

C O R P O R A T E
Recruiters Survey

2005 General Report

BY

**GRADUATE MANAGEMENT ADMISSION COUNCIL®
(GMAC®)**

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Creating Access to Graduate Business Education™

Corporate Recruiters Survey: General Report 2005

The Graduate Management Admission Council® (GMAC®)—a not-for-profit education association dedicated to creating access to graduate management education worldwide—has tabulated the results of its fourth annual survey of MBA employers, the Corporate Recruiters Survey 2005. Conducted this year in conjunction with the Executive MBA (EMBA) Council, this survey generated findings that can be used by—

- graduate business school professionals, MBA students, and prospective students to gauge the job market and better understand MBA employers' expectations;
- MBA employers in developing their recruiting and hiring plans; and
- business school professionals and employers to benchmark their MBA recruiting practices against comprehensive data.

Eighty-four graduate business schools facilitated the administration of this survey by submitting contact information for companies with whom they have recruiting relationships. The survey includes the responses of 1,691 recruiters representing 1,019 companies that employ MBA graduates. In return for their cooperation, each of the 84 schools and 1,691 respondents received—

- An executive report, summarizing the overall significant findings and implications, including year-to-year trends; and
- A comprehensive statistical report of all findings, including year-to-year trends, and comparisons across world regions, industry groups, and company size categories.

Participating schools also received an individualized report detailing the data from recruiters each school identified to allow the school to benchmark against the overall survey sample.

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Overall Findings

This section of the report presents an overview of the survey data. The objective of this section is to describe the general state of affairs in recruiting and evaluating MBA graduates and professionals.

Economic Conditions and Effects on Recruiting Plans

Overall, 45% of respondents stated that the economy is not weak, as shown in the following table. However, more than half (55%) believe that the economy is weak. Of the respondents with this view, the majority (70%) believe that the weak state of the economy is not constraining their recruiting plans. The other 30%—representing 17% of the respondents—believe that the economy is constraining their recruiting plans.

Assessment of Current Economic Conditions and Recruiting Plans (2005)		
	Response	(n = 1,691)
Economic conditions and their effects	Economy weak, constraining recruiting plans	17%
	Economy weak, not constraining recruiting plans	38%
	Economy not weak	45%
	Total	100%
		(n = 1,691)
Economic conditions (Economy weak combined)	Economy weak	55%
	Economy not weak	45%
	Total	100%
		(n = 928)
Effects of weak economy (Economy not weak excluded)	Constraining recruiting plans	30%
	Not constraining recruiting plans	70%
	Total	100%

Over the past few survey years, the percent of respondents stating that the economy is weak slowly decreased, from a high of 99% in 2001–02 to 82% in 2003–04. This year’s survey shows a dramatic decline in the percent of respondents stating that the economy is weak; the figure is down 27% from the 2003–04 survey.

In addition to the decline in the proportion of respondents stating that the economy is weak, there is a drop in the percent who state that the economy is constraining their recruiting plans. In 2001–02, 69% of respondents who stated that the economy is weak also stated that the economy constrained their recruiting plans, compared with 30% this year. As the data indicate, MBA recruiters’ assessment of the economy has dramatically improved over the past few years.

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Assessment of Current Economic Conditions and Recruiting Plans—Year-to-Year Comparison					
		Time Period			
		2001–02	2002–03	2003–04	2005
Response		(n = 550)	(n = 940)	(n = 1,300)	(n = 1,691)
Economic conditions and their effects	Economy weak, constraining recruiting plans	68%	55%	41%	17%
	Economy weak, not constraining recruiting plans	31%	41%	41%	38%
	Economy not weak	1%	4%	18%	45%
	Total	100%	100%	100%	100%
		(n = 550)	(n = 940)	(n = 1,300)	(n = 1,691)
Economic conditions (Economy weak combined)	Economy weak	99%	96%	82%	55%
	Economy not weak	1%	4%	18%	45%
	Total	100%	100%	100%	100%
		(n = 544)	(n = 902)	(n = 1,065)	(n = 928)
Effects of weak economy (Economy not weak excluded)	Constraining recruiting plans	69%	57%	50%	30%
	Not constraining recruiting plans	31%	43%	50%	70%
	Total	100%	100%	100%	100%

*p ≤ 0.05

New Professional Hires

Number of New Professional Hires

Respondents indicated the actual number of hires for each of the four sources of new professional hires for 2004: direct from industry, MBA graduates, other graduates, undergraduates—and then estimated the number of hires for 2005. The respondent then indicated the level of the company coinciding with the reported number of new hires.

As shown below, at the department level, MBA graduates are the only source of new professional hires that increased from 2004 to 2005. At the local level, regional level, and national level, all sources of new professional hires increased from 2004 to 2005. At offices worldwide, the number of new MBA graduates estimated to be hired in 2005 mirrors the number actually hired in 2004.

