac.com/market-intelligence-and-research/research-library/diversity-enrollment/rr-16-03-increasing-gme-candidate-diversity.aspx?fromsearch=1>

## URP For-Profit Prospective Students

Before breaking down the appeal of for-profit GME programs to URP prospective students, it's important to first understand these prospects, including how they view themselves and their career opportunities as well as their educational and professional backgrounds.

Overall, survey responses from the quantitative phase of the study revealed that URP for-profit prospective students feel as though they have received a great education to date (87%) and that their life is on a path (81%). Their responses generally seem optimistic about their future and the future of their families. More than 4 in 5 say they expect to accomplish more than their parents (86%), and that they expect their children to accomplish more than themselves (84%).

### URP for-profit prospective student psychographic characteristics



Source: globalsojourn.

The undergraduate median GPA of the sample was 3.6, and their median age was 32. Among the 38 percent of respondents who took the GMAT exam and reported their score, most report that they achieved a score of 600 or above (74%). Overall, most URP prospective students completed their undergraduate studies as a full-time student in a traditional classroom setting (57%). About 1 in 5 were full-time students in a hybrid course structure (22%), which includes a combination of online and in-person coursework; 10 percent completed their degree online. About half of the

URP prospective students included in the sample majored in business (49%), and 1 in 5 studied IT, engineering, or computer science (21%).

The largest share currently works in IT (17%), followed by construction (11%), retail (9%), accounting (7%), finance and insurance (7%), and health care (7%). Most are currently between the mid-level professional and mid-level management job levels (58%), have budgetary responsibility (78%), and, on average, have eight years of professional experience.



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## Program Positioning and Perceived Advantages

A key finding of the qualitative phase of the study is that for profits very effectively position the value proposition of their programs to meet the needs of URP candidates, particularly those that are mid-career professionals. The findings show that for-profit programs understand their target audience and deftly highlight the elements of their program that resonate with them most: program flexibility, a quality education to boost their career from instructors with relevant experience, and an easy application and admissions process. Perhaps a testament to the effectiveness of their program positioning and marketing and recruitment strategies, the research also indicates that for-profit candidates perceive these same elements to be key advantages over nonprofit GME programs.

**Program flexibility** – Mid-career URP professionals very often have significant professional and familial commitments, leaving them with limited time to pursue a degree. A major part of for-profit programs' positioning to URP prospective students is to acknowledge this fact and communicate that pursuing a degree from their programs will have a minimal impact on their already very busy lives. Highlighting their flexible course schedules, the ability to pause coursework, and the availability of online classes, for-profit program representatives seek to minimize the extent to which enrolling in their program will encroach on prospects' time, and reinforce the idea that they are sympathetic to other responsibilities and willing to work with students to find a personalized schedule that meets their needs.

For profits offer a notable amount of flexibility in the delivery of their programs, offering both online and classroom-based coursework options, as well as the ability to shift between full-time and part-time status or take a hiatus from the program as life circumstances require. Additionally, some for profits offer a flexible approach to curriculum planning. For example, asynchronous course content allows students to move faster through areas they may already know and take their time with content they need to learn. Relative to for-profit programs, this subset of URP candidates perceives nonprofit programs to be stricter and less accommodating to their life commitments.

**Quality education to boost their career from instructors with relevant experience** – In making the case for the quality of their programs, for profits downplay the importance of traditional quality indicators like published rankings and accreditation, and instead emphasize the practical experience of their faculty. URP candidates considering for-profit programs are most often seeking to advance or reboot their careers. The qualitative phase of the research revealed for-profit representatives are disciplined about not promising specific job outcomes, but position their program as a necessary step for the candidate to achieve their goals.



Instructors are actively marketed as deeply experienced professionals who not only have a thorough understanding of the concepts they teach in the classroom, but are also able to demonstrate the practical application of those concepts in the kinds of work situations students are likely to find themselves. In describing their faculty's background, one for-profit enrollment specialist said: "They are not tenured. Our faculty have advanced degrees in the areas that they work and teach in. For example, for our accounting classes, a lot of our professionals that are teaching accounting classes are CPAs." Among this subset of URP candidates, practical experience is seen as the hallmark of knowledge, and traditional indicators of a professor's level of expertise, like a doctorate or research output, are viewed with indifference.

**Easy application and admissions process** – While most nonprofit programs highlight the selectivity of their admissions process, for profits promote their inclusivity. The message for-profit prospective students receive in the admissions process is "if you're a motivated student, we'll find a way to get you through" placing more emphasis on professional experience in lieu of admissions exam scores and competitive undergraduate GPAs. Admission requirements are positioned less as hard and fast rules and more as guidelines that can be worked around or substituted for.

In their verbal communications with candidates, for-profit programs express a great deal of flexibility in meeting admission requirements. One area in which this is pronounced is around undergraduate GPA. One for-profit representative said in the qualitative phase of the research: "No worries about GPA. I mean, it's 15 years ago, how much does that really tell us about who you are now?" With regard to admissions testing, enrollment specialists suggest that a candidate's work experience can stand as an alternative to providing a test score. The application process is designed to be frictionless, in many cases moving from initial contact with an enrollment specialist to matriculation in about a week.



