

Introduction

Demand for postgraduate business degrees is expected to grow throughout the remaining first half of the 21st century. Key factors prompting greater interest in graduate management education include rising educational attainment levels throughout the world plus employer needs for workforces with higher-order knowledge, skills, and abilities. Even so, short-term demand will likely fluctuate along with varying regional economic circumstances, generational demographics, and the internationalization of degree programs. The extent to which business school administrators can proactively adapt to a broader marketplace of diversified needs will determine the future for their specific programs and graduate management education as a whole.

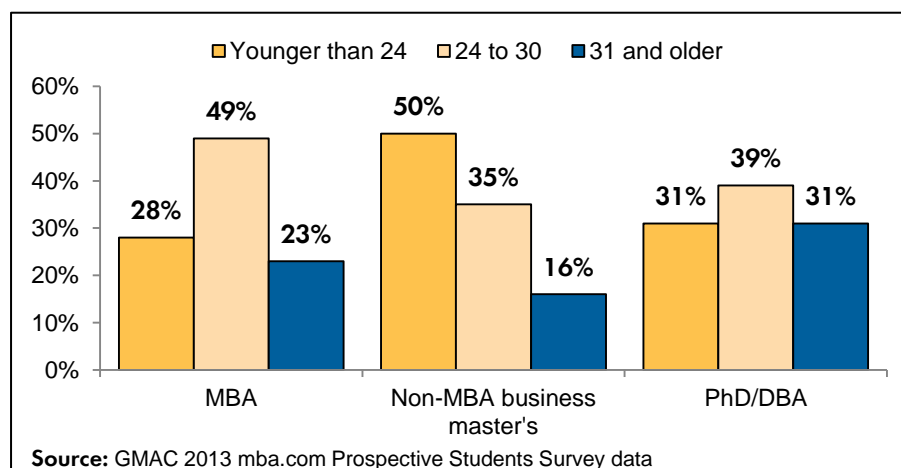
Demand for Graduate Management Education

The United Nations reports that the world today comprises the largest generation of young people and a growing number of older people.ⁱ In light of expected stagnation in the working age population, overall global increases in educational attainment levelsⁱⁱ could be the key to future growth in graduate management education.

Specialized Master's Programs

Increasing demand for graduate management education, particularly for specialized master's programs, may be a result of schools expanding and differentiating the scope of their offerings to reach a wider audience that includes a younger cohort of prospective students (Figure 1).

Figure 1. Age Distribution of Prospective Students Considering Various Business Programs (2012)



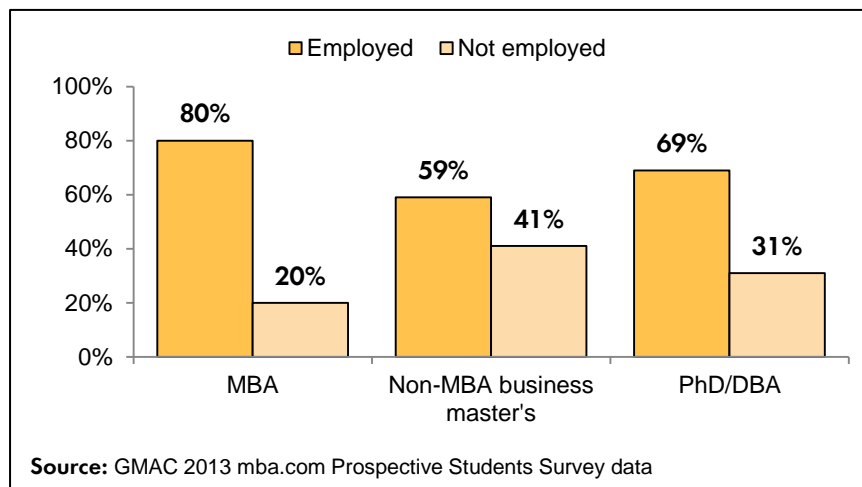
This 2013 report is one of several summary briefs based on the 15,410 responses to the GMAC mba.com Prospective Students Survey conducted between January and December, 2012 among individuals who register on mba.com—the GMAC website for prospective graduate management students. Comparable numbers responded to the 2009, 2010, and 2011 surveys.