Number of New Hires (Mean*), by Company Level					
Company Level	Time Frame	Type of Hire			
		Direct From Industry	MBA Graduates	Other Graduates	Undergraduates
Department	2004 Actual	5	2	2	6
	2005 Estimate	4	4	2	6
Local Office	2004 Actual	9	2	3	6
	2005 Estimate	11	4	5	8
Regional Office	2004 Actual	20	4	12	19
	2005 Estimate	23	6	19	25
National Office	2004 Actual	41	8	10	25
	2005 Estimate	42	10	14	35
Offices Worldwide	2004 Actual	235	29	35	109
	2005 Estimate	202	29	46	129

*A 95% trimmed mean is calculated to control for the effects of sampling fluctuation and extreme numbers.

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Hiring Mix

The following tables present the hiring mix for each of the company levels in 2004 and 2005¹. The highest proportion of MBA graduate hires in 2004 is at the department level, which is statistically significant. Additionally, undergraduate hires at the regional office level in 2004 represent the greatest proportion of undergraduate hires in the hiring mix compared with all other company levels.

Hiring Mix (Actual 2004), by Company Level					
New Hire	Company Level				
	Department	Local Office	Regional Office	National Office	Offices Worldwide
Direct from industry	38%	45%	37%	53%	52%
MBA graduate*	35%	13%	16%	13%	7%
Other graduate	10%	13%	12%	11%	12%
Undergraduate	17%	29%	35%	23%	29%
Total	100%	100%	100%	100%	100%

*p ≤ 0.05

Offices worldwide and the national office have a larger percentage of new hires direct from industry than the department level in the 2005 estimates. As was the case in the actual 2004 hiring mix, MBA graduate hires are expected to represent a greater proportion of the department level's new hires in 2005 compared with MBA graduates hired for the local office, national office, and offices worldwide.

Hiring Mix (Actual 2005), by Company Level					
New Hire	Company Level				
	Department	Local Office	Regional Office	National Office	Offices Worldwide
Direct from industry	29%	39%	38%	46%	49%
MBA graduate	37%	16%	21%	17%	12%
Other graduate	13%	16%	12%	13%	12%
Undergraduate	21%	30%	30%	24%	27%
Total	100%	100%	100%	100%	100%

Characteristics of New Professional Hires in 2004

Respondents were asked the number of employees hired in 2004 that required a work permit, the number that were interns at their company before being hired, and the number of their direct-from-industry hires that had MBA degrees. This information was used, in conjunction with the overall hiring numbers presented previously, to calculate percentages. Overall, 14% of new MBA graduate hires required a work permit in 2004. Nearly a third (31%) were interns at the company prior to being hired in 2004. More than a third (38%) of direct-from-industry hires had MBA degrees.

¹ In order to calculate the hiring mix for each company, the number of hires was summed across the four sources for each respondent providing complete data at a particular level. Then the percent contribution of each source was calculated for each respondent. These percentages were averaged across respondents to determine the overall hiring mix. This process has the effect of equally weighting mix data from companies that are of different sizes.

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New Professional Hires in 2004	
MBA Graduate Hire	
Percent of MBA graduates hired in 2004 requiring a work permit	14%
Percent of MBA graduates hired in 2004 that were interns at your company	31%
Direct-from-Industry Hire	
Percent of direct-from-industry hires in 2004 that had MBA degrees	38%

Companies that Did Not Hire MBA Graduates in 2004

About one-fifth of respondents (21%) stated that their company did not hire MBA graduates in 2004. There is no significant difference compared with 2003, when 23% of respondents did not hire MBA graduates.

Percent of Companies that Did Not Hire MBA Graduates, Year-to-Year Comparison		
Response	Year	
	2003 (n = 724)	2004 (n = 926)
Hired one or more MBA graduates in 2004	77%	79%
Did not hire MBA graduates in 2004	23%	21%
Total	100%	100%

The respondents were asked the reasons why their company did not hire MBA graduates in 2004. Slightly more than a third (34%) of these respondents state that their company's recruiting resources were allocated to experienced hires direct from industry. However, as noted above, 38% of the direct-from-industry hires had MBA degrees; this percentage is significantly higher than the 14% of respondents in 2003.

More than a quarter of the respondents (27%) stated that the available MBA candidates in 2004 did not match the job requirements. A quarter of the respondents (25%) said that MBA skills and resources are not critical for their company, which is significantly higher than the percent in 2003 (15%). Additionally, 23% did not have job opening in 2004, which is significantly lower than the percent in 2003 (35%). One-fifth of respondents (20%) said that the MBA entry-level salary demands were too high in 2004. Respondents last year were significantly more likely than the current respondents to state that they anticipated limited company growth, the company is in the process of reducing headcount, and/or the company is in a hiring freeze.

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Main Reasons Company Did Not Hire New MBA Graduates, Year-to-Year Comparison		
Reason	Year	
	2003 (n = 143)	2004 (n = 193)
Recruiting resources were allocated to experienced hires direct from industry*	14%	34%
Available MBA candidates did not match my job requirements	21%	27%
MBA skills/resources are not critical in my company*	15%	25%
No job openings at company*	35%	23%
MBA entry-level salary demands are too high	15%	20%
Timing of job openings did not match availability of MBA graduates	13%	16%
Limited company growth anticipated*	22%	13%
Recruiting resources were allocated to new undergraduate hires	14%	9%
Company in process of reducing headcount*	15%	8%
Hiring freeze in our company*	18%	7%
Offers made to MBAs were not accepted	4%	7%
Obtained MBA talent by sponsoring current employees in MBA programs	6%	6%
Other	3%	7%
Don't know	2%	1%

Responses may add to more than 100% due to multiple selections

Availability of Jobs for New MBA Graduates

Hiring Data for 2004

As shown previously, 79% of respondents stated that they hired at least one MBA graduate in 2004. These respondents were asked questions about the type of jobs, the level of the jobs, and the geographic locations where the MBA hires work.