## Early Pipeline Development

Among the biggest challenges in GME diversity recruitment is the fact that from an early age many from underrepresented populations are simply not exposed to the world of business or to the idea of GME as a viable path. This is a particularly thorny issue for business schools to tackle because its roots stem from multigenerational systemic inequities, and it's an investment with a significant amount of lead time and no guarantee of a return for any one specific program or school.

A business school taking on the challenge and making inroads in this area is Vanderbilt University, whose partnership with a local nonprofit organization is making a positive impact on the lives of young people from underserved communities. Youth About Business (YAB), founded in Vanderbilt's backyard of Nashville, Tennessee, works to expose high school students from diverse backgrounds to business career paths and develop their business literacy and leadership skills. Through an immersive experiential learning model, YAB prepares its participants for success in a business environment and provides them with access to role models and resources they can't get anywhere else. Among the ninth to twelfth graders that have participated to date, 80 percent are from racially diverse backgrounds, 70 percent are from low- to moderate-income homes, and 65 percent are from single parent homes.

"Vanderbilt is privileged to partner with YAB and make an early impression on the lives of youth," says Consuela Knox, director of admissions operations at Vanderbilt. "Whether they pursue business in the long run or not, their confidence is boosted and career success resonates as reality for them."

First-time participants attend a one-week overnight Basic Camp on a university campus where they are taught by local executives and assume leadership of an assigned corporation and engage in fun and competitive mergers and acquisitions simulations. A subset of participants then spends a week in New York for the Wall Street Conference for Teens, where students are hosted by YAB's corporate sponsors and engage in group learning and exploration activities. Following Basic Camp in a prior year, returning participants go on to the Advanced Camp, hosted by Vanderbilt, where they build on their knowledge and work through more complex transactions like joint ventures and leveraged acquisitions.

"The critical thinking and innovative solutions that these high school students showcase amaze me year-over-year," says Knox.





YAB boasts an impressive group of corporate strategic partners, including, J.P. Morgan, EY, SunTrust, The Moody's Foundation, Nomura Bank, BankUnited, Sony Corporation, Bass Berry Sims, and Nissan, which no doubt see YAB as a model to help companies build pipelines of diverse talent who can transition seamlessly from student to corporate culture through the foundational business and finance knowledge developed in the program. For Vanderbilt, the partnership is about giving the participants exposure to business career paths, and making them aware of how a graduate business degree can be a springboard to a diverse array of exciting career opportunities across industries. "It's also about giving back," says Knox. "We constantly look for ways to enhance the lives of those in our realm of influence and this is one way that we do so."

"It's opened my eyes to all the different career opportunities in business. You only ever hear about the big ones, like chief executive officer or CFO, but I know there are so many others now," says a participant in a video on the YAB website.

"Unless you have an active parent teaching you about basic banking terms and accounting terms, you really don't gather that information...Youth About Business generates that interest, educates the students, and provides a pathway to think not just about finance careers in the future, but also about what it takes as an individual to prepare for the future from a financial perspective," says Eric Zwygart, Senior Manager, Deloitte, in a video on the YAB website.

The program boasts a 98 percent high school graduation rate and a 90 percent college completion rate. Seventy percent enter business careers, and Knox says she's seen several students enroll at Vanderbilt and hopes to see more in the future.

Since its founding in 1992, more than 7,000 students have participated in one or more of the educational components of the program. YAB currently operates in Tennessee, New York, Illinois, Georgia, and Texas, and has plans to expand into the Western and Mid-Atlantic regions.

"As an educational institution, our goal is to provide knowledge, skills, connections, and support that will open doors to a variety of outcomes for our diverse set of constituents," says Knox. "YAB has a similar mission which makes this a very relevant partnership. And with underserved populations as the key audience, I hope that we are able to positively impact the pipeline of minorities considering GME."



## Prospect Engagement

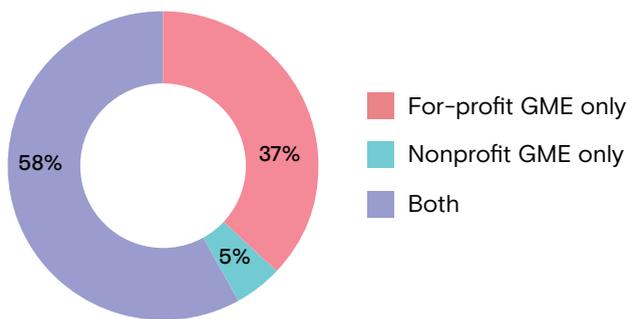
The qualitative phase of the study also examined for-profit programs' prospect engagement strategy. Interactions with for-profit representatives found their engagement process to be finetuned, well-structured, and oriented to move prospective students through the process as quickly as possible.

For profits offer a warm and welcoming first impression to candidates. This is evident in their website experience—which is easy to navigate, informative, and uses motivational language—as well as their willingness to have in-person consultations, in which they provide a welcoming and informative experience. Representatives are available by phone 24 hours a day to accommodate the work schedules of their target candidates, and they typically schedule follow-up calls to continue the dialogue. Beyond the phone, they use a variety of communication platforms to interface with candidates, including chat intercepts on their website, which are used to begin a conversation with prospective students, leading them next to phone, email, and in-person interactions. URP respondents to the quantitative phase of the study cite email and in-person meetings as the most frequently used communication channels, which they also indicate are their most preferred methods of interaction.