Data show that the MBA student marketplace today is dominated by the older generation of Gen X'rs while the non-MBA business master's marketplace is populated by the younger cohort of Gen Y'rs, or millennials, under the age of 24. Recent analysis of application trends data also shows an increase in demand for non-MBA business master's programs,ⁱⁱⁱ which on its face seems driven by changing demographics, but may also be a consequence of the recent global economic downturn.

The size of the millennial generation,ⁱⁱ or echo boomers, coupled with the recent global recession, which has affected young individuals more severely than older populations,^{iv} has likely precipitated rising interest in specialized non-MBA business master's programs. Applicant employment rates by desired degree type point to this connection.

For example, 80 percent of prospective MBA students were employed in 2012, but only 59 percent of master's prospects were working (Figure 2). In fact, since 2007, the unemployment level among the younger group has been elevated, which has prompted some to predict that "the slower the recovery, the less likely it is that young people will develop a fruitful connection to the labor market."^{iv}

Figure 2. Employment Status of Prospective Students Considering Various Graduate Business Programs (2012)

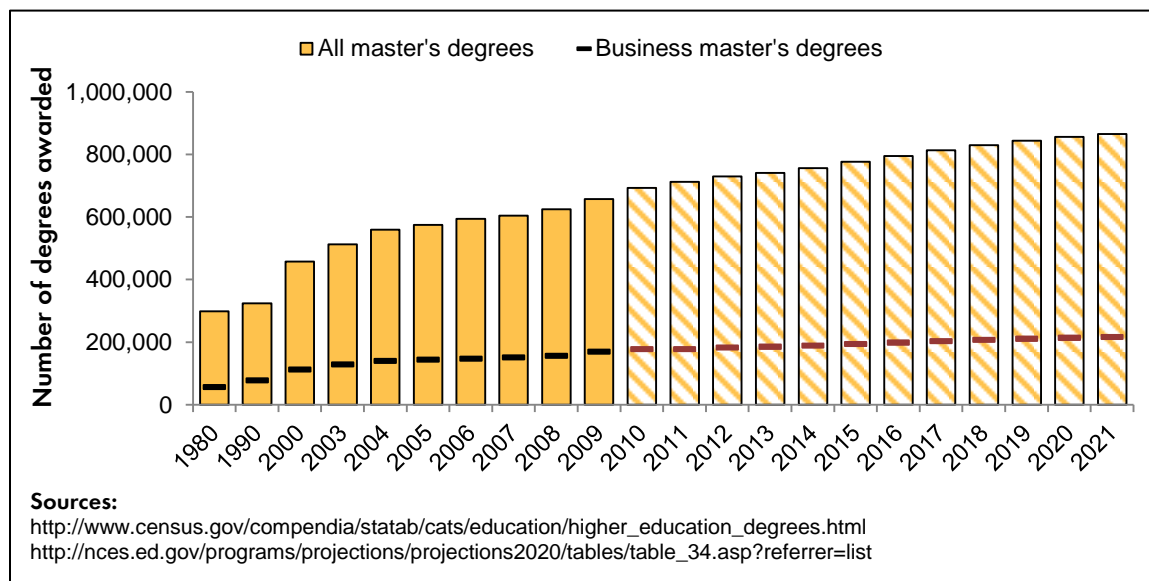


About 1 in 4 (27%) prospective students younger than 24 were concerned about job opportunities in 2010. In 2012, that percentage declined to 22 percent. These prospective students may be seeking shelter in non-MBA business master's programs, a decision that could prove to be a highly valuable proposition considering "the war for talent" that is expected to heat up for positions "requiring high skill levels and more education."^v

