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Chapter 15

Challenges and Future Strategies for B-Schools

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ABSTRACT

This chapter examines the evolution of American higher education (HE) and business schools (B-schools) in the historical and contemporary strategic context. It explores the influence of the Humboldtian model on the contemporary HE industry in America. The chapter analyzes the current HE landscape, revenue sources, and global reach. The chapter investigates strategic disruptors like demographic shifts, skyrocketing costs of college and student loan burden, technological impacts, including proliferation of IT and AI, eroding public confidence in HE, and political and regulatory trends. The chapter explores solutions like accreditation reform and diversified credentials. It examines pressures on B-schools, including slow technology adoption and competition. It emphasizes the need for B-schools to embrace innovation, technology, and industry partnerships. The chapter concludes with a collaborative educational project focused on regional socio-economic development grounded in comparative analysis of best global practices, highlighting the potential of HE to address real-world issues.

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Introduction

The landscape of higher education (HE) in the U.S. is undergoing a period of significant transformation. Fueled by technological advancements, demographic shifts, and evolving societal trends and dynamics, the traditional model faces increasing pressures to adapt. This chapter explores the current state of HE and business schools (B-schools), examining the challenges and opportunities that are unfolding and lie ahead. This chapter aims to address several key questions and issues. Firstly, it looks at the origins and historical evolution of HE in the U.S., highlighting the impact of industrial revolutions and the changing role of universities. Secondly, it explores the contemporary strategic landscape of HE institutions, analyzing demographic and socio-economic trends, technological disruptions, and public opinions and perceptions. Finally, the chapter focuses on the specific pressures and opportunities faced by B-schools within this evolving environment. Understanding the current state of HE is crucial for educators, policymakers, students, and the broader public. Stagnant and declining enrollments, rising tuition costs, and the emergence of alternative educational pathways raise critical questions about the value proposition of traditional colleges and universities. This chapter investigates these issues and their implications for the future of B-schools, which play a vital role in preparing future business leaders. This chapter utilizes a multi-pronged methodological approach. It integrates historical analysis with contemporary data and trends in HE. Additionally, the chapter draws on relevant scholarly literature and industry reports to provide a comprehensive picture of the evolving HE landscape.

In this paper, we provide an overview of the historical evolution of HE in the U.S., the impact of industrial revolutions on education, challenges, and opportunities for business schools (B-schools), and the need for adaptation to technological and societal changes in the HE landscape. We also discuss rising tuition costs, underemployment of college graduates, and changing societal perceptions of the value of a college degree.

In the first section of the paper, we look at the beginnings of American HE, rooted in medieval origins, evolved notably with the rise of the German Humboldtian model during the first Industrial Revolution. This model, blending education and research, spread across the U.S. over two centuries. The second Industrial Revolution emphasized disciplines such as engineering and business. Today, the ongoing third and fourth Industrial Revolutions present new challenges and opportunities, shaping the strategic landscape of HE and B-schools.

In the section focusing on the contemporary strategic landscape, we explore American HE institutions and their triple mission of student careers and prosperity, citizenship cultivation, and college experience provision. The HE sector faces significant entry barriers, relies heavily on government aid, and operates under strict

regulations. Revenues are substantial, with public institutions significantly reliant on government support and private ones on investment returns. While revenue sources vary, the industry has experienced growth, with modest wage increases. U.S. universities have a global presence, attracting a growing number of international students, particularly from China and India, highlighting their expanding global influence.

On the other hand, in the section focusing on trends and disruptors, we find the U.S. HE's landscape is shaped by demographic shifts, technological advancements, and evolving public perceptions. Since 2010, college enrollments have stagnated, intensifying competition amid reduced government support and escalating costs. Innovations stemming from the fourth Industrial Revolution are challenging traditional models, necessitating adaptation. The popularity of online education has surged, particularly accelerated by the COVID-19 pandemic. Confidence in traditional HE format is declining, with community colleges, trade schools, certificate programs, and other educational platforms seen as viable alternatives. Economic challenges, mounting national student debt, and disruptions in international student enrollments further complicate matters. Despite these hurdles, addressing disruptors through innovation is crucial for institutions to sustain their relevance and socio-economic impact.

Moreover, American HE faces critical threats amid shifts in societal attitudes. Traditionalists advocate maintaining the existing model, citing HE industry's historical resilience, while critics call for change, citing declining public confidence, high costs, and job-market shifts. Restructuring accreditation, holding colleges accountable for outcomes, and diversifying credentials are proposed solutions. The future for college education may entail greater accountability, innovative accreditation, and recognition of diverse skills paths, signaling a potential shift in HE's focus on student success and economic relevance.

In addition, B-schools involve encountering pressures and opportunities amidst HE disruptions. Challenges encompass slow technology adoption, trending deglobalization, internal criticisms, and competition with online providers and alternative educational paths. Solutions entail embracing augmented reality, artificial intelligence (AI), and innovative credentials. B-schools must modernize curricula, prioritize skill development, and foster lifelong learning. Vital aspects include industry partnerships, faculty with real-world experience, and student-centered approaches. Online platforms challenge traditional models, necessitating B-schools to justify costs and emphasize active and skill-based learning. Innovation, technology integration, and industry alignment are crucial for long-term relevance.

Our paper closes with a case of collaborative educational project with high socio-economic impacts. This global-local project aims to address socioeconomic development (SED) challenges in Greater Los Angeles, U.S., and Greater Córdoba, Spain, focusing on societal issues such as healthcare access, crime, and poverty.

By leveraging best global practices and information technology (IT) innovations, universities can implement a staged approach, fostering local problem-solving and stakeholder benefits. The initiative aims to bridge academia and real-world applications, reduce resource duplication, and improve university branding. Deliverables include improved education, career outcomes, and SED solutions benefiting HE institutions, students, and local communities through joint recommendations and independent project development.

A Genesis and Contemporary Strategic Landscape of American Higher Education

A contemporary university is rooted in medieval times. With the first Industrial Revolution in motion, the German or Humboldtian¹ model that emerged in the early 19th century has gained popularity and flourished across Europe. The Humboldt University model blends education and scholarship which paved the foundation for the contemporary research university (Humboldt University, 2024). Its prototype was initially adopted in the U.S. by the Johns Hopkins University and later spread across America (Geiger, 2015).

Over the past two centuries, the world has experienced profound transformations induced by industrial revolutions, advances in information technology (IT) and imaging, transportation, globalization, and increased geographic and social mobility, including massive global migration. In response to the opportunities and challenges of the first Industrial Revolution, colleges and universities at the time had developed HE programs for engineers. Management gained recognition as a profession and academic discipline in business education.

Between 1820 and 1899, 672 new colleges were established across America. Of those, 573—a dominant majority—were private. During the second half of the 19th century, private donors founded 11 universities that today are ranked among the nation's top 20, including Stanford, Johns Hopkins, and the University of Chicago (Hess & McShane, 2024a).

HE programs with career applications in engineering, business, and management gained further ground during the second Industrial Revolution, also known as Technological Revolution, which took place from approximately 1870 up to the beginning of World War I (Mokyr, 2018). At the time, Henri Fayol, a French engineer, developed his theory of industrial and general administration that became popular to further position management as a respectable profession (Wren & Bedian, 2020). The first MBA programs in America were offered at Wharton, Tuck, and Harvard in the early 20th century as academia's response to a national quest for industrialization with an increasing practical demand for rationality and efficiency.

Notably, the first-year curriculum at the Harvard MBA program in 1908 was rooted in the Frederick Winslow Taylor’s “scientific management” approach (Leach, 1993).

In the aftermath of the World War II, in 1944, the U.S. Congress passed the G.I. Bill. This made college education more accessible for millions by paying tuition and living expenses (Altschuler, 2009). In 1964, the U.S. Congress adopted numerous Great Society programs significantly expanding support for and accessibility of HE. The Higher Education Act of 1965 contained provisions for federal scholarships and low-interest loans for college students. This act also included subsidies for better academic libraries, 10 to 20 new graduate centers, several new technical institutes, classrooms for several hundred thousand students, and 25 to 30 new community colleges per year nationwide. A separate education bill enacted that same year provided similar assistance to dental and medical schools (Bernstein, 1996). Throughout the 20th and 21st centuries, multiple institutions of HE, including private secular and private religious nonprofit as well as for-profit colleges and universities, have come to life.

The impending Third and Fourth Industrial Revolutions (Huchting et al., 2020; Rifkin, 2011, 2015; Schwab, 2016; Zhuplev, 2018) continue transforming traditional business paradigms, models, and patterns bringing about “creative destruction” (Schumpeter, 1994) and change. Some examples of “creative destruction” include electronic media destroying traditional print media, “gig economy” and remote work eroding traditional “nine to five” corporate office, and AI applications creating media and communication patterns blurring the lines between the real and virtual and replacing/dislocating humans on massive scale. These dynamics foster new trends, developments, and opportunities, and exert pressures for change that HE and its B-schools face today.