Overall, in the current survey, slightly more than half (51%) of respondents hired people for finance positions. Marketing is the next largest job area hired, with more than one-third (35%) of respondents stating that their company hired MBA graduates to fill positions in this area. Less than a quarter of respondents hired MBA graduates to fill consulting positions (24%), accounting positions (22%), and positions in operations and logistics (20%).

The 2003–04 survey year had the highest percent of respondents hiring for accounting, finance, general management, HR/organization management, marketing, and operations/logistics positions. The 2002–03 survey had the lowest percentage of companies hiring for consulting positions. The current survey year and 2002–03 had the lowest percentage of companies hiring information technology/MIS positions. The distribution of positions hired in the 2005 survey year most closely resembles the distribution from the 2001–02 survey, except for information technology/MIS positions, where a quarter of companies hired for this area in 2001–02 compared with only 16% in 2004.

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Job Areas Company Hired New MBA Graduates for—Year-to-Year Comparison				
Job Area	Time Period			
	2001–02 (n = 550)	2002–03 (n = 560)	2003–04 (n = 623)	2005 (n = 733)
Accounting*	22%	17%	30%	22%
Consulting*	24%	18%	21%	24%
Entrepreneurship	na	na	7%	4%
Finance*	52%	56%	62%	51%
General Management*	22%	22%	29%	21%
HR/Organization Management*	13%	9%	17%	11%
Information Technology/MIS*	25%	15%	26%	16%
Marketing*	31%	34%	49%	35%
Operations and Logistics*	20%	15%	28%	20%

Responses may add to more than 100% due to multiple selections; na = Entrepreneurship was not a response choice in 2002 or 2003

*p ≤ 0.05

Does the assessment of the economic conditions affect the job areas respondents' companies hired for in 2004? Hiring for consulting positions is significantly lower among companies whose respondents state that the economy is weak and constraining their recruiting plans. Additionally, respondents who state the economy is weak but not constraining recruitment hired less in the finance industry than others did. There are no significant differences for each of the other job areas based on the respondents' assessments of the economy.

Job Areas Company Hired New MBA Graduates in 2004, by Assessment of Economic Condition			
Job Area	Economic Condition		
	Economy Weak, Constraining Recruitment	Economy Weak, Not Constraining Recruitment	Economy Not Weak
	(n = 93)	(n = 283)	(n = 357)
Accounting	24%	23%	21%
Consulting*	13%	27%	25%
Entrepreneurship	1%	4%	6%
Finance*	51%	46%	56%
General Management	22%	23%	19%
HR/Organization Management	10%	11%	10%
Information Technology/MIS	19%	16%	15%
Marketing	32%	39%	33%
Operations and Logistics	25%	21%	18%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

Respondents reporting the number of MBA graduates for offices worldwide are significantly more likely than respondents reporting for their individual department to hire accounting positions and HR/organization management in 2004. Additionally, respondents reporting for offices worldwide hire finance, information technology, and operations/logistics positions more than all other company levels. Nearly twice as many respondents in offices worldwide hire general management positions compared with respondents in the department or local office. Hiring for marketing positions is significantly more likely among national offices than among local or regional offices.

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Job Areas Company Hired New MBA Graduates for 2004, by Company Level					
Job Area	Company Level				
	Department	Local Office	Regional Office	National Office	Offices Worldwide
	(n = 161)	(n = 131)	(n = 101)	(n = 239)	(n = 101)
Accounting*	12%	19%	22%	25%	37%
Consulting	19%	33%	27%	22%	27%
Entrepreneurship	4%	5%	3%	4%	6%
Finance*	41%	44%	46%	58%	67%
General Management*	12%	13%	23%	23%	36%
HR/Organization Management*	4%	10%	9%	11%	23%
Information Technology/MIS*	11%	15%	12%	13%	37%
Marketing*	36%	21%	22%	46%	40%
Operations and Logistics*	17%	13%	16%	21%	34%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

Overall, nearly half (48%) of the respondents report that they hired new MBA graduates in 2004 for entry-level positions; 63% hired for mid-level positions. One in eight (12%) hired new MBA graduates for senior-level positions. One in twenty (5%) hired new MBA graduates for executive-level positions.

Job Levels Company Hired New MBA Graduates in 2004	
Job Level	(n = 733)
Entry-level position	48%
Mid-level position	63%
Senior position	12%
Executive position	5%

Responses may add to more than 100% due to multiple selections

There are no significant differences in hiring for the various job levels based on the respondents' assessments of the economy.

Hiring for mid-level positions is significantly lower in local and regional offices. However, regional offices are significantly more likely than the department level to hire senior positions. Additionally, offices worldwide are significantly more likely than the department level to hire executive positions.

