



# *Minding the Gap: Tapping the Potential of Women to Transform Business*

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Over the past four decades, women increasingly have been transforming society through their growing contributions to the world economy. They represent half of the world's population and their participation rate in the labor force today nearly equals men—World Bank data show that in 2014 women represented between 40 percent and 50 percent of the labor force in developed nations across the globe.<sup>1</sup> In the United States, 75 percent of women ages 25 to 54 were participating in the workforce in 2014 compared with just 50 percent 40 years ago.<sup>2</sup> The U.S. Council of Economic Advisors calculates that the U.S. economy today is 13.5 percent larger—by an additional \$2.0 trillion in Gross Domestic Product (GDP)—due to women's increased participation in the workforce since 1970.<sup>3</sup>

Globally, women are also earning higher educational credentials at a growing rate—female college graduates now often match or exceed men both in college attendance and graduation rates. In the European Union, women represent 60 percent of university graduates.<sup>4</sup> In the United States, women are soon expected to represent the majority of college-educated workers. Women are just as likely as men to have advanced degrees—they account for nearly half of all JD and MD degrees conferred today in the United States. Since 1962, when Harvard Business School first admitted women to its MBA program, the share of women enrolling in MBA programs has grown substantially, albeit at a slower pace than their enrollment in law and medical schools.

In spite of the huge economic and educational gains women have made, there is a persistent gap in women's earnings globally compared with men that cuts across industries, professions, and job levels. There is also a dearth of female participation in top leadership roles in business, all indicative of the work that still needs to be done to address the biases, barriers, and unmet needs that make it harder for women to advance in business careers and accrue the same financial rewards as men.

Globalization is heating up the competition for innovative and talented workers with the skills needed for tomorrow's workplace. Women, by virtue of higher educational attainment, are becoming the most skilled workers in the job market, and companies would be remiss not to develop this high-potential talent pool as their next generation of leaders. This is where the role of graduate business schools becomes increasingly important since they are a primary talent pipeline for future business leaders.

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<sup>1</sup> World Bank, Labor force, female (% of total labor force) Retrieved February 27, 2016 at <http://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS/countries/1W?display=default>.

<sup>2</sup> Council of Economic Advisors. (March 12, 2014). *Women's Participation in Education and the Workforce*. Washington, DC: Executive Office, President of the United States. [https://www.whitehouse.gov/sites/default/files/docs/council\\_economic\\_advisors\\_slides.pdf](https://www.whitehouse.gov/sites/default/files/docs/council_economic_advisors_slides.pdf).

<sup>3</sup> Executive Office of the President of the United States. (October 2014). *Eleven Facts about American Families and Work*. [https://www.whitehouse.gov/sites/default/files/docs/eleven\\_facts\\_about\\_family\\_and\\_work\\_final.pdf](https://www.whitehouse.gov/sites/default/files/docs/eleven_facts_about_family_and_work_final.pdf).

<sup>4</sup> European Commission (2014) *Tackling the Gender Pay Gap in the European Union*. [http://ec.europa.eu/justice/gender-equality/files/gender\\_pay\\_gap/140319\\_gpg\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/gender_pay_gap/140319_gpg_en.pdf).

This paper offers a snapshot of recent survey findings from the Graduate Management Admission Council® (GMAC®) and industry data that tracks women’s progress in the pipeline for graduate management education (GME), their motivations for pursuing a graduate business degree, and the outcomes they have achieved since earning their degrees. It will discuss the gender pay gap and diversity gap in business as it impacts women’s careers and offer some thoughts on how changing the gender dynamics in business schools—and in business—can expand opportunities for women.

## Women in the GME Talent Pipeline

It’s not news that women, for quite some time, have been outpacing men in the ranks of higher education. In the United States, women earned 57 percent of all undergraduate degrees and 60 percent of all master’s degrees awarded across all disciplines in 2013–2014.<sup>5</sup> Female participation at the business master’s level, though increasing, has not yet reached parity with men, however.

Since 1971, the number of women earning a master’s degree in business grew from around 1,000 to 88,000 in 2014—comprising 47 percent of the U.S. total.<sup>6</sup> That proportion includes all graduate business degrees, both MBA and specialized master’s degrees such as those in management, accounting, and marketing.

U.S. Graduate Degrees Conferred in Business, by Gender and Academic Year						
Gender	1970–71	1980–81	1990–91	2000–01	2010–11	2013–2014
Men	25,458	43,411	50,883	68,471	101,440	101,043
Women	1,032	14,477	27,372	47,131	85,738	88,285
% Women	4%	25%	35%	41%	46%	47%

Source: NCES. *Digest of Education Statistics 2015*: [http://nces.ed.gov/programs/digest/d15/tables/dt15\\_325.25.asp](http://nces.ed.gov/programs/digest/d15/tables/dt15_325.25.asp).