Contemporary Strategic Landscape

Arguably, HS’ mission at large is three-pronged to:

- Facilitate student personal growth, career, and offer professional advancement opportunities.
- Cultivate a culture of responsible domestic and global citizenship.
- Provide a formative “college experience.”

According to a recent representative national survey, Americans think HE can help people economically, particularly in their home states. However, by a variety of measures, Americans question whether the benefits of college are worth the cost. Young people without degrees are especially skeptical. Americans across partisan lines worry about high tuition and student debt in an economy that most think is

rigged to benefit the wealthy. Most see college education as time-consuming and see colleges as stuck in the past. Although most Americans recognize that HE helps people become informed, engaged citizens, fewer think it benefits democracy overall (Schleifer et al., 2022).

Table 1 strategically portrays the contemporary American HE as a mature industry characterized by high entry barriers, significant dependence on government assistance, low concentration/high fragmentation, limited exposure to globalization, and heavy regulations.

Table 1. U.S. Colleges and Universities: Industry Structure, Strategic Drivers, and Dynamics (Lee, 2023)

Positive impact	
<ul style="list-style-type: none"> ● Industry assistance: High/steady. ● Barriers to entry: High/steady. 	<ul style="list-style-type: none"> ● Concentration: Low. ● Industry globalization: Low/increasing.
Mixed impact	
<ul style="list-style-type: none"> ● Life cycle: Mature. ● Revenue volatility: Medium. ● Capital intensity: Medium. 	<ul style="list-style-type: none"> ● Technology change: Medium. ● Competition: Medium /increasing.
Negative impact	
<ul style="list-style-type: none"> ● Regulation and policy: Heavy/steady. 	
Key trends	
<ul style="list-style-type: none"> ● Falling demand for undergraduate courses has outweighed an increase in demand for graduate certificates. ● Driven by growth in tax revenue, government funding for universities has increased. ● Despite the anticipated decline in state government funding, the CARES Act provides a new stream of funding to industry operators amid the pandemic. ● The number of international students will likely recover, bolstering industry revenue. 	<ul style="list-style-type: none"> ● Competition from community colleges will likely remain moderate as traditional colleges dominate HE. ● Industry institutions are expected to further implement online education programs to lower cost. ● Operators have been able to maintain steady profit since they often rely on state funding and donations.
Segmentation of products and services	
<ul style="list-style-type: none"> ● 66.0% Bachelor's degrees. ● 27.6% Master's degrees. ● 6.4% Doctor's degrees. 	
Strengths: <ul style="list-style-type: none"> ● High and steady barriers to entry. ● High and steady level of assistance. ● Low imports. ● High profit vs. sector average. ● High revenue per employee. 	Weaknesses: <ul style="list-style-type: none"> ● High customer class concentration. ● High product/service concentration. ● High capital requirements.

continued on following page

Table 1. Continued

Positive impact	
<ul style="list-style-type: none"> ● Industry assistance: High/steady. ● Barriers to entry: High/steady. 	<ul style="list-style-type: none"> ● Concentration: Low. ● Industry globalization: Low/increasing.
<p>Opportunities:</p> <ul style="list-style-type: none"> ● High revenue growth (2023-2028). ● Government funding for universities. 	<p>Threats:</p> <ul style="list-style-type: none"> ● Low revenue growth (2005-2023). ● Low revenue growth (2018-2023). <ul style="list-style-type: none"> ● Low outlier growth. ● Low performance drivers. ● High school retention rate.

Note. This report does not include for-profit degree-granting institutions and community colleges.

In 2020-2021, there were 2,297 four-year degree-granting postsecondary institutions, including branch campuses, in the U.S.; 33% of them were public and 67% private. These institutions enrolled 14 million students, including 9.1 million in public and 4.9 million in private nonprofit universities. By 2031, total student enrollment is projected at 14.9 million students, including 9.7 million in public and 5.2 million in private nonprofit universities or 69% and 31%, respectively (National Center for Education Statistics, 2021, Tables 303.30 and 317.10).

In 2020-2021, public four-year degree-granting postsecondary HE institutions reported \$444.5 billion in revenues, compared to \$408.1 billion for private nonprofit institutions. Taken together, in 2020-2021, revenues of public and private four-year nonprofit institutions of postsecondary education accounted for approximately 3% of America’s gross domestic product (GDP) (authors’ computation, based on Trading Economics, 2024). Public colleges and universities are significantly reliant on state and local government financial support contingent on college enrollment levels.

In 2020-2021, public institutions nationwide received approximately 17% of their total revenues from tuition and fees and 23% from federal and state grants, contracts, and appropriations. For private colleges and universities, tuition and fees comprised 19% of their revenues with federal and state government grants, contracts, and appropriations accounting for 9% of the total. Public and private HE institutions also derive revenues from auxiliary educational activities, private gifts, grants, contracts, endowments, and investments. Notably, public institutions receive only 13% of their total revenues from investment return compared to a much larger 46% share for private institutions. Over the past five years, many colleges and universities have experienced volatility in revenue and profitability mainly due to fluctuations in funding from government and private entities (Le, 2023). Table 2 outlines revenue streams for public and private four-year degree granting postsecondary colleges and universities nationwide.

Table 2. Percentage Distribution of Total Revenues for Degree-Granting Postsecondary Institutions, by Control of Institution and Source of Funds: Fiscal Year 2020–2021 (National Center for Education Statistics, 2023)

Sources of funds	Public	Private nonprofit	Private for-profit
Tuition and fees	16	19	93
Investments	12	46	≤1
Government grants, contracts, and appropriations	40	9	2
Auxiliary enterprises	4	3	1
All other revenues and appropriations	28	23	4

Table 3 depicts historical performance and outlook for U.S. colleges and universities between 2012 and 2029. During this 15-year span, the largest average annual increases occur in the industry’s revenues and added value. Industry’s wages show only modest growth, while college enrollments continue trending flat.

Table 3. U.S. Colleges and Universities: Historical Performance Data and Outlook, 2012-2029 (Le, 2023)

Year	Revenue, \$m	Industry value added*, \$m	Establishments**, units	Enterprises***, units	Employment, million people	Wages, \$m	Number of college students, million people
2015	537,985	279,957	2,285	1,907	2.9	220,310	20.0
2023	582,638	327,427	2,272	1,899	2.9	243,325	18.8
2025	593,562	332,838	2,283	1,907	2.9	246,585	19.1
2029	614,362	348,581	2,300	1,917	3.0	252,490	19.3

Note. *Industry value added is the market value of goods and services produced by the industry minus the cost of goods and services used in production. It is also described as the industry’s contribution to GDP, or profit plus wages and depreciation. **Establishment is the smallest type of accounting unit within an enterprise; it is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise. ***An enterprise is a division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

Most American colleges and universities are domestically owned, controlled, and primarily serve a domestic market. Nevertheless, U.S. universities have continued attracting international students. In recent years, HE markets have become more global. International comparisons show that American universities remain dominant in international rankings² and continue to attract foreign students. In 1980-1981 and 2000-2021 the number of foreign students enrolled in postsecondary institutions in the U.S. was 311.9 and 547.9 thousand, respectively. In 2021-2022 foreign student enrollment grew to 948.5 thousand, with most students coming from China and India

comprising 31% and 21% of the total foreign student enrollment, respectively (Le, 2023; National Center for Education Statistics, 2021, Table 310.20).

Trends and Disruptors

Strategic drivers for the industry of colleges and universities in the U.S. include: Demographics and high school completion rates determining a pull of potential college applicants, tuition costs and household income determining college affordability, job market and wages determining future postcollege earning potential and alternative noncollege wage earning/income options available to the applicants, and government regulations and financial assistance programs that may facilitate or impede a flow of college applications (Le, 2023). The industry is also affected by external political, economic, social, technological, legal, environmental, and cultural trends and field forces.

Demographics constitute a critical “independent” variable in the business model for HE institutions. After reaching a peak in 2010, historic student enrollments in the U.S. have plateaued nationwide. Under the latest projections, total enrollment levels in American institutions of postsecondary education by 2030 are expected to stay stagnant at approximately 20 million students, including 14.2 million students in four-year degree granting institutions and 5.9 million students in two-year institutions. Within the four-year institution category, enrollment is projected at 9.2 million in public colleges and universities and 5.0 million in private institutions (National Center for Education Statistics, 2021). Stagnant demographics and flat enrollment projections coupled with the dwindling government financial support and skyrocketing cost of college imply sharpening competition among universities and colleges for a limited pool of applicants and need to “reimagine” customer appeal of college. Furthermore, the makeup of the ethnic background of the student pool available for recruitment and that of actual students enrolled in colleges and universities will also change due to the significant multicultural demographic growth increase experienced in the total number of students from the Asian, Black, and Hispanic student communities that will be attending these HE institutions.