Once interest is expressed, for-profit representatives aggressively move the conversation toward “closing.” Reservations expressed by the prospective student are oftentimes turned into an opportunity to sell. For example, if the prospect raises doubts about their ability to finance their studies, the representative may ask, “If I can get you into our loan program, will you sign up today?” The application process is designed to be frictionless, in many cases moving from initial contact with a for-profit representative to enrollment in about a week.

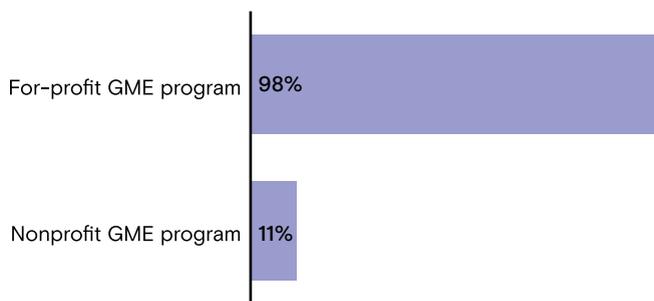
The quantitative phase of the research highlights significant differences in URP program consideration and conversion outcomes by their undergraduate institution type. For example, among URP candidates who earned their bachelor's degree at a for-profit institution, 95 percent considered for-profit GME program options in deciding where to apply for their graduate studies. Of those prospects, for-profit GME programs converted 98 percent to matriculate as students. Among URP candidates who earned their bachelor's degree at a nonprofit institution, 39 percent considered for-profit GME program options in deciding where to apply for their graduate studies. Of those prospects, for profits converted 30 percent to matriculate as students.

**GME programs evaluated, URP for-profit bachelor's degree holders**



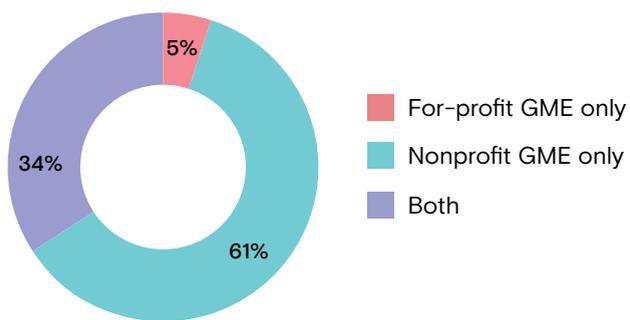
Source: globalsojourn.

**Conversion rate, URP for-profit bachelor's degree holders**



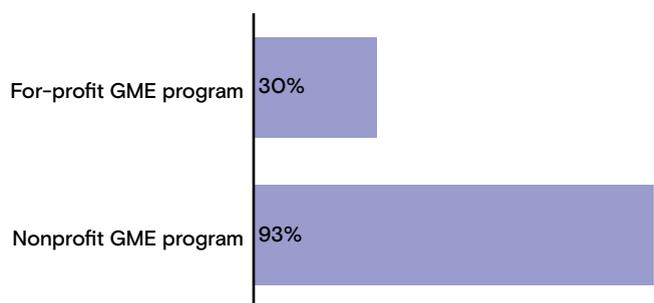
Source: globalsojourn.

**GME programs evaluated, URP nonprofit bachelor's degree holders**



Source: globalsojourn.

**Conversion rate, URP nonprofit bachelor's degree holders**



Source: globalsojourn.

## Student-Led Initiatives

Since 1996, public universities in the state of California have been prohibited from considering race, sex, or ethnicity as a part of the admissions process as a result of what's commonly known as Proposition 209. Since then, similar state-level legislation was passed in Arizona, Florida, Michigan, Nebraska, New Hampshire, Oklahoma, and Washington. For business schools in these states, building a truly diverse incoming class can be all the more challenging, and can require different approaches.

In the case of UC Berkeley Haas—a campus with a rich history of student empowerment—it's contributed to the emergence of several student-led diversity initiatives, which in the view of Dr. Élide Bautista, director of diversity and inclusion, have been incredibly impactful to improving the underrepresented student experience on campus and attracting diverse candidates to apply and enroll. “Students have led the charge in creating opportunities for dialogue and learning across differences, and coming together as a community to do outreach to incoming generations of underrepresented students,” says Dr. Bautista.

An example of a student-led initiative that has made an impact is the Race Inclusion Initiative (RII), a research-based MBA student effort driven to increase the number of underrepresented minorities in the program and make the climate welcoming for all. The RII involved faculty mentors, analyzed admissions and student profile data, and conducted surveys, interviews, and focus groups to identify specific areas of the Haas student experience that required addressing. A telling finding of their research was that while nearly 90 percent of MBA students said understanding racial dynamics is critical to being an effective leader, less than half said they are comfortable talking about race. As a result, the RII launched the Hot Topics discussion series, an ongoing forum for students to discuss hot-button issues, in addition to a diversity newsletter, blog, and podcast.

“The RII provides a platform for students to partner with the administration by presenting results rooted in data, and informed by students who have their ear to the ground,” says Dr. Bautista.

Haas students' leadership on race issues has extended into the classroom experience, as well. A new student-led independent study seminar called “Dialogues on Race” is designed to create a safe space for students to develop better skills for engaging in conversations about race in their careers and personal lives. Student leaders actively recruited a broad cross-section of students to participate, which in the end was about 60 percent white students and 40 percent students of color. Survey measures taken before and after the seminar show that after the experience students expressed a deeper understanding of how race has shaped both their own experiences and the experiences of their classmates, and felt more comfortable talking about race, particularly across lines of difference.