Job Levels Company Hired New MBA Graduates in 2004, by Company Level					
Job Level	Company Level				
	Department	Local Office	Regional Office	National Office	Offices Worldwide
	(n = 161)	(n = 131)	(n = 101)	(n = 239)	(n = 101)
Entry-level	47%	53%	51%	44%	53%
Mid-level*	67%	51%	54%	69%	67%
Senior*	4%	12%	25%	13%	14%
Executive*	1%	8%	3%	3%	10%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

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Respondents were asked the region of the world they hired new MBA graduates from in 2004. The majority (91%) hired new MBA graduates from the United States. This is not surprising considering that 93% of the respondents' companies are located in the United States. Almost one in five (19%) of the respondents hired MBA graduates from Europe and Asia/Australia/Pacific Rim (17%).

Location Company Hired New MBA Graduates from in 2004	
World Region	(n = 733)
United States	91%
Europe	19%
Asia/Australia/Pacific Rim	17%
Mexico/Central/South America	9%
Canada	8%
Africa/Middle East	4%

Responses may add to more than 100% due to multiple selections

Among the respondents who hired new MBA graduates from the United States, 47% hired from the Midwest, 44% hired from the Northeast, and 36% hired from the Southwest. Additionally, 34% hired from the Middle Atlantic States and the Western states. Twenty-nine percent of new MBA hires in the United States in 2004 came from the South, the lowest percentage among the U.S. regions.

U.S. Regions Company Hired New MBA Graduates from in 2004	
U.S. Region	(n = 666)
Midwest	47%
Northeast	44%
Southwest	36%
Middle Atlantic	34%
West	34%
South	29%

Responses may add to more than 100% due to multiple selections

Estimated Starting Annual Salary for New Hires in 2005

Respondents who hired from various educational programs were asked to estimate the average starting salary for new hires in 2005. Respondents who planned to hire MBA graduates in 2005 state that the estimated starting annual salary will be \$78,040, with 95% of all new hires earning between \$44,000 and \$110,000. For individuals hired from other graduate degree programs, the estimated average starting salary will be \$60,865, which is 22% lower than the estimated starting annual salary of new MBA graduates. Individuals graduating with an undergraduate degree are estimated to earn, on average, \$45,652, which is 42% lower than the salary for MBA graduates and 25% lower than individuals with other graduate degrees.

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Estimated Starting Annual Salary for 2005 Hires				
New Hire	U.S. Dollars			
	<i>n</i>	Lower 95% Confidence Interval	Mean	Upper 95% Confidence Interval
From MBA program	536	\$44,000	\$78,040	\$110,000
From other graduate program	159	\$35,000	\$60,865	\$100,000
From undergraduate program	366	\$30,000	\$45,652	\$65,000

Statistically, average starting salaries for adjacent years among all educational programs are not significant, but alternate years are significantly different. For example, MBA graduates in 2005 will earn significantly more than MBA graduates in 2001–02 and 2002–03. MBA graduates in 2003–04 earn significantly more than their counterparts in 2001–02.

Estimated Starting Annual Salary for New Hires Year-to-Year Comparison				
New Hire	U.S. Dollars (Mean)			
	2001–02	2002–03	2003–04	2005
From MBA program*	\$72,021	\$73,859	\$77,066	\$78,040
From other graduate program	\$52,322	\$56,518	\$62,371	\$60,865
From undergraduate program	\$41,381	\$42,936	\$45,029	\$45,652

* $p \leq 0.05$

Shown in the following table are the percent changes in starting annual salary from year to year. Since the inception of the Corporate Recruiters Survey in 2001–02, each year has seen an increase in starting annual salary for graduates of MBA programs and undergraduate programs. However, the percent change for these programs in the current year is somewhat lower than in the past. Individuals from other graduate degree programs had seen much greater percent increases than other programs in the past. This year, to the contrary, there is a net loss for individuals of other types of graduate degree programs—possibly a realignment of salaries considering the significant gains in the past.

Percent Change in Estimated Starting Annual Salary for New Hires Year-to-Year Comparison			
New Hire	Percent Change		
	2001–02 – 2002–03	2002–03 – 2003–04	2003–04 – 2005
From MBA program	+2.6%	+4.3%	+1.3%
From other graduate program	+8.0%	+10.4%	-2.4%
From undergraduate program	+3.8%	+4.9%	+1.4%

Additional Compensation for New MBA Graduate Hires in 2005

The majority of respondents (84%) plan to provide a benefits package to their new MBA employees in 2005. Additionally, about three-fifths (61%) plan to provide a moving allowance and 56% plan to have performance-based bonuses to award to new MBA hires in 2005. Less than half (46%) plan to give new MBA hires in 2005 signing bonuses and 39% plan year-end bonuses. Other compensation that companies plan to provide to MBA graduates in 2005 includes tuition reimbursement (30%), stock purchase plans (27%), and profit sharing (25%).