Technological and business innovations generated by the ongoing third and fourth Industrial Revolutions have brought about the Internet, wireless communications, electronic imaging, smartphones, email, “gig” economy, YouTube, AI, machine learning, virtual reality, global immersive reality, quantum computing, and many other advances in technology and business models. This has exerted powerful socio-economic impacts in the real world (Chui et al., 2023). While the original discovery of knowledge still requires robust effort, resources, and talent, the vastly improved access to domestic and global information has drastically improved the time/cost efficiency, accessibility, and dissemination of existing knowledge by and among

students, HE institutions, and society at large. This contrasts with the traditional expensive four-year college model that requires considerable time commitment and involves missed earning opportunities during student's study. The real world becomes increasingly integrated via common technological platforms, ecosystems, cloud computing, and other forms of accessing, processing, and exchanging information. Academia's traditional model with its structural organization predominantly built around stationary departmental fields such as organizational behavior, marketing, human resources or management cause silos working traditionally as independent sources of information to students vs. the highly integrated multidisciplinary model required nowadays and in the future. The impending technological and business innovations and side effects of "creative destruction" wield further pressures for change on HE whose culture and DNA remains rooted in medieval traditions and principles from the Industrial era.

The innovative start-ups providing cost-efficient online courses through Coursera (<https://www.coursera.org/>) or numerous alternative certificate programs that have been mushrooming (The Changing Landscape of Online Education (CHLOE): Behind the Numbers, 2019). Experts assert this trend will continue to gain traction and user appeal (Le, 2023). Technological and business advances and innovations in IT, AI, social media, and imaging have brought to life widely popular alternative educational platforms such as YouTube, LinkedIn Learning, Khan Academy, and others (Dieleman et al., 2022). These educationally effective, cost-efficient or even free to the end user and user-friendly platforms strategically challenge traditional educational programs by universities and colleges in the increasingly competitive market of educational services.

COVID-19 accelerated a massive shift to online education. In 2018, only about 35% of undergraduates took a distance education course. In 2020, this figure was close to 100%, as the pandemic forced the adoption of remote learning (Dua et al., 2020). While student enrollments in postsecondary HE institutions continue to remain stagnant and even decline, distance learning has increased by around 40% in five years. As of late August 2020, just one-fifth of colleges in the U.S. were planning to return to campus fully or primarily in-person, with the balance either undecided, planning for hybrid, online or other remote teaching models. Several colleges have already had to rapidly shift to 100% remote instruction following local COVID-19 outbreaks (Boggs et al., 2021). Latest reports from academia indicate that this trend now expands well beyond undergraduate education with some market leaders in MBA programs such as the Stern School of Business in New York, Haas School of Business in Berkeley, and Wharton School Philadelphia started offering predominantly online programs to stay competitive (Ellis, 2022). Even the new trend in HE of offering DBA or other non-PhD doctoral degrees are based mostly on an online instructional model.

Political and societal trends concerning HE over the past decade have been shaping in public forums, scholarly analyses, and sharp debates across societal institutions, academe, legislators, government agencies, students, employers, and other of its stakeholders. Today, Americans still believe in the value of a college credential, but they are not convinced HE is fulfilling its promise to society. According to some recent opinion polls, many do not think HE institutions do a great job educating their students—or that they are of great benefit to graduates. Alternatives such as trade school strike many Americans as just as good a path to a successful livelihood. In addition, colleges' value to communities and to society also draw skepticism (Kelderman, 2023; Smith, 2023).

In one extreme case, Peter Thiel, an early Facebook investor, a founder of PayPal, and a philanthropist billionaire, is encouraging young people to skip college altogether. Since 2010, Thiel, has offered to pay students \$100,000 to drop out of school to start companies or nonprofits (Thiel College, n.d.). Early on, his initiative met criticism. Some accused Thiel, who holds philosophy and law degrees from Stanford, of hypocrisy. Others said it was wrong to discourage young people from finishing their education. Zuckerman (2024) reports that former Harvard University President, Lawrence Summers, called it the “single most misdirected bit of philanthropy in this decade.” In spring 2024, Thiel’s program announced 20 new fellows, chosen from an applicant pool that is bigger than ever. Winners plan to launch companies in hot areas including AI and cryptocurrencies, according to executives of the program. Since its first fellows were chosen in 2011, Thiel’s program has backed 271 people. Those involved in the effort say they have had successes and frustrations. Along the way, they have discovered common traits that help them do a better job identifying talented individuals (Zuckerman, 2024).

Brenan (2003) reports that according to a recent summer 2023 national survey by Gallup, only 36% of Americans have “a great deal” or “quite a lot” of confidence in HE. This is down from 57% in 2015—a drop of more than 20 percentage points in just eight years. In late 2023, *The Chronicle of Higher Education* released the results of a national survey in which fewer than a third of respondents reported believing that “colleges are doing an excellent or very good job of leveling the playing field for success in society.” An astounding 86% of respondents reported believing that trade school is “about the same” as or “better” than college (Brenan, 2003). *The New York Times Magazine* reports that the percentage of young adults who believe a college degree is very important fell from 74% in 2013 to 41% in 2019. Further, today, roughly half of American parents would prefer that their children not enroll in a traditional four-year college (Smith, 2023).

Critics challenge academia’s long-standing “ivory tower”³ status quo and its perception as an institution relatively detached from the real world. Some observers question traditions of tenure⁴ and “lifetime employment” in the academic profes-

sion that preserve status quo and insulate HE from the real world in contrast with a high share employment of part-time professors who, in many cases, surpass the number of tenure-track and full-time faculty. There is also criticism about relevance, replicability, and applied/practical impacts of scholarly research papers based on small samples and published in academic journals with limited readership largely confined to fellow academics.

Increasingly, high mobility and dynamism of the real world come in contrast with the capital intensive, and expensive “brick and mortar” model of the university campus. High efficiency, flexibility, accessibility, and ease in dissemination of information constituting the essence of common knowledge in the real world diverge from the skyrocketing costs and stationary structures of college education. Indeed, some participants of this public debate argue that common knowledge in the age of the Internet becomes a commodity, and the cost of acquiring and spreading this common knowledge in HE should not be prohibitively high. Education, teaching, and learning expand beyond merely accessing, processing, disseminating, and exchanging information. Nevertheless, information constitutes a systemic foundation of knowledge.

There is also a view among students, parents, and sponsors of HE as an investment with its own strategic options and outcomes implying different costs/benefits and return on investment ratios across colleges as well as between college education against other educational and career alternatives.

Multiple political, economic, social, technological, regulatory, and cultural developments over the past few decades amplified by recent COVID-related trends and dynamics have led to the “lawyerization” of HE. Guard and Jacobsen (2024), of Harvard, who coined the term, point out the increased litigation and compounding regulation in the HE industry. They argue that the long-held legal doctrines of deference to HE have shifted and public skepticism toward HE is growing. Legislatures and lawmakers are not hesitant to wade in and exert the power of law, legislation, and the purse on what for a long time was an isolated endeavor. Recent student demonstrations, legislative hearings, deployment of police force on university campuses, and high-profile leadership resignations in several top colleges and universities across the nation in spring 2024 provide a vivid illustration to this trend. Besides, demographic changes and economic realities are forcing innovations across the sector that require business-like legal acumen to keep colleges solvent and thriving.

Additionally, there are differences and trade-offs between acquisition and long-term retention of knowledge and skill development resulting from traditional in-person class lecture style instruction⁵ vs. online learning, experiential learning, project-based learning, and other cost-efficient and/or active learning formats.⁶ With no other alternatives for prospective students, the four-year college represents a mainstream path and promise to prosperous life and career. However, when other

educational options become widely available in creating viable alternative paths enabling potential college applicants to “vote with their feet,” this poses strategic threats to traditional colleges.

From the macroeconomic standpoint, the rising cost of HE causes public concerns and generates acute political debate.⁷ The cost of college over the past few decades has outstripped general consumer inflation. According to the U.S. Bureau of Labor Statistics (<https://data.bls.gov/pdq/SurveyOutputServlet#>), within the decade between January 2006 and July 2016, the Consumer Price Index for college tuition and fees increased 63%. This contrasts with a Consumer Price Index increase for all items of just 21%. Over the same period, consumer prices for college textbooks rose a staggering 88% and housing at school (excluding board) increased 51%. In 1980, the price to attend a four-year college full-time adjusted for inflation was \$10,231 annually—including tuition, fees, room, and board. By 2019-2020, the total price rose to \$28,775, a 180% increase. College prices have soared across all institution types, but private nonprofit institutions continue to cost more than public colleges. A full-time student paid \$48,965 at a private nonprofit college on average in 2019-2020, compared to \$21,035 at a public university. Since 2019, however, the HE inflation trend has slowed. Between the 2019-2022 and 2021-2022 academic years, average tuition, fees, and room and board dropped 0.2% at private nonprofit four-year schools, according to the College Board (Ma & Pender, 2021). From 2020-2021 to 2021-2022, prices dropped a further 1.7%. Costs at public four-year schools followed a similar pattern in the same timeframe (McGurran, 2023).