“Haas students know that leading diverse and inclusive teams is a core competency to be competitive in the workforce, and are seeking to develop these skills. Having the opportunity to engage in conversations about race among themselves as students allows for room to make mistakes and grow, and develop mutual compassion and connection,” says Dr. Bautista.

When the RII organized a “Dialogues Over Dinner” series, in which students are asked to read an article or watch a short video on a race-related topic and discuss it in small groups over dinner, all 10 of the dinners were led by “Dialogues on Race” students, eager to put their learning to practice.

“The seminar has reverberations on the climate of the school as a whole because students bring this learning to their interactions with students in other spaces,” says Dr. Bautista.

Student leaders in the race and ethnicity space are learning from the success of other diversity initiatives on campus, as well. For example, women in the Evening & Weekend MBA program affiliated with the Haas Gender Equity Initiative, an MBA student effort to change the culture to better serve and support women, were able to reduce the amount of drop-off among women candidates in the admissions process by reaching out to women who had not yet completed their



application as the deadline approached. The simple act of reaching out to women candidates, actively engaging with them, and encouraging them to complete their applications contributed to an increase in submitted applications by women by 13 percent in one round. As a result, full-time MBA students, including students of color and allies, are currently piloting the practice with underrepresented candidates.

“One of the advantages of being in a school of business that houses various programs is the ability for students to share successful practices with each other,” says Dr. Bautista.

Are these kinds of student-led initiatives possible on campuses other than a place like Berkeley Haas? “Absolutely,” says Dr. Bautista. “While Berkeley has a unique tradition of student activism, these are all initiatives that can be duplicated with a motivated student body that involves both underrepresented students and allies.”

Work in the diversity space at Haas continues to evolve. Since coming to Haas in January 2018, an area of focus for Dr. Bautista has been unconscious bias in corporate recruiting. After learning of instances of bias Haas students of color experienced in the corporate recruitment process, Dr. Bautista has led trainings with Haas’ career management center staff so they can educate corporate recruiters on bias, as well as supporting the students they serve on how to best respond to microaggressions from recruiters.

“The career management group focused this year’s annual employer roundtable on topics of diversity and inclusion, highlighting our student-led initiatives and offering a variety of workshops, including unconscious bias, for the recruiters,” says Dr. Bautista. “Participants left with concrete tools they could implement immediately in their approach to recruiting, organizational climate, and inclusion.”

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## Perceived Quality and Costs

The study highlights a number of factors in which the URP respondents view for-profit programs as at parity with nonprofit programs. Among those factors is the quality of the actual education itself.

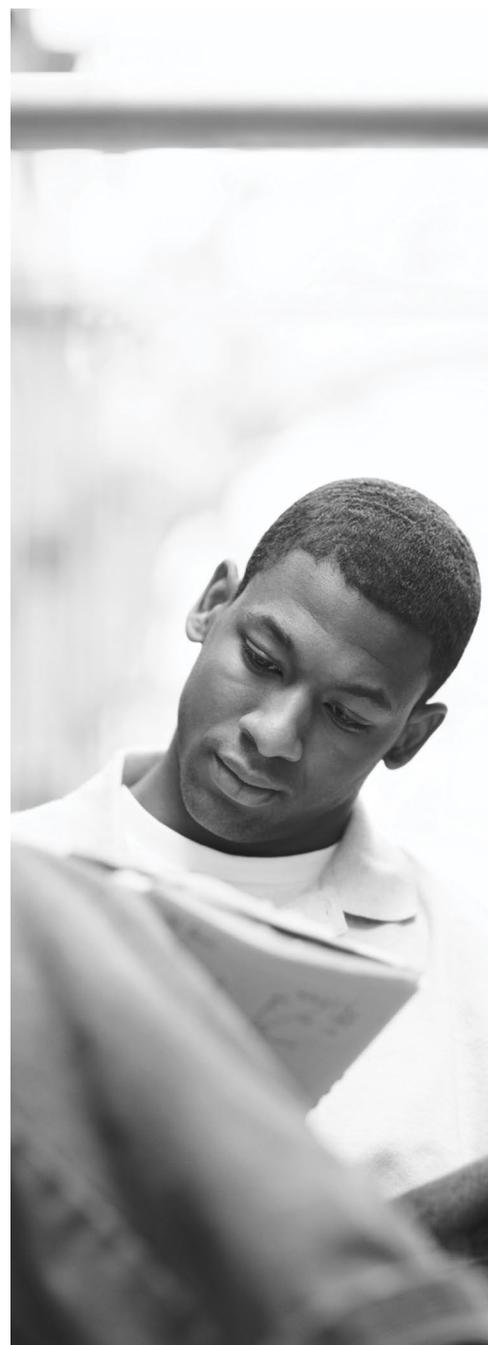
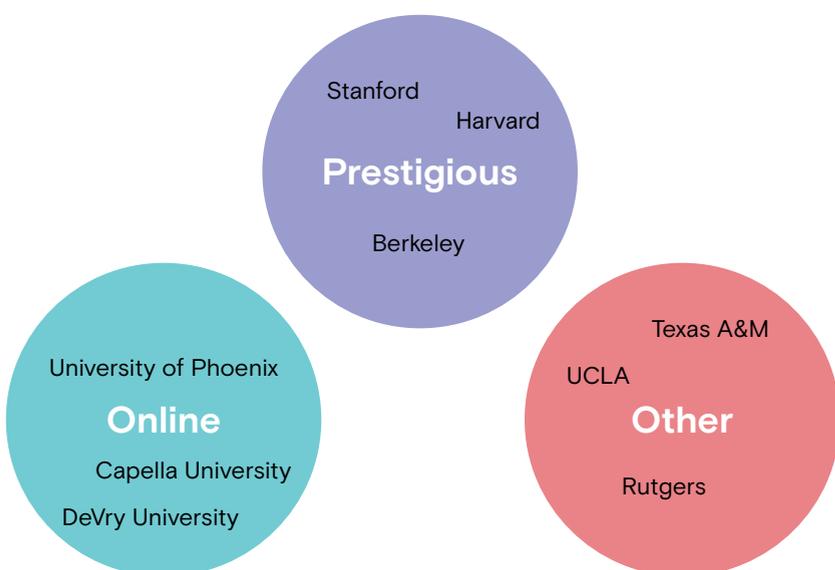
Considerations like accreditation are seen as important, but the study shows that these candidates largely do not differentiate between types of accreditation. For example, graduate business programs at major for-profit providers like the University of Phoenix, Strayer University, and Capella University are not accredited by the Association to Advance Collegiate Schools of Business (AACSB), the Association of MBAs (AMBA), or EFMD Quality Improvement System (EQUIS), which are generally regarded as the three largest and most influential business school accreditation associations. Many us for-profit graduate programs are accredited by the Association of Collegiate Business Schools and Programs (ACBSP), which generally has less demanding standards. The research demonstrates that URP candidates may consider accreditation to be a factor in their program selection, but they largely do not distinguish between accrediting bodies or their associated standards. Typically, candidate questions around accreditation do not extend beyond “Are you accredited?” Any response beginning with “Yes,” effectively ends the line of questioning.