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Estimated Additional Compensation for New MBA Hires in 2005	
Compensation/Benefit	(n = 714)
Benefits package	84%
Moving allowance	61%
Performance-based bonus	56%
Signing bonus	46%
Year-end bonus	39%
Tuition reimbursement	30%
Stock purchase plan	27%
Profit sharing	25%
Starting bonus	18%
Stock options	18%
Housing allowance or reimbursements	15%
First-year bonus	11%
Commission	8%
Car or car allowance	6%
Other compensation	4%
No additional compensation	1%

Responses may add to more than 100% due to multiple selections

Estimated Total Annual Compensation for new MBA Graduates in 2005

Respondents were asked to estimate the total annual compensation for new MBA graduates in 2005. Total compensation includes annual base salary and all other compensation mentioned previously. Overall, new MBA graduate hires in 2005 are estimated to earn \$96,657 on average, with 95% of new hires earning between \$50,000 and \$150,000.

Estimated Total Annual Compensation for 2005 New MBA Graduate Hires	
Statistic	U.S. Dollars (Mean)
Lower 95% Confidence Interval	\$50,000
Mean	\$96,657
Upper 95% Confidence Interval	\$150,000

Although there are no significant differences in the starting annual salary for the various degree programs based on respondents' assessments of the economy, respondents who assess the economy as not weak report a higher total compensation package for MBA graduates than respondents who state that the economy is weak and constraining recruitment.

Individuals hired by respondents who feel that the economy is not weak will earn, on average, 13% more than individuals hired by respondents who state that the economy is weak and constraining recruitment.

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Estimated Total Annual Compensation for New MBA Graduate Hires in 2005, by Current Economic Conditions			
Statistic	U.S. Dollars (Mean)		
	Economy Weak, Constraining Recruitment	Economy Weak, Not Constraining Recruitment	Economy Not Weak
Lower 95% Confidence Interval	\$46,000	\$50,000	\$50,000
Mean*	\$88,644	\$94,292	\$99,818
Upper 95% Confidence Interval	\$150,000	\$141,500	\$160,000

*p ≤ 0.05

To calculate the amount of the additional compensation, the annual starting salary is subtracted from the total annual compensation. Overall, the average amount companies spend for the additional compensation package for new MBA graduates is \$18,882, which is 24% of the average annual starting salary.

Recruiting Activities

Plans for Recruiting on Campus in 2005

Respondents were asked about their recruiting plans for 2005. Slightly more than four-fifths (82%) plan to visit school campuses to recruit new MBAs in 2005. Although there is not a significant difference in the percentage of respondents who plan to visit campuses in 2005 by their assessment of the economy, slightly under three-quarters (74%) of respondents who state that the economy is constraining their recruiting plan to visit campuses, compared with 83% who state the economy is not weak.

Recruitment Plans for 2005	
Plan to Visit School Campus to Recruit New MBA Hires?	(n = 715)
Yes	82%
No	13%
Don't know	5%
Total	100%

Number of Schools on Corporate Recruiting Calendar

Respondents who state that their companies plan to visit school campuses in 2005 were asked the number of schools visited in 2004 and the number they plan to visit in 2005. Overall, companies visited 8.5 schools, on average, in 2004 and 9.3 schools in 2005. This difference is statistically significant. Companies, therefore, plan to increase their recruitment efforts on campus in the coming year.

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Number of Schools in Which Company Recruits MBAs		
Number of Schools	Actual 2004	Estimated 2005
	(n = 538)	(n = 545)
None	4%	<1%
3 or less	26%	21%
4, but less than 7	35%	37%
7 or more	35%	42%
Total	100%	100%
Mean*	8.5	9.3

*p ≤ 0.05

Individual recruiters also plan to increase their efforts in the coming year. Respondents personally visited 2.6 campuses in 2004 and plan to visit 3.2 campuses in 2005. This difference is statistically significant.

Number of Schools in Which Respondent Personally Recruits MBAs		
Number of Schools	Actual 2004	Estimated 2005
	(n = 584)	(n = 560)
None	17%	8%
1	30%	28%
2, but less than 4	30%	35%
4 or more	24%	29%
Total	100%	100%
Mean*	2.6	3.2

*p ≤ 0.05

There are no significant differences in based on respondents' assessments of the economy in the number of school campuses recruiters visited in 2004 or are planning to visit in 2005.

The following table presents the average number of schools companies and recruiters visited each year. Companies visited an average of 11 schools in 2001, which is significantly higher than the number visited in 2002. For 2003 and 2004, there are no significant differences in comparison with the previous years.

Number of Schools at Which Company Recruits MBAs—Year-to-Year Comparison	
Time Period	Mean Number of Schools
2001	11
2002	8
2003	9
2004	9

*p ≤ 0.05

On the contrary, over the years, individual recruiters are visiting fewer school campuses on average. In 2002, recruiters visited an average of 3.3 campuses, the highest number of all the years this data was tracked. In 2003, the number decreased to 3.1; it decreased again in 2004 to 2.6 school campuses visited personally by respondents.