On the microeconomic level, the high cost of college in the U.S. is worsened by a heavy student loan burden, with the average federal student loan debt balance reaching \$28,950 per student. Nationwide, about 43 million federal student loan borrowers currently have more than \$1.6 trillion in outstanding student loan debt (Maglione, 2024). Although today a dwindling 36% of Americans have confidence in HE, the benefits of college still make it an attractive lifestyle path for many applicants (Hyland, 2023). This dream, however, is tempered by a massive underemployment trend. According to a recent Bloomberg report (Maglione, 2024), within a year of graduation, a stunningly high 52% share of recent bachelor’s degree recipients in America are employed in jobs that do not require a college degree. Approximately 88% of these college graduates fall into underemployment within five years after their graduation from college, often working in high school-level jobs such as office support, food service, and retail (Maglione, 2024).

In another report, Hanson et al. (2024) analyzed the career paths of 60 million Americans, including 10.8 million bachelor’s degree holders. Despite the expectation that a bachelor’s degree would lead to better job prospects, many graduates do not achieve the economic outcomes they anticipated. While underemployed graduates earn approximately 25% more than workers with only a high school diploma, this

falls far short of the earnings of those in degree-requiring roles, who earn 88% more than high school graduates. Hanson et al. found that the choice of field of study also plays a crucial role. Fields that require quantitative reasoning, such as engineering, finance, accounting, and computer science, have lower five-year underemployment rates. Conversely, fields such as public safety and security, recreation and wellness studies, and marketing and business management have higher underemployment rates.

Ultimately, there is a correlation between more education and higher salaries, but it is counterbalanced by the low graduation rates, which, together with the rising tuition and student debt, keeps college out of reach for many. Students often must choose to opt out of HE, quit after accruing debt or allocate much of their increased earnings toward debt payments.

International comparisons of these trends in the U.S. with 22 comparator countries in the Organization for Economic Cooperation and Development (OECD) reveal U.S.' economic competitive disadvantage. In monetary terms, the government and private expenditures on postsecondary education in the U.S. are noticeably higher compared to OECD counterparts, both in absolute dollar terms per capita and as a share of GDP (Table 4). Inflation in education in the U.S. exceeds this indicator for OECD countries as a group by a sizeable 20%-point margin and constitutes a larger 3% share in the overall consumer spending, compared to just 2% for OECD on average. In relative terms, inflation in the U.S. education also by wide margin exceeds all other consumer spending items, including food, housing, and healthcare. Moreover, there are reports that spending on student services in HE has been growing lately four times as fast as spending on instruction. Some observers (Dua et al., 2020; Zhuplev & Blas, 2022) argue that while students surely appreciate things like luxury gyms and other services, there is a need to distinguish between what students like and what is necessary to serve the core education mission. Prohibitive costs and steep price inflation in HE ultimately lessen its appeal for student population at large, constrain college enrollments, and stretch government budgets with fund appropriations for educational institutions.

The U.S.' HE system faces several challenges, when compared to its foreign counterparts. For instance, in 2021, the enrollment rate of 18–24-year-olds in college was 38% in the U.S., compared to over 50% in Germany, Japan, and the UK, and 45% on average in the Organization for Economic Cooperation and Development (OECD) (National Center for Education Statistics, 2024; OECD, 2024). The share of the population (25–64 years old) with tertiary education was 50% in the U.S., 33% in Germany, 56% in Japan, 51% in the UK, and 41% in the OECD on average (Statista, 2021).

The duration of bachelor's programs also varies by country. In the U.S., it typically requires 4 years, compared to 3–3.5 years in Germany, 4 years in Japan, and 3–4 years in the UK. Some U.S. programs, such as engineering, may require slightly

longer than 4 years to complete. This additional time requirement constitutes a competitive disadvantage for U.S. students compared to their foreign counterparts, implying extra time and cost commitment, as well as a lost socioeconomic growth opportunity.

The U.S. also has a lower share of high school graduates enrolling in vocational education compared to other countries. The latest available data estimate that 12-15% of U.S. high school graduates enroll in vocational education after high school, compared to 50-60% in Germany, 12-35% in Japan, 40% in the UK, and an OECD average of 40-44% (OECD, 2024).

Furthermore, the U.S. faces a significant underemployment trend. As mentioned earlier, approximately 52% of recent bachelor’s degree recipients in the U.S. are employed in jobs that do not require a college degree. This effectively nullifies the socioeconomic appeal of college education and burdens students with significant costs and often insurmountable loan debt (Maglione, 2024).

These dynamics suggest that there are significant areas for improvement in the U.S.’ HE system. Addressing these issues could help to calibrate college enrollment, reduce the time and cost of obtaining a degree, better align education with labor market needs, and ultimately improve the socioeconomic outcomes for U.S. students.

Table 4. Comparative National Expenditures on Postsecondary Education: U.S. vs. Selected OECD Countries, 2019 (National Center for Education Statistics, 2021, Tables 605.10 and 605.20)

Countries	National expenditures on postsecondary education	
	Per FTE student, constant 2021 dollars	As share of GDP, %
U.S.	\$37,417	2.5
Germany	\$20,344	1.3
Japan	\$19,874	1.4
UK	\$31,554	2.0
OECD average	\$18,418	1.4

Colleges and universities, to a certain degree, mitigate the financial burden of high tuition and ballooning student loans by offering financial aid as part of their internal strategic and tactical operating model.⁸ This financial aid is channeled through an intricate pricing system. In this system, higher-income and international students pay full price, thus effectively subsidizing the financially disadvantaged students. Systemic complexities and lack of price transparency in this system feed into the public perception of the sky-high and ever-increasing costs and unaffordability of college. Meanwhile, in their financial aid programs, colleges and universities are limited in their annual tuition increases and financial redistribution effort support-

ing the needy students at the expense of students paying full tuition. Indeed, both public and private institutions need external funding, which is largely reliant on the government support prevalent in public HE institutions, and fundraising-in private institutions. Moreover, there are mounting questions among stakeholders regarding the cost-benefit value of college when the debt levels, repayment rates, and other factors are considered (Gilbert, 2020). This is particularly true because job markets provide ample alternative opportunities for job seekers without college degrees (Carlson, 2024; Furstenberg, 2023; Weber, 2024; Zukerman, 2024).

One strategy U.S. colleges and universities have deployed over the past few decades to counter stagnant domestic enrollments and declining financial affordability has been prioritizing a recruitment of international students. From fall 1976 to fall 2018, the share of “nonresident aliens” (i.e., international students as categorized in official statistics) in undergraduate student enrollment across the U.S. grew three-fold, from 0.5% to 1.6%. This trend is also evident on the postbaccalaureate level, where the share of nonresident alien students increased during the same time two-fold, from 3.7% to 7.9%. To mitigate the recent COVID-inflicted heavy financial blows and stay financially solvent, universities and colleges have doubled down on attracting international students. However, international student enrollment levels and the respective revenue streams for U.S. degree-granting postsecondary institutions have been crippled over the past few years by COVID-related domestic and, particularly, international travel restrictions and the U.S. immigration regulations.⁹

Attracting international students is financially important to colleges and universities, since most of them pay full tuition in contrast to the in-state U.S. residents receiving financial aid. To complicate things, government financial support for HE across the nation has recently experienced sharp decline due to the COVID-induced economic deterioration and general budgetary strains. In this environment, many colleges and universities are struggling to stay financially solvent (Belkin, 2022; de Brey et al., 2021; Friga, 2021). At the same time, prioritizing international students paying full tuition comes into conflict with the interests of prospective in-state students competing for the same limited enrollment slots who need financial aid thus adding pressures on university budgets. This is particularly acute for public universities whose missions, facilities, and limited financial resources are primarily designated and are politically and legally bound to support the in-state applicants.

Navigating the Challenges

American HE faces a juncture imposed by megachanges, societal trends and regulatory trends, and emerging strategic opportunities and challenges. Stakeholder groups¹⁰ advocating for preserving the existing traditional college model posit that doomsday scenarios have been floated before.¹¹ They argue that time and time

again, in recent decades, American HE has grown its way out of crises. Colleges have expanded access to underrepresented groups, added academic programs and amenities to attract students and charge them higher tuition, and struck private sector deals to tap new markets. Advocates of the status quo contend that technological and business innovations like massive open online courses (i.e., MOOCs), Uber, digital revolution, online course delivery in traditional colleges or ed-tech start-ups have failed so far to disrupt HE's traditional model (Cooper, 2023).¹² Thus, why bother with changing the system? Their opponents, on the opposite side of the spectrum in public debate and political action, call for change. They argue that crisis of American HE today looks different from the crises of the past. HE may have reached the limits of "Houdini-ing" its way out of decline by getting bigger, and the prolonged pandemic downturn could be just one indication. Public confidence in colleges is sinking, and students and parents think tuition is too high. Skepticism is mounting toward the idea that a college education should be the prerequisite and the only path for well-paying jobs, and in a tight labor market clamoring for workers, some people are landing them without a degree. Already, nearly seven in 10 high-school graduates immediately go on to pursue, although not necessarily complete, some sort of postsecondary education, and the remainder may be difficult to recruit. The students left out of HE have been notoriously difficult for colleges to reach and serve. Then, there is the looming demographic cliff created by the sharp drop-in birth rates that began in 2007 (Fischer, 2022).