Excluding the most prestigious, household name brands among nonprofit GME programs, for-profit URP candidates do not differentiate between nonprofit and for-profit programs from a quality and brand perspective. The qualitative phase of the study revealed that these candidates do not think of the business school universe in terms of for-profit and nonprofit programs, but instead perceive their program options in three categories: prestigious, online, and other. In this perception of the market, “online” is not necessarily a descriptor of course delivery, but of the absence of a single physical campus or structure. For-profit programs are grouped into this category. The “other” category includes all nonprofit programs not perceived by these candidates as belonging to the “prestigious” category. This category includes programs at both public and private institutions, as well as selective and less selective programs. Included in the accompanying graphic are examples of institutions respondents associated with these categories.

While the overall sample showed relative parity in their view of the quality of for-profit and nonprofit GME programs, there are notable differences in the perceptions of for-profit programs among URP candidates who earned their undergraduate degree at a for-profit institution and those that earned their degree from a nonprofit institution. On average, 58 percent of URP for-profit bachelor’s graduates rated the schools very positive, compared with 32 percent among URP nonprofit bachelor’s graduates.

### URP candidate perception of GME program options

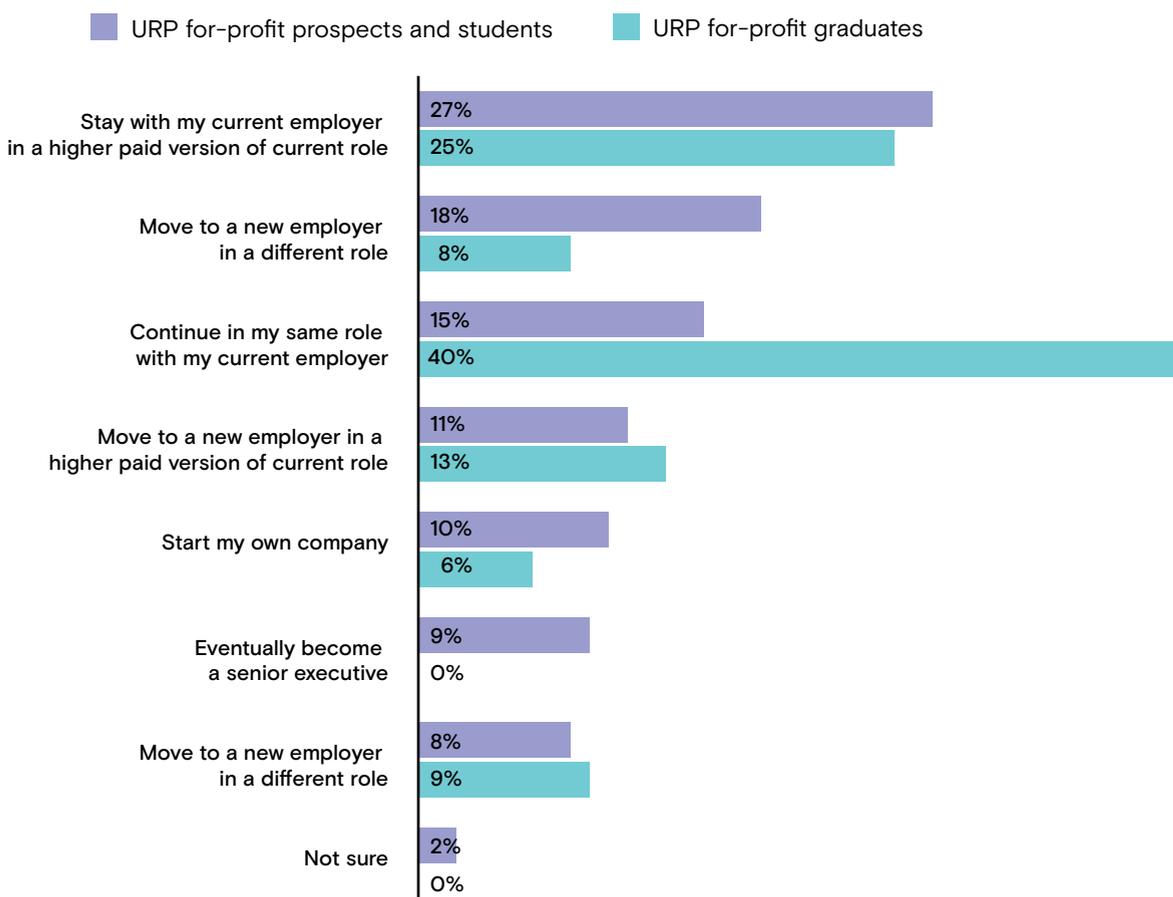


Source: globalsojourn.

The results of the quantitative phase of the study also illustrate how URP candidates' quality perceptions of for-profit programs largely differ from actual outcomes. There is evidence of "buyer's remorse" among for-profit graduates, specifically that they did not experience career trajectory acceleration within their current companies or see an increase in their ability to move to a better situation at a different company. For example, the most common outcome reported by for-profit graduates was that they continued in the same role with the same employer (40%), though just 15 percent of for-profit prospects and students indicated that was their expected outcome. While 18 percent of URP for-profit prospects and students say they are pursuing their degree to move to a new employer in a different role, just 8 percent of for-profit graduates report that as an outcome.

Another area in which the quantitative phase of the study showed URP respondents viewed for-profit and nonprofit programs at parity was cost and financial aid. URP graduates of for-profit business programs report a median total cost of US\$35,000. While URP for-profit prospects expect to cover an estimated average of 20 percent of their costs with scholarships and 36 percent with loans, URP for-profit graduates report covering an average of 48 percent with loans and 15 percent with scholarships. Overall, a similar proportion of URP for-profit prospects say there are sufficient financial aid opportunities (62%), and that their future earnings will make up for the financial sacrifice of graduate school (75%) compared with URP for-profit graduates (68% and 68%, respectively).

### URP for-profit prospects and students outcome expectations and URP for-profit graduates' outcomes



Source: globalsojourn.