Evidence of such benefit may already be surfacing: Although employment prospects the past few years have been lackluster, 86 percent of individuals who opted to enroll in a business master's program felt their education prepared them for the challenges of the job market.^{vi} Accordingly, US unemployment statistics show that those who hold a master's degree have a 33 percent greater likelihood of being employed compared with those with only a bachelor's (undergraduate) degree.^{vii} The Organization for Economic Cooperation and Development similarly reports that among its member countries, higher education levels increase the probability of full-time employment for men and women.^{viii} Furthermore, recent US labor reports project that the demand for occupations requiring a master's-level degree will grow by 22 percent over the next decade, making it is the fastest growing educational category.^{viii}

Student interest in business-related master’s degrees (including MBAs) as a percentage of total degrees awarded has remained stable in the United States since 1990 (Figure 3). Yet, the number of master-level business degrees (MBA and non-MBA) awarded in the United States has increased about six percent annually over the past decade.^{ix} This growth may be attributed to increasing educational attainment overall. All the same, there are some who question whether continued growth of graduate management education is sustainable. Using the current model, which predicts increases in master-level degrees conferred^x while the share of business degrees remains at 25 percent of the market for postgraduate degrees, graduate business programs in the United States would be expected to grow through 2021. Application volumes show similar indications: Even as application volumes for MBA programs have slowed in recent years, demand for non-MBA business master’s programs continues to grow,^{iv} suggesting a broadening, rather than a declining demand for graduate management education.

Figure 3. Master’s Degrees Conferred in the United States, Including Business Master’s Degrees, Actual & Projected (1980–2009 Actual, 2010–2021 Projected)



*Cross-hatched bars represent projected numbers of Master degree awarded and line represents estimated business masters assuming a continued 25% market penetration.

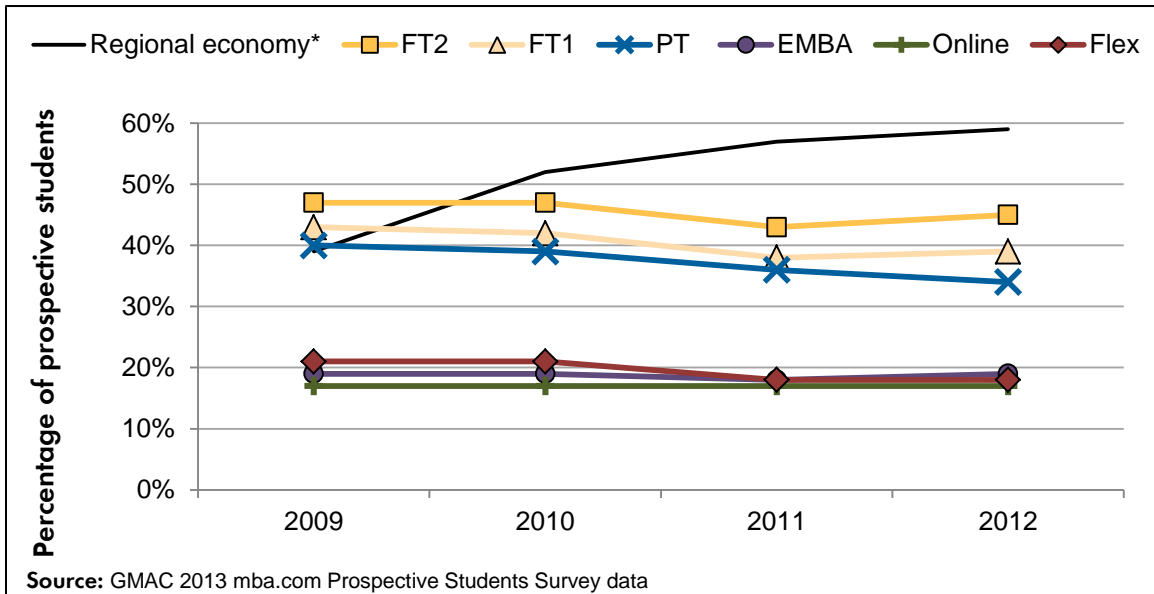
MBA Programs

Interest in MBA programs has slowed over the past four years but remains healthy, influenced by shifting demographics and global economic factors. Four in five (80%) prospective students registering on mba.com considered an MBA in 2012, down from 86 percent in 2009. A closer look reveals that interest in MBA programs declined the most among the youngest and oldest groups of prospective students; within the traditional MBA applicant group—24 to 30 year olds—it remained steady at about 90 percent in 2012.