Horn (2023) presents a series of persuasive points advocating for reform. He contends that our existing HE system operates on a "pay-for-what-you-get" basis. As the government subsidizes a substantial part of the HE system, students and families, the primary beneficiaries of colleges, are ultimately funded by taxpayers who collectively bear the cost. In essence, the expenditure of the government—and, by extension, the taxpayer—is not directed towards employment, learning or life outcomes and enhancement of student wellbeing, but rather towards enrollment. As HE is an experience good, its value or utility is challenging to grasp until it has been utilized and its effectiveness evaluated in the marketplace. The price of college to individual students is opaque, as the actual price is often not revealed until after admission; the price charged generally changes from year to year. In this context, the money from the federal government is often perceived as being free to the student—the repayment terms for loans, for example, feel far off in what students assume will be a brighter future—and colleges often use loans to imply that the price of the institution is lower than it actually is. Meanwhile, students attend college for a variety of nuanced reasons, many of which do not pertain directly to economic return on their investment in HE—an aspect of HE that, earlier, we categorized as "college experience." The result of all this is, simply put, that there are far too few incentives in place for colleges and universities to focus on the primary outcomes

that students are looking for in terms of financial returns, employment, and learning. From the perspective of the taxpayer customer, that lack of focus on ultimate economic value to the student should be unacceptable (Horn, 2023).

Historically, American HE system has evolved from a scholastic societal institution to the primary, if not monopolistic, source of advanced education and professional qualifications. It has also risen to the role of the gate keeper on the path of professional success and social status through the power of awarding standard college diplomas. This power stems from HE institutions' access to expert faculty and extensive resources of knowledge, including libraries, laboratories, and research facilities financially supported by private and public funds which are not typically available to the entities outside HE. Additionally, colleges and universities provide a platform for exclusive networking with peers, faculty, and alumni¹³ facilitating job opportunities, professional advancement, and growth in the social hierarchy. These conditions are widely accepted by employers who recognize and value degrees and diplomas from established/accredited HE institutions at no immediate added costs for using college-educated talent. This cartel-like institutional relationship between HE industry, government, and employers is reinforced by the existing system of accreditation and quality assurance where HE institutions are accredited by recognized bodies ensuring a certain level of quality and standard in the education they provide. This accreditation gives colleges and universities protected power to grant degrees and diplomas that are commonly accepted by employers as a proxy and assurance for professional qualifications of job applicants.

Since 1965, the federal government's answer to this quandary has been the empowering accrediting agencies. Essentially, accreditors play the gatekeeping role to federal financial aid, but were not built to play a quality-assurance role. They were designed originally as peer-review organizations to help institutions improve.¹⁴ They may do that well, but they are not good at focusing on student outcomes—nor does federal policy incentivize them to do so, as only one of the 10 standards that dictate what accreditors monitor pertains to outcomes. The taxpayer customers of HE should not tolerate bad college programs that offer miserable returns on investment for students.

According to the Postsecondary Commission (PSC) (2024), factors such as low graduation rates, high loan-default rates, and low median student earnings did not necessarily prompt an accreditor to impose disciplinary action on a college. Furthermore, only a small fraction (11%) of the colleges in the study's sample faced one or more disciplinary actions concerning student outcomes or academic program quality.

Accreditation operates on a binary principle—once attained, it opens the door to federal funding. This funding allows colleges to enroll students, creating an illusion of subsidized and cost-effective education, which is often not the case. The tendency to establish regulations based on inputs—the operational aspects of a

college or university, such as its contracts with third-party entities—rather than its outcomes, only intensifies this issue. Regulating inputs (i.e., the manner in which a college functions) merely perpetuates existing practices, stifling innovation, and promoting a culture of compliance over value. The financial burden of compliance is often passed onto students through increased tuition fees. This creates a vicious cycle of escalating costs and subpar outcomes, which has proven to be ineffective. Policy should shift its focus towards student outcomes, empowering and compelling colleges to devise the most effective strategies to deliver value to both students and taxpayers (Horn, 2023).

In tackling these problems, some experts propose reforming the existing accreditation system by breaking a monopoly (Hess & McShane, 2024a). Under these proposals, the newly created PSC aspires to be one of several alternative federally recognized accreditors of institutions of HE that prioritizes high rates of economic mobility for their students. The PSC has recently developed and published its accreditation handbook. In comparison to the existing Association to Advance Collegiate Schools of Business (AACSB) standards, the PSC Accreditation Handbook emphasizes the outcomes for students resulting from HE. It does not prescribe universal national or international standards for learning inputs or faculty qualifications,¹⁵ leaving these decisions at the discretion of colleges and universities. As an illustration, its Standard 8.2, “Qualifications of Faculty and Instructional Staff,” states: “In each of its courses and programs, the institution employs faculty and instructional staff who have relevant and appropriate qualifications, including relevant and appropriate subject-matter expertise, educational degrees, professional licenses and credentials, or practical experience” (PSC, 2024, p. 11). Should this standard be changed to include a requirement for faculty and instructional staff to have real world business or nonprofit experience as an employee or consultant?

In addition to tackling accreditation, the voices advocating for reforms prioritize accountability of HE. They propose that colleges accepting public funds should be responsible for a nontrivial part of the cost for each taxpayer-supported student who does not graduate. This would introduce much-needed accountability and give colleges an incentive to help students successfully complete their degrees and then find gainful employment (Hess & McShane, 2024b).

This proposal is being supplemented by the idea of privatization of federal student loans—that is, having the government pull back and allowing the private sector to lend instead. Millions of students pursue college degrees that leave them no better off financially. Students can do this because the federal government happily stumps up the money with little regard for program quality or projected earnings. Institutions of higher learning have few incentives to improve their return on investment and every reason to prop up programs of dubious value, capturing ever more federal dollars by creating new programs and raising tuition. A larger role

for the private sector could fix this problem. When lenders use their own money to make loans, they enjoy the rewards when students repay those loans but must bear the costs when students default. They have skin in the game, meaning they will lose money if they make loans that aren't paid back partially or in full. To convince private lenders that their students will repay their loans, colleges will need to keep prices competitive and be much more attentive to students' postgraduate economic outcomes—both wins from the student perspective. Thus, privatization creates an incentive for colleges to steer students toward degrees that offer sufficient value/ROI for money spent and hold them accountable. This should come as welcome news in today's HE landscape, where more than one-quarter of bachelor's degrees leave students worse off financially than when they started (Akers et al., 2024).¹⁶

Another pillar of existing HE monopoly experiencing the regulatory and socio-economic headwinds is a historical practice of using college diploma by employers as a prerequisite in their hiring decisions. Traditionally, college diploma has signified an assurance of certain level of knowledge, skills, and preparedness for professional roles. Employers, who have access to college-educated talent at no immediate expense, have used college diploma as a benchmark to filter applicants, assuming a degree holder possesses the baseline qualifications. While vocational schools, apprenticeships, and certificate courses exist, they have not always held the same weight in the job market. This has created a situation where a college degree, regardless of major relevance to the job, becomes the necessary ticket for entry. Critics of this system argue that this reliance on degrees is inefficient and exclusionary because it tends to disadvantage qualified candidates without degrees, limit opportunities for those who cannot afford college, and does not always guarantee graduates have the specific skills employers need. The emphasis on the degree itself, rather than specific skills, can limit an employer's focus on what truly matters for the job.

There is a growing regulatory movement and political action to diversify how employers assess qualifications by refocusing on skills instead of formal diplomas¹⁷ where a higher value is placed on demonstrably relevant skills, regardless of how they were acquired (i.e., bootcamps, certifications, and apprenticeships). More weight is given to alternative credentials such as industry-specific certifications, stackable certifications, corporate universities and training programs, or portfolios highlighting relevant work experience.

Monopoly or not, traditional reliance on college degrees in hiring is facing political and regulatory scrutiny and headwinds. The future might see a more open system that values diverse forms of education and prioritizes skills over a one-size-fits-all degree.

College and university leaders today face a daunting array of challenges, navigating a complex and ever-shifting landscape and often walking the tightrope walk.

Financial Strain. A significant challenge is the ongoing financial stress vexing many institutions. Rising costs, coupled with constraints in public funding, limited success in private fundraising, and tuition increases met with student pushback, create an unstable financial tightrope for some institutions, especially small ones. Presidents must balance the need for fiscal responsibility with investments in faculty, facilities, and essential academic programs. A recent Higher Education Trends report emphasizes this point, noting that peak enrollment of high school students is predicted as soon as 2025. This decline in potential students will likely exacerbate existing budgetary issues for many institutions (Deloitte, 2024).

Diversity, Equity, and Inclusion (DEI). An amplified focus on DEI initiatives that has been gaining momentum nationwide over the past several years presents both opportunities and challenges. While fostering a more inclusive learning environment is crucial, navigating the regulatory, economic, ethical and political complexities of these issues can be fraught with controversy. Presidents must balance competing viewpoints, ensuring a fair and representative environment for all students, faculty, and staff, while mitigating potential backlash from various stakeholders.