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## ASK THE EXPERT:

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### Nsombi B. Ricketts

With more than 10 years of experience across multiple institutions, Nsombi B. Ricketts—an alumna of Goizueta Business School at Emory University and The Consortium for Graduate Study in Management—is an established thought leader in the area of diversity and inclusion in graduate management education. GMAC Research spoke with her to gain her insights on underrepresented population recruitment, its unique challenges, and practical steps schools can take to improve their outcomes.

**GMAC Research:** Based on your experience, what are the key challenges business schools face in recruiting underrepresented populations?

**Nsombi B. Ricketts:** Much of it stems from the fact that many candidates from underrepresented populations do not have an extended network that includes GME graduates, so they often do not have even a general awareness of GME, let alone knowledge of the application process and how it works. As a result, most of the time they don't even know about GME opportunities available to them or how to put their best foot forward in the process. Having someone or something to spark the idea of business school as a realistic option is simply not there in a lot of cases.

Another consequence of this is that diverse candidates don't always have a good idea of what's possible for their careers with a GME. They don't have an understanding of the versatility and flexibility a degree like an MBA has in the professional world. Often, their perception is that MBA graduates have a narrow, corporate career path, and of course the reality is that MBA graduates go on to do a variety of interesting things in different industries and job roles. So really, what's critical is education to expose diverse candidates to GME, the application process, and potential career possibilities so they can consider business school as a viable option.

**GMAC Research:** In your opinion, what is the most common misunderstanding business schools have about diversity recruitment?

**Nsombi B. Ricketts:** I would say generally that schools need to have a more complete understanding of the value of a truly diverse student population. Beyond the benefits to the overall student experience—which are numerous and important—there are some concrete benefits that I think are lost on some administrators. For example, having a diverse student population is an incredible asset in attracting corporate recruiters to your campus. These recruiters need diverse job candidates, so programs with equitable representations of diverse talent pull in recruiters from top companies, which benefits all students, and in turn enhances the reputation of the school with recruiters, and in turn enhances the reputation with candidates. It's a virtuous cycle, really, that benefits all stakeholders.

Another thing is simply that the future is diverse. Business schools that have made a sustained effort with dedicated staff resources and financial investment in this space over time are seeing the benefits of that work now. Diversity begets more diversity, in the sense that having a diverse alumni body helps you recruit more diverse candidates. In a future where more of the country is non-white, you'll either need to adapt or see your numbers slip. So, in that sense, a diverse student body not only makes sense from an educational perspective, but it's just good business.