During difficult economic times, people with jobs are less likely to leave the workforce to pursue education. Looking back a few years, 10 percent of the prospective students in 2007 who postponed their education indicated it was because of uncertain job prospects. This percentage increased to 23 percent in 2010 in a still-stalled economy but fell back to 13 percent in 2012 as the recession’s impact receded. Individuals intent on earning a graduate business degree in recent years were apt to gravitate to programs that fit within a working professional’s schedule (e.g., part-time or executive MBAs). As economies improved, however, there were appreciable declines in the percentage of individuals considering part-time MBA programs

(Figure 4). Today, after several years of declining application volumes to full-time two-year MBA programs,^[iii] there appears to be a slight increase in interest among prospects, and full-time MBA programs continue to be the most considered program type among prospective students.

Figure 4. MBA Programs[†] Considered by Employed Prospects, by View of Their Regional Economy* (2009–2012)



† FT2 = Full-time two-year MBA; FT1 = Full-time one-year MBA; PT = Part-time MBA; EMBA = Executive MBA; Online = Online/distance MBA; Flex = Flexible MBA.

* Regional economy represents the percentage of prospective students who regard their regional economy as stable, strong, or very strong.

Competition Among Graduate Management Programs

Diversification of program types has contributed to the “dramatic growth” in business schools,^{xi} but it also may have contributed to increased competition between programs. In general, prospective students’ crossover demand between (or simultaneous consideration of) MBA and non-MBA master’s programs has steadily declined (Figure 5). This pattern holds true across age groups. In the last year, prospective students younger than 24 exhibited the greatest crossover potential, but the percentage considering both degrees has declined from 38 percent in 2009 to 30 percent in 2012. Crossover demand among prospects ages 24 to 30 and those 31 and older also decreased between 2009 and 2012, from 32 percent to 23 percent, and from 29 percent to 20 percent, respectively. As competition across categories—MBA and non-MBA business masters—has diminished, competition within program categories continues, a finding seen in past mba.com Prospective Students surveys.

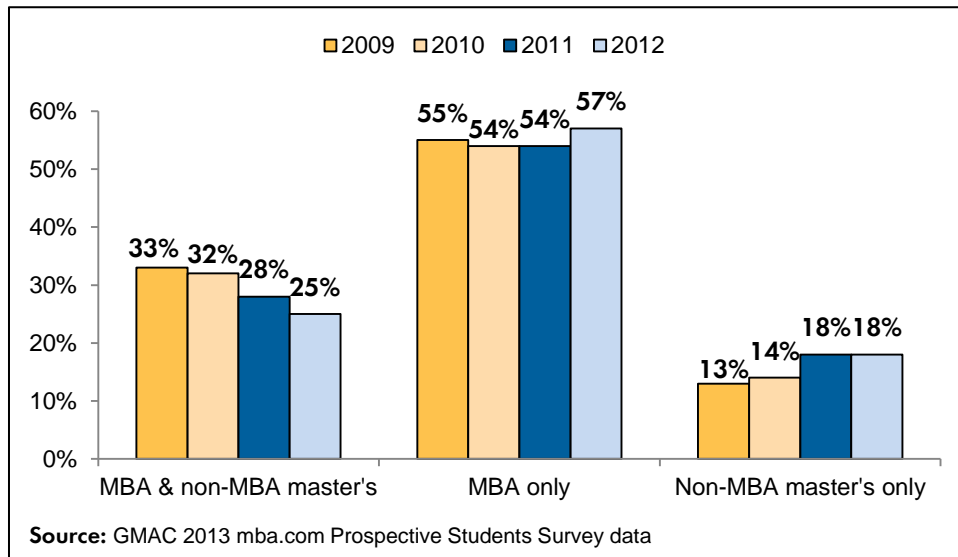
The following are the programs for which candidates were most likely to exhibit crossover, or consider simultaneously:¹