Return on Investment (ROI). Students, their parents, and sponsors are increasingly viewing HE as an investment, demanding a clear return on their tuition dollars. Presidents must address student concerns about job preparedness and career outcomes in an increasingly competitive and transparent HE landscape. This may require curriculum adjustments, improved career services support and proven track record of success in job placement, and demonstrably strong alumni networks. The Deloitte report specifically emphasizes the growing focus on student ROI (Deloitte, 2024). Students are increasingly viewing HE as an investment and demanding clear career outcomes. This trend is putting pressure on universities to demonstrate the value proposition of their degrees.

Geopolitical and Domestic Issues. HE leaders are constantly adapting to a rapidly changing world. Events such as the recent Israel-Hamas conflict highlight the delicate balance presidents must maintain. They face pressure to take stances on sensitive issues while upholding academic freedom and fostering an environment where diverse viewpoints can be expressed constructively.

Leadership Crisis. The very nature of the challenges creates a leadership crisis. The average tenure of university presidents is declining, with many citing the immense pressure and lack of support as key factors. The shrinking pool of qualified candidates further exacerbates the issue. Many traditional academic backgrounds may not fully equip leaders to handle the multifaceted demands of the modern presidency. Attracting and retaining talented leaders necessitates robust succession planning and development programs. According to the Deloitte 2024 Higher Education Trends report, the ongoing financial pressures, increased scrutiny from lawmakers, and the growing influence of private partners are creating a more complex and demanding

environment for university presidents. This complexity is contributing to a leadership crisis, as many presidents struggle to navigate these challenges. According to the Deloitte 2024 Higher Education Trends report, between 2006 and 2022, it fell from 8.5 years to 5.9 years. The same study indicates that 55% of presidents plan to step down from their positions within the next five years (Deloitte, 2024).

Board Responsibilities. The complex dynamics of HE governance require well-equipped boards. Boards need to develop a deeper understanding of current trends to ensure they hire presidents with the skills to navigate these turbulent times. This includes establishing clear policies for leadership development and succession planning, while fostering diverse candidate pools.

Presidential Transitions. Presidential transitions, which become more frequent under the declining length of tenure of university presidents and the shrinking pool of qualified candidates can disrupt institutional stability. Boards must ensure smooth transitions by clearly defining roles and responsibilities for faculty, management, and the board itself. Furthermore, providing comprehensive support for incoming presidents is crucial to ensure their success.

The Path Forward. Addressing the leadership crisis requires a multi-pronged approach. Boards must actively identify and cultivate potential successors, both internally and externally. The future of HE hinges on its ability to cultivate a steady stream of competent and prepared leaders.

Strategic Implications for Business Schools

Multiple megatrends and strategic macrodisruptors in HE induce pressures for change and bring about strategic opportunities and challenges, compelling colleges to act.

Schlegelmilch (2020) discussed strategic challenges business schools (B-schools) were facing as traditional providers of advanced business education. The author highlighted the following key issues for B-schools:

- The digital paradigm shift in information dissemination patterns and B-schools' limited progress in adopting technology and innovation.
- Deglobalization and the shift of economic power to Asia affecting scientific exchange and student flow.
- Criticism B-schools face within their own educational institutions and their struggle to maintain their academic reputation.
- B-schools competition/cooperation dilemma with the online education providers.

Schlegelmilch (2020) discussed the use of technology and how B-schools could be taught in the future with an emphasis on augmented reality and AI. He specifically mentioned some emerging trends being embraced by leading B-schools, such as microcredentials, digital badges, and stackable certificates. Schlegelmilch argued that traditional B-schools would struggle to survive without embracing such fundamental changes in technology and developing and implementing clear digitalization strategies.

Graham and Donaldson (2020) examined pressures college leaders face and how these pressures affect their strategic priorities. Based on this analysis, they developed a comprehensive strategic framework addressing these pressures. Their model identifies the following primary external pressures: Funding, value of HE, student outcome, market pressures, political intrusion, technology, and competition. Graham and Donaldson's model rationalizes several strategic responses:

- The Model of Strategy Choice framework integrates the pressures, institutional logics, leader thinking, and strategy suggests adopting business models, like those used by for-profit organizations in the real world to become more effective in data-driven decision-making and cost analyses.
- The Modifying Existing Curricula focuses on designing more market-driven programs such as professional and certificate programs.
- The Program Modification approach includes improving the institution's marketing to maintain or increase enrollment.
- The Strategic Planning/Environmental Scanning approach prioritizes, as its name suggests, strategic planning, internal and external analysis in a comparative strategic context.
- The Focus and Concern about Students approach prioritizes student needs and preferences in education and wellbeing.
- The Transforming Competitors into Collaborators approach includes recognizing opportunities for new developments and creating strategic alliances with "competitors" and other organizations (including private ones) in the institution's environment.¹⁸

All these approaches, according to Graham and Donaldson, should be rooted in innovative programs, marketing, and technology. The latter can be used as a source of learning materials rather than textbooks, thereby freeing up resources for students to invest in additional coursework (Graham and Donaldson, 2020).

Our further discussion will address some developmental opportunities and applications for B-schools. In the 2019-2020 academic year, the U.S. undergraduate student enrollment in 4-year educational institutions in the field of Business, Management, and Marketing was near 1.5 million or 16% of the total undergraduate enrollment

nationwide. Postbaccalaureate enrollment in this field of study was near 0.4 million or 13% of the total nationwide (National Center for Education Statistics, 2023, Table 311.60.). As of May 2024, out of an estimated 16,563 B-schools worldwide, 949 or 5.7% held AACSB accreditation. Out of the 949 AACSB accredited B-schools, 595 were based in the Americas, including 535 schools in the U.S., 185 in Europe, Middle East and Africa, and 169 in the Asia Pacific region (AACSB, 2021, 2022c).

B-schools¹⁹ can operate as a separate entity or part of a university at large. The latter organizational format that is common in HE implies linkages and interdependencies between B-schools and other colleges in the university organizational and financial system in their strategy formulation and implementation processes.

Under requirements of its respective academic majors, minors, and other educational programs, B-schools offer instruction²⁰ in general and specialized functional academic areas (e.g., accounting, business analytics, entrepreneurship, finance, management or real estate). Some professional careers associated with specialized academic fields in the B-school domain – (e.g., accounting, finance, and real estate) are subject to industry regulations, licensing, field experience requirements, continuing professional development, and certification. Certification standards for other fields (e.g., management, entrepreneurship or international business) are loose or nonexistent. This allows B-school educators without any real-life experience, professional pedagogical certification, and/or continuing education to practice their profession in college teaching.²¹ In contrast, outside business domain, some professional fields in college education such as medicine, law, engineering, or K-12 education are subject to rigorous regulatory, certification, and continuing education requirements on top of the college diploma requirement.

B-schools must be in the forefront of competitive forces of the real world instead of just reacting to these forces. This can be achieved by keeping educational curriculum to the foreground through systemic monitoring, benchmarking, comparative analysis and application of best practices and innovations in B-education. Academic talent, especially junior faculty, should be trained in the essentials of teaching and be given the opportunity of holding a position with a real-world business or non-profit organization for at least one year to be exposed to real business practices to stay relevant. This is to be supported by systemic modernization and upgrade of instructional “toolbox” prioritizing skill development over rote learning (AACSB, 2022a; Zhuplev & Blas, 2022).

The future of work in the real business world will be a landscape in constant flux, with limited room for the static set/fixed job descriptions or guaranteed lifetime careers typical in the past. From a future B-school standpoint, a traditional business academic curriculum as a collection of academic disciplines sequenced in a rigid linear formation leading to an academic degree will lose its appeal for the students or viability in the competitive landscape of educational services. Proliferation of

cost/time-efficient and flexible educational programs across colleges and universities and alternatives by the “challenger institutions” such as EdX or Coursera (Le, 2023) expands the geographic boundaries and raising student appeal from local and regional to the national and global levels creating strategic competitive advantages rooted in the economies of scale. This presents a predicament for traditional B-schools tied to the capital-intensive brick-and-mortar campus, static curriculum, and geographic locality.

The emerging volatility, uncertainty, complexity, ambiguity (VUCA) environment will depend on offering and learning the 21st-century skills—flexibility, adaptability, observation, empathy, creativity, innovation, and, ultimately, learning how to learn (Gonzalez et al., 2023; Reaves, 2019) as part of lifelong learning. The existing disconnect between higher education and employer needs is further corroborated by latest authoritative reports by Harvard (Fuller & Raman, 2022) and Workforce Skills Gap Trends 2024 (2024).

Numerous studies reveal radical changes in what the future of work will mean for jobs, skills, and wages. One report predicts that 23% of current work activity hours in the U.S. will be automated by 2030 in the midpoint scenario, and up to 44% in the rapid scenario. Legal and medical professions, academia, and other white-collar occupations and jobs, as well as many other industries and professions, will experience fundamental transformations. The forthcoming structural changes in American labor force require serious changes in college curriculum, instructional methodology, systemic organization, academic deliverables, and outcomes (Gonzalez et al., 2023). This is a wakeup call for B-schools.