Recent findings from the Association to Advance Collegiate Schools of Business (AACSB) show that men and women received degrees from specialized master’s programs at essentially equal rates in 2012–2013, but that women fell short in the share of MBA degrees conferred, earning an average of 36 percent of MBA degrees in 2012–2013 compared with an average of 64 percent for men.<sup>7</sup>

In contrast, women have reached near parity with men in law and medical school, earning 47 percent of JD and 48 percent of MD degrees conferred in the United States in 2010–2011.<sup>8</sup>

MBA Degrees Conferred, by World Region and Gender, 2012–2013					
	Asia	Europe	Latin America	North America	Oceania
Women	38%	40%	31%	36%	35%
Men	62%	60%	69%	64%	65%

Source: AACSB, *Business Degrees Conferred, by Gender, Level, and Region*, <http://www.aacsb.edu/knowledge/data/frequently-requested/degrees-conferred/degrees-by-gender>.

<sup>5</sup> NCES. *Digest of Education Statistics 2015*: [http://nces.ed.gov/programs/digest/d15/tables/dt15\\_318.30.asp](http://nces.ed.gov/programs/digest/d15/tables/dt15_318.30.asp).

<sup>6</sup> NCES. *Digest of Education Statistics 2015*: [http://nces.ed.gov/programs/digest/d15/tables/dt15\\_325.25.asp](http://nces.ed.gov/programs/digest/d15/tables/dt15_325.25.asp).

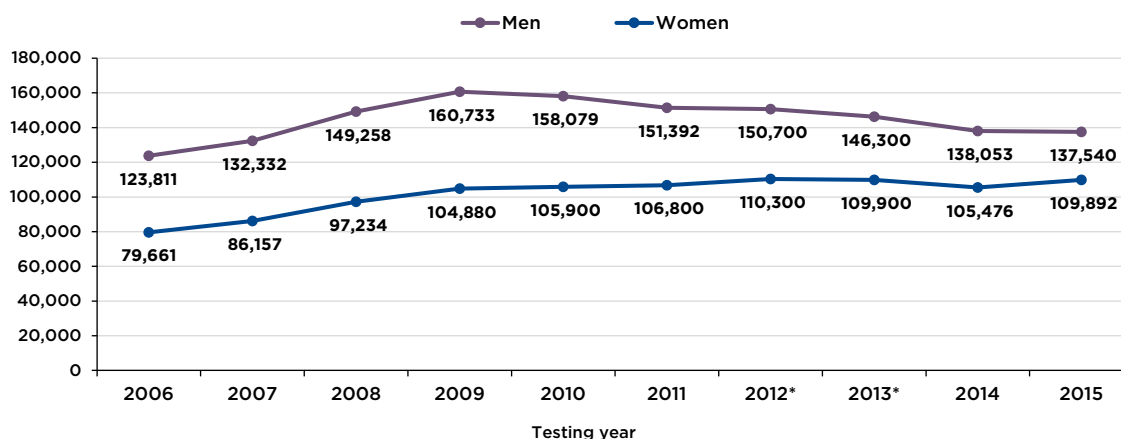
<sup>7</sup> AACSB, *Business Degrees Conferred, by Gender, Level, and Region*. Retrieved February 25, 2016 at <http://www.aacsb.edu/knowledge/data/frequently-requested/degrees-conferred/degrees-by-gender>.

<sup>8</sup>American Bar Association [www.americanbar.org](http://www.americanbar.org); Association of American Medical Colleges [www.aamc.org](http://www.aamc.org).

## Women Narrowing the Gap in GMAT Test-Taking and Paving Way for Future Enrollments

Although men continue to represent the largest share of GMAT test-taking, the gap between men and women in the global pipeline for graduate business education is shrinking. Of 247,432 GMAT exams taken worldwide in the testing year 2015 (ending June 30, 2014), women accounted for 109,892 or 44.4 percent of the total, reflecting the highest female-to-male ratio in GMAT history. In the 10 years between 2006 and 2015, the number of women taking the GMAT exam has grown 38 percent, more than triple the growth rate of men taking the exam.<sup>9</sup>

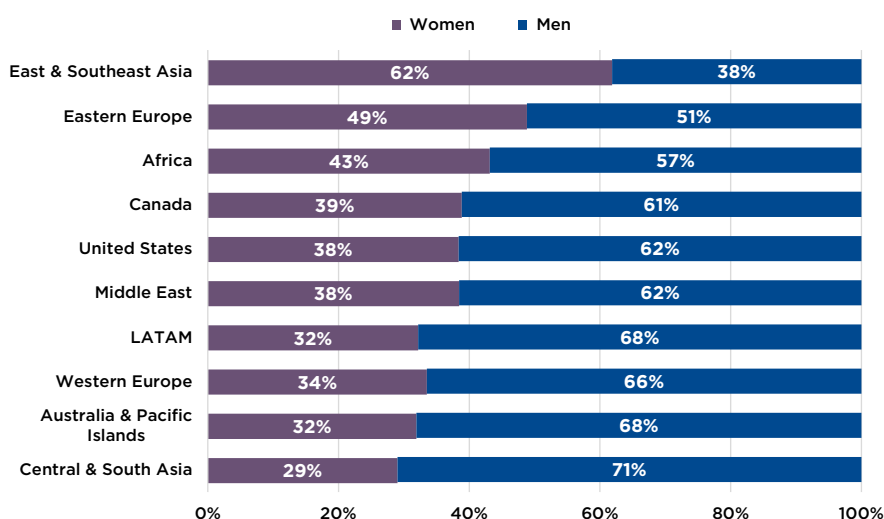
### GMAT Exam Testing Volume, by Gender and Testing Year, 10-Year Trend



Source: GMAT testing data, TY2006–TY2015. \*Volume from TY2012 and TY2013 smoothed to adjust for the launch of Integrated Reasoning.