- Part-time MBA ↔ Online MBA
- Master in Management ↔ Master of Global Management & Master of Marketing

¹ Program competition is defined as a significant correlation, where Pearson’s r > 0.30.

- Master of Global Management ↔ Master in Management, Master of Marketing, Master of Entrepreneurship & Master of Project Management
- Master of Accounting ↔ Master of Taxation & Master of Finance
- Master of Finance ↔ Master of Accounting

Figure 5. Crossover Demand for Graduate Business Programs, by Survey Year (2012)



Most crossover occurred between various business master's (non-MBA) programs rather than between MBA programs. In addition, there were no significant correlations between specific MBA and non-MBA master's programs, further indicating diminished crossover demand.

Demographic Differences in Program Demand

Program demand varies by demographic characteristics of prospective students, with age and gender providing the strongest clues to student preferences. For the sake of simplicity, a list of 20 MBA and business master's (non-MBA) programs typically considered by prospective students was grouped into five categories,² as follows:

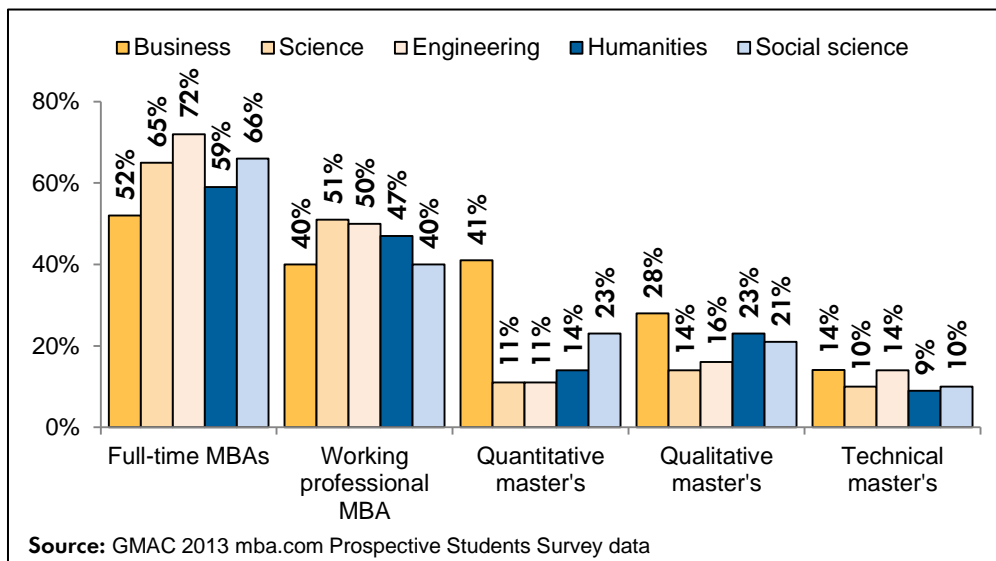
- *Full-time MBA*: Full-time two-year, one-year, and joint-degree MBAs
- *Working Professional MBA*: Part-time, flexible, online, and executive MBA
- *Quantitative Master's*: Master of accounting, taxation, and finance
- *Qualitative Master's*: Master in management, international management, marketing, HR management, and entrepreneurship
- *Technical Master's*: Master of engineering management, business information technology, project management, post-degree diploma, and supply chain management

² Principal Component Analysis summarizes and simplifies 20 business programs considered. The programs were reduced to five components and had a multiple r of .43.