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Number of Schools on Which Respondent Personally Recruits MBAs — Year-to-Year Comparison	
Time Period	Mean Number of Schools
2002	3.3
2003	3.1
2004	2.6

*p ≤ 0.05

Recruiting Costs

Respondents were asked to specify the elements their company includes in calculating the average recruiting cost for new MBA graduates. Almost two-thirds of respondents (62%) stated that candidate hotel/lodging expenses are included in the calculation, and 59% stated that candidate meals are included. More than half include staff hotel/lodging (57%) and meals (55%). Additionally, 47% include promotional materials, 46% recruiting staff, and 45% headhunter fees. Furthermore, about a third of respondents stated that their companies include time in the office related to candidate evaluation/hiring decisions (38%), entertainment (34%), and time away from regular responsibilities (30%).

Elements Included in Companies' Average Recruiting Costs	
Element	(n = 727)
Candidate hotel/lodging	62%
Candidate meals while traveling	59%
Staff hotel/lodging	57%
Staff meals while traveling	55%
Promotional materials	47%
Recruiting staff	46%
Headhunter fees	45%
Time in the office related to candidate evaluation/hiring decisions	38%
Entertainment	34%
Time away from regular responsibilities	30%
Time in the office related to planning	27%
Job posting fees	24%
Other	3%
Don't know	15%

Responses may add to more than 100% due to multiple selections

On average, companies spent \$12,073 to recruit a new MBA graduate in 2004.

Estimated Average Recruiting Costs Per New MBA Graduate Hire in 2004	
Statistic	U.S. Dollars (Mean)
Lower 95% Confidence Interval	\$500
Mean	\$12,073
Upper 95% Confidence Interval	\$57,600

Measuring ROI for New Hires

Assessment of Core Competencies for New MBA Graduates

Respondents were asked what level of proficiency their company expects in the core competencies when hiring new MBA graduates. Companies that hire MBA graduates seek candidates with a high-level of proficiency with regard to ethical conduct, an advanced level on average. This proficiency is rated the highest among respondents. The next highest-rated proficiency sought by companies hiring MBAs is an ability to think analytically, also an advanced level sought on average. Oral and written communication, interpersonal skills, and creative problem solving are the next highest rated competencies. Cultural sensitivity and awareness has the lowest proficiency rating sought by companies, nevertheless companies still seek an intermediate level on average.

Level of Proficiency Sought in New MBA Graduate Hires For Each Core Competency						
Core Competency	Mean*	Level of Proficiency (n = 733)				Total
		Basic Level	Intermediate Level	Advanced Level	Expert Level	
Ethical conduct	3.2	4%	14%	45%	38%	100%
Ability to think analytically	3.0	2%	17%	60%	20%	100%
Oral and written communication	2.9	2%	21%	60%	18%	100%
Interpersonal skills	2.8	3%	26%	58%	14%	100%
Creative problem-solving skills	2.8	3%	30%	55%	12%	100%
Quantitative skills	2.8	5%	26%	51%	17%	100%
Ability to adapt/change to new situations	2.7	6%	30%	51%	13%	100%
Ability to integrate information	2.7	4%	28%	57%	11%	100%
Ability to think strategically	2.6	7%	32%	49%	11%	100%
Leadership skills	2.5	11%	40%	42%	8%	100%
Ability to make decisions with imperfect information	2.5	8%	40%	46%	7%	100%
Initiative/risk-taking ability	2.4	13%	43%	39%	5%	100%
Implementation/project management skills	2.4	14%	41%	38%	8%	100%
Cultural sensitivity and awareness	2.3	18%	37%	37%	8%	100%

*Scale used to calculate means is as follows: Basic level = 1; Intermediate Level = 2; Advanced Level = 3; Expert Level = 4.

Company Process for Measuring the ROI for New MBA Graduates

Respondents were asked whether they had a process for measuring the return on their investment (ROI) in hiring new MBA graduates. Overall, 38% of respondents stated that their company has a process for measuring the return on investment. Among the respondents who stated that their company has a process for measuring ROI, 77% said that the process is informal and 23% indicated that the process is formal. About three-quarters of respondents (72%) whose companies have a process for measuring ROI have a single process for all employees; 28% have a separate process for MBA graduates only.

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Company Process for Measuring ROI for New MBA Graduates	
Response	(n = 733)
Formal process for all new employees	6%
Separate formal process of MBA graduates	3%
Informal process for all new employees	21%
Separate informal process of MBA graduates	8%
Does not assess ROI	36%
Don't know	27%
Total	100%
(Don't know removed)	(n = 535)
Have ROI process	51%
Do not have process	49%
Total	100%
Process (collapsed)	(n = 275)
Formal process	23%
Informal process	77%
Total	100%
Process (collapsed)	(n = 275)
Process for all employees	72%
Separate process for MBA graduates	28%
Total	100%

Calculation of the Return

Respondents whose companies have a process for measuring ROI were asked to list the factors they use in determining the return part of the equation. Four-fifths of respondents (80%) stated that the quality of the work from the employee is a part of their calculation; this is the most widely specified factor. In addition 73% stated that they include the productivity of the employee in the ROI equation, 64% said they include the promotability of the employee, and 61% stated that they include the leadership skills displayed by the employee. Additionally, 55% use the retention of an employee for a specified length of time, 54% use the satisfaction of employee's clients/customer, 52% use the management skills displayed by the employee, and 51% use the technical skills displayed by the employee as factors in calculating the return.