East and Southeast Asia represents the region with the fastest growing share of GMAT exams taken by women, and includes China, which had the greatest number of exams taken by female examinees worldwide (41,655) in 2015. The United States (32,465 exams) and India (8,312 exams) are the second and third largest sources, respectively, of global female talent worldwide.

### Gender Distribution of GMAT Exams Taken by Regional Citizenship, TY2015



Source: GMAT testing data, TY2015.

Percentage of GMAT examinees

<sup>9</sup> GMAT testing year data, TY2006 to TY2015.

Worldwide, 60 percent of women taking the GMAT exam in 2015 intended to pursue an MBA<sup>10</sup> and sent a total of 135,389 score reports to MBA programs worldwide. Women considering an MBA or business master’s degree have a wide variety of undergraduate credentials, from finance to STEM degrees to liberal arts, as illustrated with this five-year trend:

- Women with undergraduate degrees in accounting (17,555 exams taken) and finance (13,162) represent the greatest share (31%) of the 2015 female GMAT testing pipeline and an increase of 10 percent and 22 percent, respectively, for women with these majors since 2011.
- Testing year 2015 saw an increase in the number of women with undergraduate degrees in other quantitative and STEM subjects including 8,311 exams taken by women with undergraduate majors in economics (20% greater than 2011), and 5,942 with engineering degrees (23% greater than 2011).
- Since 2011, the number of GMAT exams taken by women with undergraduate majors in English (2,342) and languages (1,787) grew 20 percent and 33 percent, respectively.
- Two of the most frequently reported undergraduate majors for women—marketing and management—saw declines of 26 percent and 2 percent, respectively, since 2011.

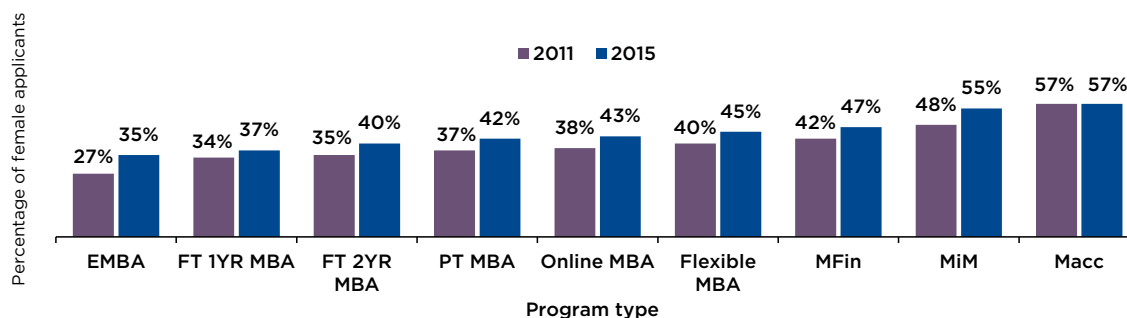
### Female Applications to Full-Time MBA Programs Hit 40 Percent Mark in 2015

Business schools have worked diligently over the years to attract and recruit more women to their MBA programs. In 2015, 67 percent of full-time two-year MBA, 51 percent of executive MBA, 42 percent full-time one-year MBA, and 41 percent of part-time MBA programs reported making special efforts to increase the number of female applicants to these programs.<sup>11</sup>

Their appeals to prospective female candidates seem to be paying off. More than 300 business schools worldwide reported application data to GMAC in the summer of 2015 and the majority of full-time two-year MBA, full-time one-year MBA, executive MBA, and online MBA programs reported higher application volume from women for the incoming 2015 class compared with the prior year.<sup>12</sup>

In 2015, the proportional representation of women in the applicant pool for full-time two-year MBAs reached 40 percent, five percentage points higher than in 2011. Representation of women in the applicant pool for part-time, online, and flexible MBA program formats also grew and ranged between 42 percent and 45 percent of total applicants in 2015. And, as they have been for several years, women made up the majority of applicants to master’s programs in management (55%) and accounting (57%) in 2015.

### Representation of Women in Graduate Business School Applicant Pool, 2011 vs. 2015



Source: GMAC (2015) Application Trends Survey  
 Note: MFin = Master of Finance; MiM = Master in Management; MAcc = Master of Accounting..

<sup>10</sup> When asked to list their intended degree, GMAT examinees can select only one degree type.

<sup>11</sup> GMAC (2015) Application Trends Survey. Results reflect responses received from admissions personnel at 306 business schools worldwide that submitted data for 641 graduate management programs.

<sup>12</sup> Ibid.