One way in developing and maintaining robust B-school curriculum meeting educational demands of a real business world of the future is long-term university-industry partnerships based on mutual strategic interests and interdependency (Lutchen, 2024; “Readying students for the workforce,” 2024). Existing practices of business curriculum development in B-schools are often driven by academic departmentalization/compartmentalization historically rooted in the industrial era of the early 20th century. Stronger collaborations between academia and industry can facilitate generation of knowledge and integration of new skills in the curriculum, while continuing to teach the fundamentals of each discipline. This can be ensured by:

- Inviting a broad range of companies and organizations to join the B-school’s advisory board.
- Offering companies compelling reasons to strategically partner with B-schools.
- Offering mutually beneficial arrangements of intellectual property ownership from collaborative R&D projects involving colleges and companies.

- Employing hands-on campus R&D facilities directors and clinical professors with corporate experience and connections in the industry, empowering them with instructional responsibilities as “Professor of the Practice.”
- Ensuring the board’s role in procuring the equipment and bringing real world experiences in labs and classrooms. Adding an “executive -in-residence” as a permanent feature can enhance academia-industry connection and give additional boost and strategic benefits, including external funding, and ultimately let industry leaders be B-school’s champions in curriculum innovation and change (Lutchen, 2024).

A shift from instructor-centered teaching emphasizing dissemination of knowledge through traditional “transmission” model, lecture style, and rote learning to prioritizing skill development ingrained in the 21st-century skills (Table 5) and student-centered learning is a trend of the future in B-education (Le, 2023; McMurtrie, 2023). The latter is aligned with the unfolding proliferation of skill-based hiring by employers rather than hiring based on formal college diploma. This model is gaining wider appeal in private and public sectors under the “skills–not schools” movement across political spectrum and industries (Belkin, 2023). Acquiring, maintaining, and developing skills during college study becomes paramount for a successful business career in a VUCA economy of perpetual change and disruption. At the same time, stationary knowledge, which is subject to continuous obsolescence, change, and update, can be stored, accessed, and retrieved from an electronic depository in the “cloud” with high ease and cost/time-efficiency. This becomes even more evident with the advent and spectacular proliferation of generative AI tools that have profound implications for HE, including customization and individualization of business education. By the same token, this calls into question the market appeal, competitiveness, relevance, and ultimate survival of B-schools failing to embrace change and adapt their educational value proposition.

Table 5. Skills Demand across Sectors: 2018 vs. 2022 (Oke & Fernandes, 2020; The Future of Jobs Report, 2018)

Today: 2018	Trending: 2022	Declining: 2022
<ul style="list-style-type: none"> • Analytical thinking and innovation. • Complex problem solving. • Critical thinking and analysis. • Active learning and learning strategies. • Creativity, originality, and initiative. • Attention to detail, trustworthiness. • Emotional intelligence. • Reasoning, problem solving, and ideation. • Leadership and social justice. • Coordination and time management. 	<ul style="list-style-type: none"> • Analytical thinking and innovation. • Active learning and learning strategies. • Creativity, originality, and initiative. • Technology design and programming. • Critical thinking and analysis. • Complex problem solving. • Leadership and social influence. • Emotional intelligence. • Reasoning, problem solving, and ideation. • Systems analysis and evaluation. 	<ul style="list-style-type: none"> • Manual dexterity, endurance, and precision. • Memory, verbal, auditory, and spatial abilities. • Management of financial, material resources. • Technology installation and maintenance. • Reading, writing, math, and active listening. • Management of personnel. • Quality control and safety awareness. • Coordination and time management. • Visual, auditory, and speech abilities. • Technology use, monitoring, and control.

Traditional B-school model has been challenged by advances in information access and transparency in comparing college value proposition nationally and internationally.²² This gives college applicants, their families, and sponsors instant access to viable analytical information and opportunity to “vote with their feet” in making college application decisions to the best of their interests, giving a boost to innovative B-schools offering superb educational value proposition and leaving less attractive colleges at strategic disadvantage, or even driving them out of business.

In the evolving and increasingly competitive HE landscape, a shift by some B-schools to online instruction presents a challenging strategic option forced by competitive pressures (Smith, 2023). How do B-schools operating in the high-end, brick-and-mortar, in-person market segment continue to compete and justify their high tuition against lower-cost alternatives offered by “challenger” institutions that are widely available and much more affordable? What are their value proposition and distinctive sustainable strategic advantages in the competitive environment of HE? Common knowledge offered in B-education eventually becomes a commodity as IT, electronic imaging, AI, and other technologies and innovations proliferate. Today, this common B-knowledge can often be found and navigated through public access on the “cloud” with ease, free or inexpensively, thus limiting a comparative appeal of the costly and time intensive traditional B-school to the student. Therefore, the ultimate goal of HE institutions should be to provide not only knowledge but, also constant mentorship, expertise, insights, and the application of intuition not possible to be learned via online courses.

In the meantime, professional certificate programs by affiliated strategic partners distinguished by big brands such as Google, IBM, and others, as well as big name universities such as Stanford or MIT under Coursera's umbrella do not always require or necessarily lead to undergraduate or graduate academic degrees. These certificate programs leading to lucrative jobs can be completed at the learner's own pace usually within 6 months (Software Development and Content Creation programs are exceptions, as their completion requires 14 months and 7 months, respectively). In their own studies, Coursera identified seven critical skills leading to top paying jobs. These "high income skills" that command attractive monetary remuneration—in many cases in a six-digit range—are defined by Coursera as follows: Data Analysis, Software Development, User Experience, Web Development, Project Management, Content Creation, and Management (<https://www.coursera.org/articles/high-income-skills>).

B-schools' response to these transformational opportunities and challenges is rooted in their educational missions along the lines of their government mandates (for public colleges) and value-driven missions (for private and religious colleges). On the other hand, these value-driven priorities must be balanced with the realities of the HE environment at large. In a broad sense, these realities are determined by political, economic, social, and technological field forces, availability of talent, and other resources, as well as strategic potential for expanding this resource base, including fundraising.

Traditional "transmission" style B-school pedagogy grounded in the medieval Europe is centered around a teacher equipped with deep specialized subject expertise in sharing and disseminating knowledge/information which this educator has accumulated over the years of teaching and academic research. In this traditional model, theories and methodological frameworks play primary role, and empirical material, practical illustrations, and applications performing a supporting and illustrative role.²³ The emerging B-education model experiencing mounting pressures for delivering career-related educational outcomes, effectiveness, and efficiency, as well as technological savvy, is likely to shift a traditional emphasis from being teacher-centered to learner-centered. It will need to become more flexible in prioritizing active learning, creative/entrepreneurial instructional modalities, and applications over mere lecturing. Skill development grounded in opportunity-seeking or problem-solving business situations and applications on the community, regional or even national level will be taking central stage, while theories and methodological frameworks playing important supporting explanatory-normative roles. Experiential learning, project-based learning, service learning, flipped classroom, and other forms of active learning grounded in community problem solving or developmental projects will be central to ensure B-education's impacts.²⁴

Some B-schools around the world are collaborating to tackle SED challenges by leveraging global best practices. As an application of this approach, we discuss a project that emphasizes skill development through real-world, opportunity-seeking, and problem-solving business scenarios, involving experiential, project-based, and service learning (see Appendix A). By conducting a comparative analysis of SED issues of mutual interest between Greater Los Angeles (L.A.), USA, and Córdoba, Spain, the project aims to explore shared solutions and promote collaboration. Both regions face significant challenges such as limited healthcare access, poverty, income inequality, and economic opportunities, making them ideal candidates for this collaborative initiative.

The project progresses through stages, starting with a single problem focus and advancing to multiple problem focuses, local and regional collaborations, and finally international projects. This strategic approach maximizes resource use and benefits stakeholders by bridging the gap between academia and real-world SED priorities. Key outcomes include enhanced branding and visibility for universities and B-schools, strengthened impact on SED through practical education, and increased institutional collaboration. Students gain from engaging learning experiences and improved career prospects, while local communities and organizations benefit from solutions grounded in global best practices, leading to improved socioeconomic conditions. This initiative positions B-schools as pivotal agents of socioeconomic transformation, highlighting their role in bridging the gap between academia and real-world applications.

Conclusion

The landscape of HE in the U.S. is undergoing significant transformation driven by political, economic, social, technological, and regulatory forces. The traditional model, rooted in historical academic paradigms and characterized by high costs and rigid structures, faces mounting pressures from alternative educational paths, technological advancements, and socio-political institutions. As students and taxpayers demand greater value and accountability, institutions of HE must adapt to remain relevant and competitive.

The push towards privatization of student loans and the emphasis on outcome-based accountability are central to reform efforts. These measures aim to incentivize colleges to enhance their return on investment by ensuring that students graduate with skills that lead to gainful employment. Additionally, the traditional reliance on college degrees as a benchmark for employment is being challenged by the growing acceptance of alternative credentials and skills-based hiring practices.