**GMAC Research:** How significant a role does having a diverse faculty play in a school's ability to attract underrepresented candidates?

**Nsombi B. Ricketts:** I think it's really important for prospective students to see faculty that look like them, both among lecturers and tenure track faculty. It's tough, though.



It's a challenge perhaps even tougher than recruiting diverse students, and like with a lot of diversity initiatives in higher education, it requires sustained effort over time. The PhD Project is a great organization to partner with on identifying diverse candidates for open faculty positions. Trainings to reduce bias on search committees are also important, and equity representatives can help make sure your school is compiling a diverse pool of candidates before any decisions are made.

**GMAC Research:** A challenge some business schools face is that they are in areas where the local population is not diverse, making it more difficult to attract diverse talent to their programs. What strategies can you offer for these schools?

**Nsombi B. Ricketts:** These schools can still have success in diversity recruitment through sustained effort and holistic relationship building. I would say, to start, they should focus on helping bridge the transition to your business school and its surroundings. Upfront, you want to mitigate their concerns about some basic life essentials. Who on campus can I come to as a resource? Where can I get good ethnic food? Where can I get my hair done? Engaging prospective students with this kind of basic information shows you understand where they are coming from, and it can really make a difference in making them feel welcome. Where you

want to get ultimately is diverse candidates not simply saying "I can survive here for two years," but "Yes, I can absolutely thrive in this environment."

**GMAC Research:** If you were advising a business school that does not currently have a diversity recruitment initiative, how would you suggest they get started?

**Nsombi B. Ricketts:** I would say a good place to start is to benchmark against your peer schools. Understand where they are recruiting and make sure you have a presence there too. Next, partnering with established organizations in this space has tremendous benefits. Presence at key recruiting events for diverse candidates is critical, and partnering with pipeline organizations is the best way to do that. Organizations like the National Black MBA Association (NBMBA), Prospanica, the Association of Latino Professionals for America (ALPFA), the Society of Hispanic Professional Engineers (SHPE), the National Society of Black Engineers (NSBE), and the National Association of Black Accountants (NABA) are a few places to start, and organizations like Management Leadership for Tomorrow (MLT) and The Consortium for Graduate Study in Management are great options as well.

# Conclusion

Through a detailed qualitative and quantitative study of URP prospects, students, and graduates of for-profit GME programs, key insights were revealed regarding who for-profit students are and what aspects of for-profit graduate management education they find most appealing. Overall, the findings of the study reveal that for-profit GME programs understand their target URP candidates and do a very effective job of positioning their programs to maximize their appeal to URP candidates, and, through a finetuned engagement process oriented toward “closing,” for-profit representatives deftly assuage prospects’ concerns and quickly convert them to students.

Perhaps in part due to the efficacy of their marketing and engagement practices, respondents perceive for-profit GME programs as superior to nonprofit programs in the areas for profits highlight most in their program positioning: program flexibility, a quality education to boost their career from instructors with relevant experience, and an easy application and admissions process. Unlike most nonprofit programs, who celebrate the selectivity of their admissions, for profits promote their inclusivity, as nearly all applicants find admission to the program of their choosing.

Respondents largely view the overall quality and costs of for-profit programs as at parity with nonprofit programs. The traditional indicators of program quality used by nonprofit GME programs—attributes like published rankings, elite accreditation, and faculty scholarly research—largely do not resonate with these candidates. Excluding the most prestigious, household name brands among nonprofit GME programs, for-profit URP candidates do not differentiate between nonprofit and for-profit programs from a quality and brand perspective. Across the various program attributes explored in this study, there were no aspects in which respondents perceive nonprofit programs to be superior to for-profit programs.

In summary, the formula for for-profit GME programs’ success with URPs is to provide an educational product perceived to be at parity with nonprofit programs, at a similar cost, in a flexible program structure, and with a frictionless, lightning fast admissions process.





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Additional findings of note from the study include:

**For-profit GME programs are enrolling some potentially high-quality URP candidates that could be competitive applicants at some nonprofit programs.** The undergraduate GPA of the URP sample studied was 3.6, and among the URP for-profit prospective students that provided a GMAT score, most report that they scored 600 or above (74%). Most are currently between mid-level professionals and mid-level management (58%), have budgetary responsibility (78%), and, on average, have eight years of professional experience. Additionally, most see themselves as leaders among their peers and expect to accomplish more than their parents, indicators of a strong motivation to achieve and advance professionally.

**The appeal of for-profit GME programs is weaker among URPs who earned their bachelor's degree from a nonprofit institution.** Among respondents who earned their bachelor's degree from a nonprofit institution, only 39 percent evaluated for-profit GME programs compared with 95 percent that evaluated nonprofit GME options. Among the 95 percent that evaluated nonprofit GME options, 93 percent converted to nonprofit GME students. Among the 39 percent that evaluated for-profit GME options, 30 percent converted to for-profit GME students.

**Most URP candidates who earned their bachelor's degree from a for-profit institution consider nonprofit GME.** Although an overwhelming 95 percent of respondents who graduated from a for-profit undergraduate program evaluated for-profit GME programs and 98 percent of them converted to for-profit GME students, nearly 2 in 3 evaluated nonprofit GME options. To the extent that nonprofit GME programs view for-profit bachelor's earners as competitive candidates, this suggests these candidates are at least open to nonprofit programs, even if only 11 percent actually convert to nonprofit GME students.