Adding to the momentum, last November the Forte Foundation, a nonprofit organization devoted to promoting women's access to business education and business careers, released new data that sync with GMAC's admissions findings, announcing that women's full-time enrollment in MBA programs at 12 of its top U.S. member business schools achieved a high of 40 percent in 2015. Forte's study also reported that women's full-time enrollment in MBA programs at 36 of its U.S. member schools climbed to 36.2 percent on average for students enrolled for the fall of 2015, a near four-percentage point jump from 32.3 percent in 2011.<sup>13</sup>

## **Women Share Same Goals, Motivations as Men to Pursue Graduate Business Degree**

Women's motivations to invest in a graduate business degree are similar to men's. GMAC's annual surveys of prospective business school students who register to sit for the GMAT exam show that women and men alike align their educational goals with their career goals. They are focused on acquiring general business knowledge, skills, and abilities and developing their leadership and managerial skills in order to manage people, effect change, set direction, and enhance their value in the workplace. Their intended employment outcomes are also similar—either to change job functions, switch career paths or industries, seek international employment, or start their own business. Women also seek opportunities, slightly more so than men to:

- Increase their salary potential (61% women vs. 59% men);
- Find challenging and interesting work (57% vs. 52%);
- Gain personal satisfaction and achievement (53% vs 48%); and
- Remain marketable/competitive (53% vs 46%).

In addition, women are more likely than men to see a graduate business degree as a means toward achieving a professional credential, receiving a promotion, and developing confidence.<sup>14</sup>

## **Program Outcomes Meet Women's Expectations and Support Value of GME**

When it comes to assessing the potential return on their investment of a graduate management education, most business school alumni use three criteria when deciding to invest the time, money, and effort into earning a degree: opportunity for personal development, expansion of knowledge and skills, and increased salary. Among more than 14,000 graduate business school alumni that GMAC surveyed last fall, the vast majority of men and women alike are satisfied that their graduate management education met all three of these goals.<sup>15</sup>

Among women across all class years and generations who participated in the alumni survey, 9 in 10 overwhelmingly rate their graduate business degrees as a good to outstanding value, similar to men. They view their graduate business degree as personally rewarding (93% of both women and men) and professionally rewarding (88% women vs. 89% men). Women report deriving substantial benefits and outcomes from their graduate business education including leadership preparation, increased earnings, skill development, quicker career advancement, and improved job satisfaction.

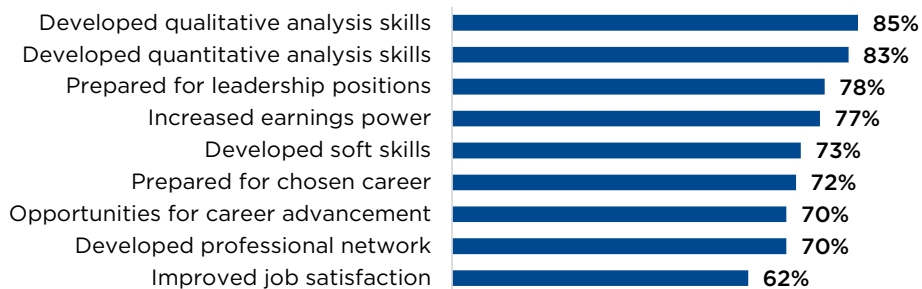
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<sup>13</sup> C. Hymowitz. (Nov 9, 2015). "Men Sit Up and Listen as Women Fill 40% of Business School Seats." *BloombergBusiness*. <http://www.bloomberg.com/news/articles/2015-11-09/men-sit-up-and-listen-as-women-fill-40-of-business-school-seats>.

<sup>14</sup> GMAC (2015) mba.com Prospective Students Survey. (Data collected January 2013 to December 2014.)

<sup>15</sup> GMAC (2016) Alumni Perspectives Survey. (Data collected in October/November 2015.)

## Skills, Leadership Preparation, & Earnings Boost Top List of Outcomes for Women, All Graduation Years



Percentage of alumnae

Source: GMAC (2016) Alumni Perspectives Survey.

Globally, the labor force participation rate in 2015 for graduate business school alumnae was robust: 90 percent of women were currently employed compared with 93 percent of men. Women are engaged in professional business careers across a wide swath of industry sectors. Like men, the majority of women hold jobs in the products and services (21% women; 18% men) and finance and accounting (18% women; 19% men) sectors. But female business school alumni have forged careers in a diverse range of job sectors, including government and nonprofit (17%), technology (13%), and health care (12%). A majority fill roles in marketing and sales, finance and accounting, and general management.

In the day-to-day performance of their roles in their organizations, the top skills that women say are absolutely essential include: communications (97%), problem solving (93%), critical thinking (88%), teamwork and time management (86% each), leadership (71%), and strategic skills (67%), which are on par with what men deem essential. Such competencies match the performance expectations of employers who view business school graduates as a high-potential talent source for their companies and routinely report the importance of soft skills when making hiring decisions.<sup>16</sup>

In addition to the professional and personal rewards of earning their graduate business degrees, most alumnae report that earning their degree has been financially rewarding, although by a smaller percentage (70%) when compared with men (77%). Three years after graduating, women overall have earned a median return on their educational investment of 182 percent compared with 199 percent for men. Over time, between their immediate post-degree salary and their current salary, women overall have seen average annual growth rate (CAGR) of 6.1 percent in their earnings compared with 7.0 percent for men.