Full-time MBA programs were considered most by men and women ages 30 and younger, whereas working professional MBAs were considered by the 31 and older group. Supporting earlier findings, the non-MBA master-level programs were most often considered by prospective students 24 and younger, although at lower levels than the full-time MBA types. These patterns hold regionally, at varying levels of magnitude.³

An individual’s undergraduate degree often determines the type of graduate management program that holds the greatest appeal (Figure 6). For instance, even though a majority of prospects with business backgrounds considered a full-time MBA program (52%), they were much more likely than other groups to consider non-MBA master programs. Graduates with undergraduate degrees in other disciplines were the most likely to consider MBA programs.

Figure 6. Demand for Program Types, by Undergraduate Degree Program (2012)



Internationalization of Business Education

Competition among graduate business programs is also influenced by the internationalization of education. The number of international students has nearly doubled in the last decade, from 2.1 million students in 2000 to 4.1 million in 2012.^[ii] Similarly, the GMAT testing pool has become more international—51 percent of test-takers in the 2007–2008 testing year were US citizens, compared with only 41 percent in 2011–2012.^{xii} Schools can choose to compete on this dimension using an export, network, and/or import model.^{xiii}

The “import” model of international competition demands that programs develop their reputation and brand to attract foreign students into their applicant pool. Prospective students who apply to programs outside their resident country typically place a greater level of importance on the local respect and reputation of the program when selecting schools compared with those who apply to domestic programs in their home country. In fact, two-thirds (67%) consider the reputation of the educational system as an important reason for choosing their preferred study destination compared with half (50%) of prospects who do not apply outside their country of residence. To compete effectively in the international talent pool, schools may want to emphasize the added value they can provide to prospective students as well as work with regional institutions and governments to improve and promote their educational system.

³ See *Statistical Briefs for Program Types* for regional details. These briefs are available only to schools using the GMAT exam for their admissions process).

The “export” model of competition includes study-abroad options for students. Overall, 31 percent of prospective students in 2012 expressed a desire to participate in a study-abroad program, and many of these prospective students hope to work outside their country of citizenship. Although importing students to campuses creates more international diversity in a school’s student body, the export model allows students to gain international experiences as a part of their education, which may increase their employment opportunities.

Survey findings show wide differences in preferred study destinations by world regions, but, on the whole, the desire to study internationally is on the rise. Among residents in the Asia-Pacific region, 87 percent expressed a preference for studying abroad in 2012, up from 81 percent in 2009—the highest rate among world regions. At the other extreme, only 4 percent of US residents wanted to study abroad in 2012, but that proportion is up from 3 percent in 2009. In fact, every region showed growing interest in international study over the four-year period. More information about preferred study destinations is located in the *Statistical Briefs for Program Types*.

Conclusions

Demand for graduate management education is expected to grow in the long term while short-term demand will be guided by factors of varying degrees of predictability. Economic conditions affect not only job opportunities, but student decisions about when and where to pursue graduate management education and what types of programs to consider. As business schools continue to diversify programs, find niche markets to educate, and create new programs, demand may change accordingly. As more study options become available, schools will need to become more effective in communicating their value to prospects, employers, and the community at large. Making data-driven decisions to target these communications could be increasingly important.

More information about prospective students’ timelines, motivations, employment goals, information sources, and educational financing is available through a series of Statistical Briefs that summarize the mba.com Prospective Students Survey data by region and citizenship. These briefs allow users to delve deeper into the survey data and supplement the *Prospective Student Survey Interactive Report*, an online tool that allows users to customize the analysis by a variety of student characteristics. Use of the Statistical Briefs and interactive tool is exclusive to graduate business programs that use the GMAT exam in their admissions process. These schools can download the Statistical Briefs and the interactive report at gmac.com/gmacresearchlibrary (login required).

For a profile of survey respondents and detailed survey methodology please visit our website at gmac.com/prospectivestudents.

For question or comments regarding the study findings, methodology, or data, please contact the GMAC Research and Development Department at research@gmac.com.

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