**URP candidates' quality perceptions of for-profit programs largely differ from their outcomes.** Comparing URP for-profit prospective students' outcome expectations with for-profit graduates' actual outcomes reveals that graduates often fall short of achieving their professional goals. For example, the most common outcome reported by for-profit graduates was that they continued in the same role with the same employer (40%), though just 15 percent of for-profit prospects and students indicated that was their expected outcome. While 18 percent of URP for-profit prospects and students say they are pursuing their degree to move to a new employer in a different role, just 8 percent of for-profit graduates report that as an outcome.



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## Recommendations for Business Schools

The findings of this study reveal that for-profit GME programs have effectively changed the game in URP GME recruitment. Based on the findings of this study, nonprofit GME programs might consider the following recommendations to inform their overall strategies to grow diversity in their program applicant pools.

**Recognize that for-profit programs operate from a position of strength among URP candidates.** The findings of this study make clear that this subset of URP candidates view for-profit GME programs as superior to nonprofit GME programs on a number of attributes of particular importance to them, specifically: program flexibility, a quality education to boost their career from instructors with relevant experience, and an easy application and admissions process. Even on the attributes of overall educational quality and financial aid availability, which empirical evidence would suggest is much stronger among nonprofit GME programs, the study reveals this population views for profits as at parity. Traditional indicators of program quality used by nonprofit GME programs—attributes like published rankings, elite accreditation, and faculty scholarly research—largely do not resonate with these candidates, and excluding the most prestigious nonprofit brands, for-profit URP candidates do not differentiate between nonprofit and for-profit programs from a quality and brand perspective.

Given these findings, nonprofit programs should not assume that their brand carries more weight than a for-profit's brand. Nonprofit GME programs should acknowledge the favorable perceptions of for profits among this population, and develop strategies to educate URP candidates on the comparative advantages of investing in a degree from a nonprofit GME program.

**More effectively recruit and convert your base of URP undergraduates to GME students.** While the study shows overall high favorability for for-profit GME programs among respondents, those that earned their bachelor's degree from nonprofits view them less favorably, and are less likely to evaluate for-profit GME options and convert as a for-profit student. Still, among the 39 percent of nonprofit bachelor's graduates that evaluated for-profit GME options,

30 percent converted to for-profit programs. The study findings suggest these individuals are those that nonprofit GME programs would most likely have the best results “stealing away” from for profits, and would also more likely be competitive applicants at some nonprofit GME programs given their undergraduate background.

One of the key reasons for-profit institutions are so successful in converting their bachelor's students into master's business students is that they begin the conversation about GME while they are still enrolled as undergraduates. Nonprofit GME programs should adapt this approach and proactively promote the benefits of GME to their URP undergraduates, as many are not fully aware of GME opportunities, the details of the application process, and the versatility and flexibility of a degree like an MBA. This promotion should continue through their early career years when the benefits of GME become more tangible, specifically by highlighting the short-term, pragmatic benefits that the research demonstrates appeals to this audience. Nonprofits should engage their URP alumni networks to provide candidates with examples of how people from similar backgrounds have found success through a GME from their institution.

**Provide, and effectively market, career assistance aimed at URP candidates expected professional outcomes.** The expected GME outcomes of this population are very realistic, attainable goals, reflecting URP candidates' pragmatic approach to pursuing GME. The most common outcome expectations were to stay with their current employer in a higher paid version of their current role (27%), move to a new employer in a different role (18%), continue in the same role with their current employer (15%), and move to a new employer in a higher paid version of their current role (11%). Marketing targeted at this population that overemphasizes an executive, or even overly corporate, career path could lead to a disconnect. In addition to long-term career building, providing and marketing career assistance aimed at short-term career progression opportunities and practical advice on topics like networking, navigating company politics, negotiating salary increases, and succeeding as a person of color in the workplace would more likely resonate with this population.

**Understand and optimize your customer journey for URP candidates.** For-profit GME programs' strategy for URP engagement has proven to be highly effective in gaining



candidate consideration. From the point of initial contact, for profits offer a warm and welcoming reception to URP candidates. This is evident in their website experience—which is easy to navigate, informative, and uses motivational language—as well as their willingness to have in-person consultations, in which they provide a welcoming and informative experience. Adjustments to nonprofit programs' engagement strategies along these lines could increase consideration among URP candidates.

Another attribute of for-profit GME programs seen as superior to nonprofit GME programs is an easy application and admissions process. While the overall structure and goals of the for-profit admissions (or sales) process is a notable departure from nonprofit GME programs, this finding does suggest that nonprofits could benefit from better understanding and optimizing their customer journey

for URP candidates. For example, nonprofit GME programs might evaluate the steps of their admissions process, identify pain or frustration points for URP candidates, and think through potential solutions to reduce friction points where possible.

A notable finding of the study is that while nonprofit GME programs highlight their selectivity, for profits have found success highlighting their inclusivity. Instead of demonstrating ways in which you exclude candidates, reposition the conversation around the importance of helping candidates find the right fit program for them and their individual goals. Subtle changes to how admissions professionals engage with URP candidates along these lines lessen the likelihood of discouragement with the process.

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# Contact Information



For questions or comments regarding the data or analysis presented in this paper, please contact the GMAC Research Department at [research@gmac.com](mailto:research@gmac.com).





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