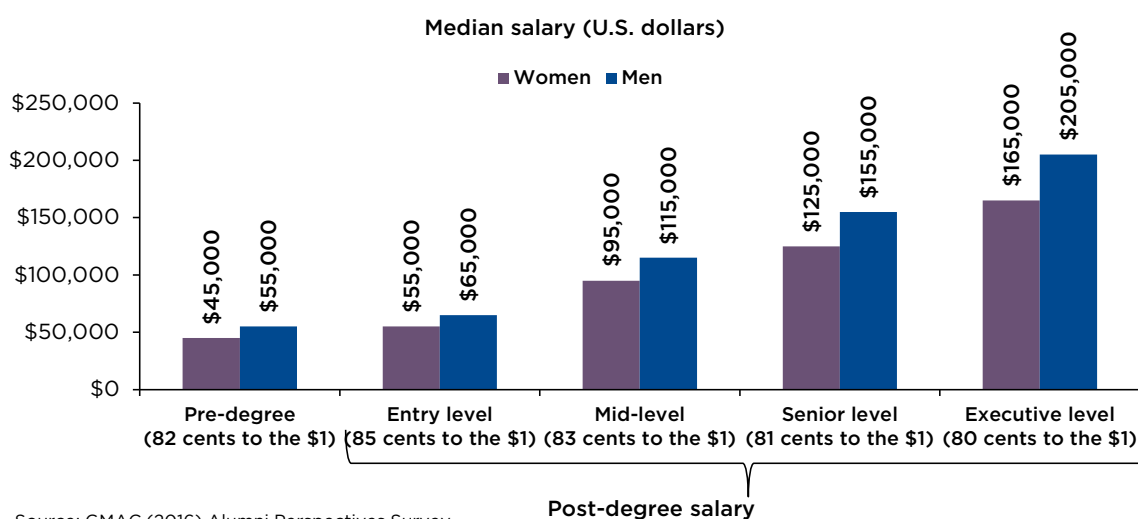
GMAC's analysis of salary history for business school alumni shows that the median expected increase between pre-degree and post-degree salary is *identical for both men and women*, with a median USD\$20,000 increase overall. This initial boost in post-degree salaries for men and women is similar across graduate business programs, including full-time MBAs, professional MBAs, and specialized master's programs.

<sup>16</sup> GMAC (2015) Corporate Recruiters Survey. (Data collected in February/March 2015.)

## Men Earn More than Women at All Job Levels

Closer examination of alumni salary data, however, indicate that business school alumnae are not immune from the gender pay gap. For example, an analysis of median salary for female business school graduates in the United States shows that it is lower compared with median salaries for men across all organizational levels. At entry-level jobs, U.S. women's earnings are the closest in parity to men's earnings, at 85 percent, but that gap spreads as women advance higher up the corporate ladder, where their median salary is only 80 percent of men's.<sup>17</sup>

### Median Base Salary (USD), by Gender & Job Level (Alumni Working in the U.S.), All Graduation Years



GMAC's alumni survey findings suggest that the gender pay gap may be attributed in part to disparities in salary *prior to enrollment in business school*, which can be seen in the median pre-degree salary reported by business school alumni. It may also be true that because the surveyed alumnae represent many generations, differences in women's past occupational and personal life choices (e.g., time off for child rearing), and past gaps in education and work experience may also play a role in the gender pay gap. But, as noted later, there may be other explanations such as structural barriers or subtle gender bias in the workplace that may keep women from advancing faster to higher-paying upper management jobs.

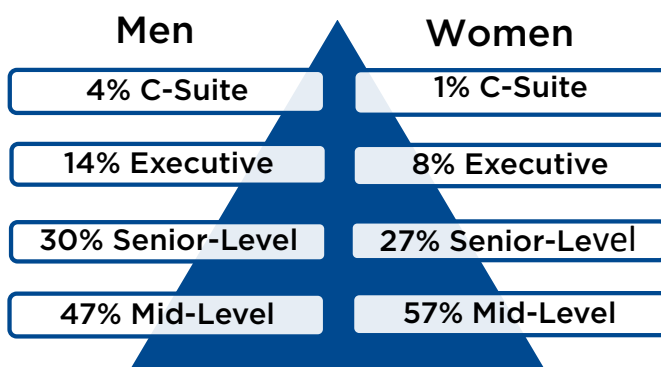
## Fewer Female MBAs Found at Top of Corporate Leadership

Globally, a majority of the 14,000-plus alumni whom GMAC surveyed in 2015 reported working in mid-level (46%) or senior-level (31%) positions, with 1 in 8 holding executive positions and three percent in the c-suite. Only seven percent work in entry-level jobs, which are more common among graduates of non-MBA master's programs, who typically are younger and have less work experience than students entering the workforce with an MBA degree.

A disparity in the share of female alumni in top leadership positions in their organizations is evident, however, when we look at GMAC's global job-level findings for women graduates of full-time two-year MBA programs. Men in executive-level jobs outnumber women by nearly 2 to 1 (1.75) and the ratio of men to women in c-suite positions, such as CEO, COO, or chief financial officer, is 4 to 1.

<sup>17</sup> GMAC (2016) Alumni Perspectives Survey. (Data collected October/November 2015.)

### Current Job Levels, by Gender, for Full-Time Two-Year MBA Alumni, Global, All Graduation Years



Source: GMAC (2016) Alumni Perspectives Survey (Data collected Oct/Nov 2015).