Factors Company Uses to Determine the Return for New MBA Hires	
Factor	(n = 275)
Quality of work from employee	80%
Productivity of employee	73%
Promotability of employee	64%
Leadership skills displayed by employee	61%
Retention of employee for a specific length of time	55%
Satisfaction of employee's clients/customers	54%
Management skills displayed by employee	52%
Technical skills displayed by employee	51%
Amount of new business generated	30%
Number of new ideas or patents	12%
Number of awards—or recognition received	5%
Other	1%
Don't know	5%

Responses may add to more than 100% due to multiple selections

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Companies with informal processes take into account the quality of work, leadership skills, and management skills more often than companies with formal processes for measuring ROI. Companies with a formal process for measuring ROI assess the amount of new business generated by the new hire significantly more often than companies with an informal process.

Factors Company Uses to Determine the Return for New MBA Hires, by Process for Measuring ROI		
Factor	Process for Measuring ROI	
	Formal Process	Informal Process
	(n = 63)	(n = 212)
Quality of work from employee*	70%	83%
Productivity of employee	71%	74%
Promotability of employee	64%	65%
Leadership skills displayed by employee*	48%	65%
Retention of employee for a specific length of time	54%	55%
Satisfaction of employee's clients/customers	56%	53%
Management skills displayed by employee*	38%	56%
Technical skills displayed by employee	44%	52%
Amount of new business generated*	44%	26%
Number of awards—or recognition received	3%	5%
Number of new ideas or patents	13%	12%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

Companies that use the same ROI process for all employees factor the productivity of the employee and the amount of new business generated more often than companies that have specific ROI processes for MBA graduates.

Factors Company Uses to Determine the Return for New MBA Hires, by Process for Measuring ROI		
Factor	Process for Measuring ROI	
	Same Process for All Employees	Separate Process for MBA Graduates
	(n = 199)	(n = 76)
Quality of work from employee	79%	82%
Productivity of employee*	76%	65%
Promotability of employee	62%	71%
Leadership skills displayed by employee	58%	68%
Retention of employee for a specific length of time	52%	61%
Satisfaction of employee's clients/customers	55%	51%
Management skills displayed by employee	50%	58%
Technical skills displayed by employee	53%	45%
Amount of new business generated*	34%	20%
Number of awards—or recognition received	5%	4%
Number of new ideas or patents	12%	12%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

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Calculation of the Investment

The other half of the ROI equation is the investment companies make in their new MBA hires. Overall, the majority of companies (85%) incorporate the salary of the new hire in the investment; as shown previously, the average new MBA graduate starting salary is \$78,040. About two-thirds of companies (67%) include recruiting costs in their investment calculation; as shown previously, the average recruiting cost for MBA graduates is \$12,073. Additionally, 63% factor other additional compensation into their calculation of the investment, and 57% take into account signing and other one-time bonuses. Only about one-third (36%) factor in the time managers and supervisors spend in the start-up and training of new MBA hires, whereas 21% factor in the decreased productivity during the new hire's start-up period.

Factors Company Uses to Determine the Investment for New MBA Hires	
Factor	(n = 275)
Salary	85%
Recruiting costs	67%
Other additional compensation	63%
Signing or other one-time bonuses	57%
Managerial/supervisory time related to start-up/training	36%
Decreased productivity during start-up period	21%
Other	2%
Don't know	5%

Responses may add to more than 100% due to multiple selections

There are no differences in the factors companies use in calculating the investment in terms of whether the ROI process is formal or informal.

However, companies that have a separate ROI process for MBA graduates are more likely to use salary, signing and other one-time bonuses, and other additional compensation in their calculation of the investment.

Factors Company Uses to Determine the Investment For New MBA Hires, by Process for Measuring ROI		
Factor	Process for Measuring ROI	
	Same Process For All Employees	Separate Process for MBA Graduates
	(n = 199)	(n = 76)
Salary*	81%	93%
Recruiting costs	65%	71%
Other additional compensation*	58%	76%
Signing or other one-time bonuses*	52%	70%
Managerial/supervisory time related to start-up/training	36%	37%
Decreased productivity during start-up period	22%	17%
Other	2%	3%
Don't know	6%	3%

Responses may add to more than 100% due to multiple selections

*p ≤ 0.05

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The total cost of a company's investment in hiring a new MBA graduate is calculated using the information gathered about the average salary of new MBA hires, the average amount spent on additional compensation, and the average recruiting costs respondents provided in the survey. Each of these items is used only if the respondent stated that their company included these costs in their calculation of their investment in hiring a new MBA graduate. Due to the difficulty of calculating the dollar value for managerial/supervisor time related to start-up/training and the decreased productivity during a new hire's start-up period, these items are not included in the total cost.

On average, the amount spent to hire a new MBA graduate is \$92,133 plus managerial time and costs associated with decreased productivity during start-up. Two-thirds of the cost of investment (67%) stems from the annual starting salary, 17% from the additional compensation and bonuses, and 16% from the recruitment costs.

Measuring ROI for Corporate MBA Reimbursement/Sponsorship Programs

Corporate Reimbursement and Sponsorship Programs

Respondents were asked whether their company has a program to reimburse or sponsor current employees in the various MBA programs and whether they have a process for measuring ROI among participants in company-sponsored programs. Overall, 38% of companies have a corporate reimbursement or sponsorship program for full-time MBA programs, 63% have such a program for part-time MBA programs, and 53% have one for executive MBA programs. These percentages are statistically significant. Corporate programs for full-time MBA programs are offered less often than for executive MBA programs; and corporate programs are offered less often for executive MBA programs than for part-time MBA programs.

There are no significant differences in the percent with a process for measuring ROI based on the various MBA program types. Additionally, there are no significant differences by the type of ROI process, whether formal or informal, based on the various MBA program types.

Corporate Reimbursement and Sponsorship Programs			
Does your company reimburse or sponsor employees for MBA programs?	MBA Program Type		
	Full-Time (n = 1,036)	Part-Time (n = 1,036)	Executive (n = 1,036)
Yes*	38%	63%	53%
Does your company measure ROI?	(n = 391)	(n = 650)	(n = 550)
Yes	25%	24%	26%
How does your company measure ROI?	(n = 97)	(n = 156)	(n = 141)
Formal process	17%	9%	11%
Informal process	83%	91%	89%
Total	100%	100%	100%

*p ≤ 0.05

Calculation of the Return

Respondents whose companies have a process for measuring ROI were asked which factors they used in calculating their return. Improved leadership skills (84%) is the most-cited factor in

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determining the return on the company's investment, followed closely by improved management skills (83%), and improved promotability (75%). Additional factors companies use in determining the return include increased likelihood of employee retention (68%), increased productivity (63%), and improved technical skills (54%).

Factors Company Uses to Determine the Return for Corporate Reimbursement/Sponsorship Programs, by Process for Measuring ROI	
Factor	Overall (n = 192)
Increased likelihood of employee retention	68%
Increased promotability of employee	75%
Increased productivity from employee	63%
Improved quality of work from employee	70%
Improved leadership skills in employee	84%
Improved management skills displayed by employee	83%
Improved technical skills displayed by employee	54%
Improvement in satisfaction of employee's clients/ customers	36%
Increase in the amount of new business generated	23%
Increase in awards or recognition received by employee	10%
Increase in ideas or patents	28%
Other	4%
Don't know	2%

Responses may add to more than 100% due to multiple selections

Calculation of the Investment

The most often-cited factor used in calculating the investment for a reimbursement or sponsorship program is the amount of reimbursement; nearly four out of five (79%) respondents identified this factor. The next most often-cited factor, accounting for 42% of respondents, is the opportunity cost of time out of the office. Additionally, 28% of respondents state that reduced productivity during enrollment is factored into the investment.

Factors Company Uses to Determine the Investment for Corporate Reimbursement/Sponsorship Programs, by Process for Measuring ROI	
Factor	Overall (n = 192)
Amount of Reimbursement	79%
Opportunity cost of time out of the office	42%
Reduced productivity during enrollment due to additional commitments	28%
Rewards given to employees upon completion of degree	13%
Don't know	14%

Responses may add to more than 100% due to multiple selections

Given that the majority of respondents stated that the amount of reimbursement is factored into the equation for calculating the investment, how much do companies spend on their reimbursement or sponsorship programs per year for each employee? On average, companies that reimburse or sponsor full-time MBA programs spend \$17,671 per year for each employee; the figure is \$9,869 for part-time programs and \$19,915 for executive programs.

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Average Amount of Reimbursement or Sponsorship Per Year for Each Employee, by Program Type			
Statistic	Program Type (U.S. Dollars)		
	Full-Time	Part-Time	Executive
Lower 95% Confidence Interval	\$1,160	\$1,200	\$1,760
Mean	\$17,671	\$9,869	\$19,915
Upper 95% Confidence Interval	\$54,000	\$30,000	\$64,500

Respondents who work for companies that reimburse or sponsor employees in MBA programs and calculate ROI were asked the average number of months it usually takes to gain a return on their investment. On average, it takes 17 months for a company to gain its return on the investment it made in reimbursing or sponsoring an employee in an MBA program.

Estimated Number of Months Before Company Gains the Return on its Investment	
Statistic	Months
Lower 95% Confidence Interval	0
Mean	17
Upper 95% Confidence Interval	36

Respondents with reimbursement or sponsorship programs were asked if their company gives a reward or recognition to strong employees upon completion of their MBA program. There is no significant difference between program types in terms of the percent of companies that provide rewards or recognition. Due to small sample sizes, there are no significant differences between the program types in the types of rewards or recognition given to employees upon completion of their program.

Reward or Recognition, by Program Type			
Statistic	Program Type		
	Full-Time (n = 97)	Part-Time (n = 157)	Executive (n = 142)
Reward/recognition given	31%	24%	23%
No reward/recognition	69%	75%	77%
Total	100%	100%	100%

Type of Reward or Recognition, By Program Type			
Response	Program Type		
	Full-Time (n = 30)	Part-Time (n = 38)	Executive (n = 33)
Promotion	60%	50%	36%
Bonus	33%	26%	27%
Salary increase	17%	13%	18%
Recognition	10%	16%	21%
Increased opportunity	0%	5%	9%
Other	3%	5%	9%
Responses may add to more than 100% due to multiple selections			

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