These same disparities in women's earnings and their representation in the top ranks of corporate leadership show up in GMAC alumni survey findings when analyzed globally across most other program formats and graduation years. The same trend applies to Baby Boomer women—even though they've logged more years in the workforce than their Millennial sisters, their ranks in top management jobs are thinner than men. Make no mistake, women who earn MBA degrees have seen great financial rewards and upward professional mobility thanks to their graduate business degrees—but they still represent smaller shares of the executive and top corporate officer positions in their organizations.<sup>18</sup>

### Gender Pay Gap and Diversity Gap—What They Really Mean

The gender pay gap and diversity gap in the workplace seen in GMAC's alumni findings mirror larger societal and global trends. In selected OECD countries, the gender wage gap ranges from less than seven percent in New Zealand, Belgium, Luxembourg, and Greece to highs of 36 percent in Korea, 32 percent in Estonia, and 27 percent in Japan.<sup>19</sup> Across the entire U.S. labor force, women earned an average of 78 percent of what men earned in 2013. Their earnings reach 82.5 percent of men's salaries when looking at median weekly earnings for full-time workers.<sup>20</sup>

Typically, earnings for both male and female full-time workers tend to increase with age, level off at age 45, and drop after age 65. The gender wage gap also grows with age—U.S. data show younger women are paid about 90 percent of what men earn until about age 35, at which point median earnings for women start to slow down as their careers progress, further widening the gender pay gap.<sup>21</sup>

Findings from the recent GMAC alumni survey bear out the widening of the earnings gap between men and women as they progress through their careers. In fact, the gap in their cumulative annual base salary widens to about \$400,000 (U.S. dollars) over 20 years after graduation. This occurs even though male and female alumni overall recoup the investment in their degrees in an average of three-and-a-half years after graduation and have annual salary growth rates that exceed their expected salary gains had they not earned their degrees.<sup>22</sup>

<sup>18</sup> GMAC (2016) Alumni Perspectives Survey, interactive data report.

<sup>19</sup> OECD (2014) *Employment Database*. <http://www.oecd.org/gender/data/genderwagegap.htm>.

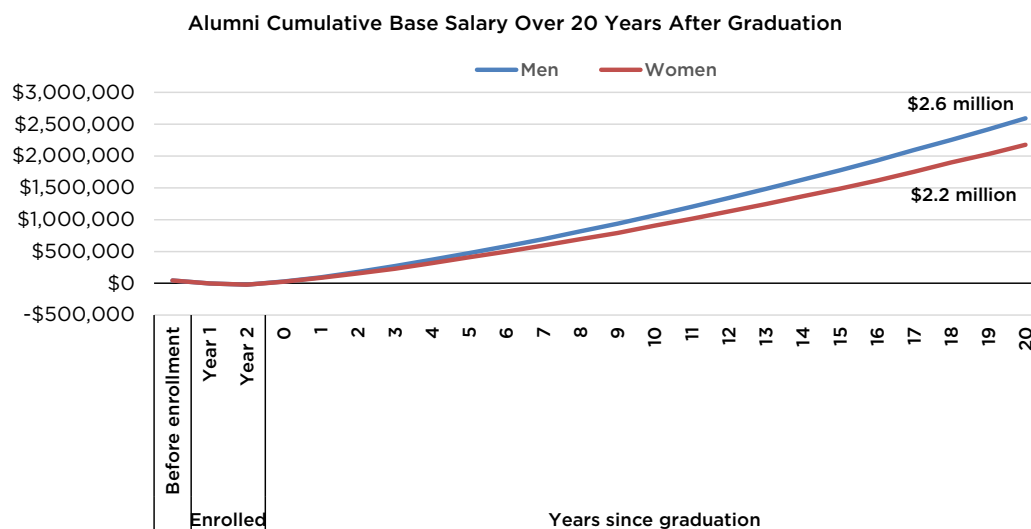
<sup>20</sup> Catalyst (April 8, 2015) *Women's Earnings & Income* <http://www.catalyst.org/knowledge/womens-earnings-and-income>

<sup>21</sup> American Association of University Women (2015) *The Simple Truth about the Gender Pay Gap* (2015 ed., p. 12). Washington, DC.

<sup>22</sup> GMAC (2016) Alumni Perspectives Survey. (Data collected in October/November 2015.)



## Gender Gap in Alumni Earnings Widens Over Course of 20 Years, Global, All Graduation Years



Source: GMAC (2016) Alumni Perspectives Survey data.

## Gender Pay Gap and Diversity Gap—Why They Matter

As a result of their educational achievements and workforce participation, women are closing the work experience gap with men. In the United States they account for 51 percent of all persons employed in management, professional, and related occupations and now equal men in median years of job tenure.<sup>23</sup> With women closing the gaps in education and work experience, it seems this should lead to greater parity in wages; yet the gender pay gap persists.

Why does it matter? It matters because over their lifetimes, women earn significantly less than men, which results in lower pensions (e.g., Social Security or other government-paid annuities based on lifetime earnings) and other savings, impacting their long-term financial health. It matters because—due to their increased participation in the labor force—women’s earnings constitute a larger share of total household earnings. Men are no longer the primary breadwinners. As of 2013, employed married women in the United States contributed nearly 45 percent of their family income. More than 70 percent of mothers in the United States are in the labor force, and more than 40 percent of working mothers are the sole breadwinners for their families.<sup>24</sup>

The earnings gap in the workplace is directly tied to the gender diversity gap in upper levels of management. GMAC’s alumni data match up with findings from numerous studies by financial research firms which show that although women fill about half of middle-management positions, they aren’t advancing at the same rate as men to higher levels (and higher paying jobs) in upper management that their educational credentials and job tenure would seem to warrant. A McKinsey report explains that at the VP level, fewer women hold roles that lead to the c-suite, namely line roles focused on core operations or with profit-and-loss responsibility, and more than half of women hold staff roles (found in functions that support the organization like legal, human resources, and IT). Since women’s representation in line roles is lower than men across all job levels, their likelihood to advance to the c-suite is lower.<sup>25</sup>

<sup>23</sup> U.S. Bureau of Labor Statistics (February 2013) BLS Reports, *Women in the Labor Force: A Databook*. <http://www.bls.gov/cps/wlf-databook-2012.pdf>.

<sup>24</sup> Office of the President of the United States (October 2014) *Eleven Facts about American Families and Work*. Washington, DC.

<sup>25</sup> McKinsey & Company (2015) *Women in the Workplace, 2015*. <http://womenintheworkplace.com/>.

Catalyst, a global nonprofit research organization and leading data resource on women in the workplace, released updated statistics in February 2016 showing that women constitute 45 percent of the workforce at S&P 500 corporations and fill more than a third of mid-level management jobs, yet hold just 25 percent of senior jobs, 19 percent of directorships, or board seats, and only 4 percent—for a total of 20 women—of CEO positions.<sup>26</sup>

The irony of this women shortage in the top ranks of business is that companies that have more women serving in top leadership roles and on their corporate boards tend to have a healthier bottom line than those without. A November 2015 report by MSCI, a research-based analytics firm, and one published in 2014 by Credit Suisse, show that companies with more female executives had higher returns on equity, higher valuations, and stronger financial performance than those without.<sup>27</sup> Other studies show the multiplying effect that a diverse talent pool can have. An increase in the number of women serving on corporate boards can lead eventually to more women being promoted to senior leadership roles in those companies.<sup>28</sup> A diverse workforce tends to attract top talent. More gender diversity means companies benefit from multiple perspectives, skill sets, and approaches to problem-solving—diverse teams make better strategic decisions that can foster more creative solutions to business problems. And diverse teams can enable their companies to develop and deliver products and services that meet the needs of a more diverse set of customers.

## **Barriers Holding Women Back**

A recent Pew Research Center report on women and leadership revealed that about two-thirds (65%) of women say their gender faces at least some discrimination in society today, compared with less than half (48%) of men who believe women face some discrimination.<sup>29</sup>

Gender bias is not an abstract concept. There are numerous organizational barriers, cultural attitudes and myths, and gender biases in the workplace that impede women's career advancement and have real financial consequences for women. Another McKinsey report on women in the workplace sorts these barriers into four categories.<sup>30</sup> These include structural issues, where women may face lack of access to informal networks and opportunities for development and sponsorship and lack of female role models in corporate leadership. Some are lifestyle issues involving lack of family-friendly policies that support more work flexibility as women (and men) try to balance work and family obligations.

There are individual mindset issues with women who may have the same ambitions as men but feel less satisfied with their jobs and professions and have less confidence in their qualifications. (GMAC's studies of individuals planning to earn an MBA or other business master's degree find that women more often than men seek the degree as an opportunity to build their confidence and gain a marketable professional credential.<sup>31</sup>) Last is institutional bias, where women are held to different standards and performance measures that keep them from filling certain roles or being promoted to a higher position. Much of this bias is more subconscious or implicit rather than overt, but may mean that women's acquired skills, competencies, educational investment, and job performance are being undervalued by their organizations.

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<sup>26</sup> Catalyst (February 3, 2016). *Pyramid: Women in S & P 500 Companies*. <http://www.catalyst.org/knowledge/women-sp-500-companies>.

<sup>27</sup> Arnold, T. (January 11, 2016). *Companies with Female Leaders Have Higher Returns on Equity*. Society for Human Resource Management. <http://www.shrm.org/hrdisciplines/diversity/articles/pages/women-ceos.aspx>.

<sup>28</sup> Ernst & Young, LLP (2013) *Diversity Drives Diversity: From the Boardroom to the C-Suite*.

<sup>29</sup> Pew Research (2015) *Women and Leadership*. Washington: Pew Research Center, Washington, DC.

<sup>30</sup> McKinsey & Company (April 2011) *Women in the Economy: Selected Exhibits*, addendum to special report, *Unlocking the Full Potential of Women in the U.S Economy*. [www.mckinsey.com](http://www.mckinsey.com).

<sup>31</sup> GMAC (2015) *mba.com Prospective Students Survey*. (Data collected January to December 2014.)

## **How Businesses Can Lean In to Change Workplace Gender Dynamics**

We've heard much lately about the need for women to "lean in," work hard, and promote their own way up the corporate ladder. Though this is certainly true and speaks to the positive impact of women knowing their own value in the marketplace, the obstacles women face in pursuing their careers are not unique to individual women. There are systemic problems in the workplace that require businesses to foster a new organizational mindset committed to sustained change in company practices and culture so women can achieve their full leadership potential.

Committing to diversity policies that measure and track trends in female hiring, promotion, performance ratings, and compensation can work toward reducing gender pay disparities. Supporting family-friendly paid parental leave and work flexibility policies can go a long way in retaining women in the workforce and helping them build long-term careers. Many European countries have national paid parental leave policies, which have resulted in high rates of female participation in the workforce. The United States is the only major developed country in the world that does not have mandatory national parental/family leave policies so, provision of such policies is left up to businesses, and many have been stepping up to meet the needs of their workforce.

On the leadership front, more corporations worldwide have made concerted efforts to include more women on their boards of directors. As of 2013, in EMEA, Latin America, and Asia, the number of companies with no women on their boards has dropped significantly. In Europe, where countries have national policy and legislative initiatives in play, 50 percent of companies have more than 20 percent women on boards, almost double the level in North America.<sup>32</sup> There are also many private and public global initiatives spearheaded by groups such as the Forte Foundation, Catalyst, the European Commission, and others to promote the appointment of women to corporate boards and to identify women in leading companies and top business schools who have board potential.

## **Closing the Education Gap Will Address the Leadership Gap**

Graduate schools of business worldwide constitute one of the main talent pipelines for future business leaders. Closing the gender gap in MBA enrollments particularly, would go a long way to expanding the pipeline of women prepared to step into leadership roles in business.

Neither an MBA, nor graduate management education itself, is a prerequisite for access to the upper reaches of corporate governance. But qualifications matter in an increasingly competitive global economy, and an MBA degree is a highly valued credential—the "gold standard"—for organizations seeking to hire top business talent to fill their ranks. More than 40 percent of CEOs of both genders in the top 100 companies have MBAs according to the Forte Foundation.<sup>33</sup> So it would seem that, for women especially, an MBA is a natural pathway to the ranks of corporate leadership.

With graduate business schools seeing their female MBA enrollments climbing to 40 percent, there is much cause for celebration as parity seems ever more within reach. Targeting gender diversity in the classroom will go a long way to improving the gender dynamics in business and facilitating diverse leadership models. Business schools recognize that they play a critical role in ensuring their students are trained for the future business environments in which they will lead. To that end, deans from 47 U.S. business schools signed on to a set of 25 best practices for schools to lead in expanding opportunities for women in business. This event was an outcome of a prior meeting with senior U.S. White House officials to discuss the challenges business schools face in preparing their students for the future workplace.<sup>34</sup> The best practices guidelines, which today have more than 50 schools as signatories, cluster around four main goals:

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<sup>32</sup> Credit Suisse (2014) *The CS Gender 3000: Women in Senior Management*. [www.credit-suisse.com/researchinstitute](http://www.credit-suisse.com/researchinstitute).

<sup>33</sup> C. Hymowitz (November 9, 2015). "Men Sit Up and Listen as Women Fill 40% of Business School Seats." *BloombergBusiness*.

<sup>34</sup> *BizEd* (October 28, 2015) "Push for Gender Diversity." <http://www.bizedmagazine.com/archives/2015/6/people-and-places/push-for-gender-diversity>.

- Expand access to business school and business careers by pursuing outreach and engagement to build the pipeline of women interested in business careers;
- Build a business school environment that prepares students for tomorrow's diverse workforce;
- Ensure career services extend beyond the needs of traditional students to include recent graduates and alumni as well; and
- Business schools themselves need to set an example of a workplace that supports diverse faculty and staff by investigating and addressing gender gaps in faculty hiring, promotion, and pay and ensuring diverse leadership positions within the school, including on advisory boards.

Specific academic goals that directly address the obstacles and gender barriers women face include:

- Modernizing the curriculum to educate students on how to lead an organization that best utilizes the diverse talents of employees, including those trying to balance work and family;
- Making case studies more representative of diverse leaders solving a wide range of problems;
- Facilitating mentoring and sponsorship opportunities for women;
- Ensuring that a diverse group of leaders and leadership styles are brought into the classroom;
- Partnering with companies to help women get back on the fast track from interrupted careers;
- Recognizing life-cycle challenges women face in trying to pursue an MBA, career, and family and consider flexible approaches to the timing of education to better meet their needs; and
- Targeting financial support to ensure business school is a viable investment for individuals with a low earnings profile.

## **Concluding Note**

There is an old Chinese proverb that says "Women hold up half the sky." In modern society, women represent half the talent pool in the workforce and play a vital role in the long-term economic growth of their communities. Any positive changes business schools can make to expand the gender diversity of the GME pipeline will take time before they translate into greater diversity in the ranks of business leadership.

But business schools have it within their grasp to be powerful agents of change and promote new leadership models designed to prepare female and male students for the challenges they will face in a changing and more diverse workforce. The more that business schools can do to increase female enrollment, especially in MBA programs, and position women with the tools, networks, and support they need to succeed in reaching upper levels of business, the more women can do, in turn, to diversify their organizations, transform the workplace, and drive innovation strategies that global companies will need to thrive in the 21st century economy.

## Contact Information

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*The views and opinions expressed in this paper are those of the authors and do not necessarily reflect those of the Graduate Management Admission Council.*

## Related Resources

*Best Practices for Business Schools to Lead in Expanding Opportunities for Women in Business and to Adapt to the 21st Century Workforce* <http://www.aacsb.edu/diversity>.

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