B-schools, in particular, are at a crossroads. They must navigate the complexities of a VUCA environment by integrating 21st-century skills into their curricula and fostering strong industry partnerships. The shift from instructor-centered to learner-centered models, emphasizing active learning and real-world problem solving, is critical for their survival and success. This shift will require that, to stay relevant, B-schools must have faculty with real world experience acquired by holding positions as employees with a business or a nonprofit organization as part of their qualification requirements.

Moreover, the demographic trends and economic realities, including the high costs of education and significant student debt, necessitate innovative approaches to education delivery. The rise of online learning platforms and alternative educational programs presents both a challenge and an opportunity for traditional institutions to reimagine their value propositions.

In this evolving landscape, HE institutions must strike a balance between preserving the core values of traditional education and embracing innovative strategies that enhance accessibility, affordability, and relevance. By doing so, they can better serve their diverse student populations and contribute meaningfully to the broader societal and economic goals.

Ultimately, the future of HE in the U.S. hinges on its ability to adapt and respond to the changing demands of the modern world. Institutions that can successfully integrate technology, foster industry collaboration, and prioritize student outcomes will be well-positioned to thrive in this dynamic environment.-

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Endnotes

- ¹ Friedrich Wilhelm Christian Karl Ferdinand von Humboldt (1767-1835) was a Prussian philosopher, linguist, government servant, diplomat, and founder of the Humboldt University of Berlin. Currently, Humboldt University is one of Germany's premier research universities (Humboldt University, 2024).
- ² America was ranked #19/63 on Higher Education Achievement worldwide in the latest annual International Institute for Management Development's (2024) report. College rankings by U.S. News & World Reports, Financial Times, and other outlets are widely criticized on different grounds. One of the latest examples is a criticism by the U.S. Education Secretary Miguel Cardona who categorized college rankings as a "joke" (Hatch, 2022). Nevertheless, students and their parents, colleges and universities, and other stakeholders in the HE industry continue to rely on these rankings in their strategic decisions.
- ³ Originally rooted in the Bible, the "ivory tower" phenomenon has evolved over centuries. In a contemporary context, the metaphorical "ivory tower" meaning refers to an organizational environment where people operate being isolated and protected from the rest of the world, prioritizing their own interests, goals, and pursuits. With the emergence and proliferation of academic institutions in the 19th century, the term "ivory tower" has a connotation as an environment of intellectual pursuit disconnected from the practical concerns of daily life. Most contemporary uses of the term refer to academia, the college and university systems (Professor X, 2011; Skowronek & Lewis, 2010). Ivory tower is supported by academic tenure, "lifetime employment," voting/decision making privileges in colleges and universities based on tenure status, annual scholarship/publication performance requirements prioritizing A-rated

academic journals while relegating books, book chapters, and practitioner publications to the second and third tiers of scholarship, and other.

- ⁴ In 2020-2021, tenure system was used in approximately 74% of all public four-year HE institutions (no change since 1993-1994) and in 61% of all four-year nonprofit HE institutions (compared with 66% in 1993-1994). At the same time, the share of instructors with tenure was 92% for all public four-year HE institutions and 61% for all four-year nonprofit HE institutions. In fall 2020, of the 1.5 million faculty at degree-granting postsecondary institutions, 56% were full time and 44% were part time (National Center for Education Statistics, 2021).
- ⁵ The lecture style is often defined as “transmission model” that views education as a specific body of knowledge that is transmitted from the teacher to the student. It emphasizes teacher-centric learning where students are passive absorbers of information and implies the purpose of learning as memorization of facts.
- ⁶ For instance, Coursera education platform, collaborating with 275+ leading universities and companies worldwide offers more than 7,000 + reasonably priced courses, professional certificates, and undergraduate and graduate degrees from world-class universities and companies.
- ⁷ For details on costs of the college education please refer to the Education Data Initiative site which maintains an extensive database at <https://educationdata.org/>.
- ⁸ In 2021-2022, an average financial aid per full-time in-state undergraduate student at public four-year institution was \$8,100. It reduced the \$27,330 published cost of attendance to \$19,230 net cost of attendance. For a private nonprofit four-year institution, the \$23,080 average financial aid per full-time undergraduate student (almost 3x higher compared to public institution) reduced the \$55,800 published cost of attendance to \$32,720 net cost of attendance. During 2021-2022, first-time full-time in-state students at public four-year colleges need to cover an estimated average of \$14,590 in tuition and fees and room and board after grant aid, in addition to \$4,640 in allowances for books and supplies, transportation, and other personal expenses. Between 2006-2007 and 2021-2022, an average grant aid in 2021 dollars per first-time full-time in-state student at public four-year colleges increased from \$4,360 to an estimated \$8,100; the average published tuition and fees in this sector increased from \$7,730 to \$10,740. First-time full-time students at private nonprofit four-year colleges need to cover an estimated average of \$28,610 in

tuition and fees and room and board after grant aid, in addition to \$4,110 in allowances for books and supplies, transportation, and other personal expenses. Between 2006-2007 and 2021-2022, the average grant aid in 2021 dollars per first-time full-time student at private nonprofit four-year colleges increased from \$13,210 to an estimated \$23,080; the average published tuition and fees in this sector increased from \$29,750 to \$38,070 during this time period (Ma & Pender, 2021).

- ⁹ Korn (2022) reported that international students returned to U.S. college and university campuses in droves in fall 2021, with schools recovering a portion of the enrollment they lost when visas were hard to come by and the nation closed its borders. Enrollment by international students rose 3.8% to 948,519 in the 2021-2022 school year, compared with 914,095 the prior year. This gain is fueled by graduate students: New-student enrollments jumped 80%, to 261,961 in the 2021-2022 school year. International students at U.S. schools contributed \$33.8 billion to the U.S. economy, in the 2021-2022 school year. The Georgia Institute of Technology, a top U.S. destination for foreign students, enrolled 8,040 international students, in the 2021-2022 school year, a 42% jump from the prior year—and nearly 20% above its previous record.
- ¹⁰ Main stakeholder groups with their own interests in HE include: 1) Students, who are the primary recipients of the educational services provided by the institutions; 2) academic faculty, who play a role in delivering education and conducting research; 3) parents, who are often the financial supporters having a vested interest in the quality and cost of education; 4) government regulators, that is, entities like the Department of Education and state HE entities and executive officers having a significant role in regulation and funding; 5) nongovernmental regulators, which include accrediting bodies and church sponsors that regulate institutions on nongovernmental fronts; 6) donors, that is, individuals, industry, and foundations that provide financial support to HE institutions; 7) employers, who are interested in the skills and competencies of college graduates; 8) alumni, who contribute through donations, mentorship, and enhancing the reputation of the institution; 9) suppliers, who include high schools providing students, and other vendors and service providers; 10) communities, that is, local communities and municipalities impacted by institutions through partnerships, employment opportunities, use of resources, logistical/transportation impacts, and SED.
- ¹¹ “History and Archival Resources in Higher Education” (2024) offers specifics and nuances on the history of American HE.

- ¹² The article contains nuanced multifaceted—largely “Socratic”/scholastic — arguments lacking quantitative analytics and applied politics in support of existing model/status quo of American HE and striving to rationalize why, like the previous changes, it is not going to be disrupted this time around.
- ¹³ This exclusive organizational brand-related competitive advantage of college-based network in the pre-Internet era has been partially eroded with the advent and proliferation of electronic platforms such as LinkedIn or Coursera offering global inclusivity and outreach.
- ¹⁴ There is no publicly available information and definitive ratio of academics to practitioners on the Council for Higher Education Accreditation (CHEA, est. 1996) tasked to ensure quality in HE by recognizing accrediting organizations. Overall, CHEA acts as a watchdog organization, ensuring that the accrediting bodies they recognize are upholding proper standards for colleges and universities. The AACSB (est. 1916), the agency responsible for B-schools accreditation, works to improve business education worldwide through collaboration, innovation, and ensuring a positive societal impact. Out of 25 current AACSB Board members, only three are from outside academia. While AACSB documents strive for “impactful” outcomes in the accreditation criteria and process, their standards are skewed toward advancing HE agenda by prioritizing academic curriculum, publications in academic journals with limited readership and practical impacts and imposing a ratio of “scholarly academics” in the faculty roster. A typical college accreditation team is majority-comprised of professors and senior administrators of colleges and universities as experts from the industry or adjunct professors with practical experience do not play essential roles in the accreditation process and outcomes. Apart from their official accreditation mission, these teams have obvious vested interests in protecting the survival and prosperity of their own workplace and preserving the whole HE industry as an institution of society.
- ¹⁵ In contrast, the AACSB’s existing Standard 3 contains an elaborate “nonexhaustive” list of activities normally expected of scholarly academic (SA), practice academic (PA), scholarly practitioner (SP), or instructional practitioner (IP) or additional (A) faculty status (the latter are the faculty who do not meet the school’s criteria within this framework). While the standard does not specifically require publication of peer- or editorial-reviewed journal articles, schools normally are expected to have guidelines and criteria consistent with their mission and their peers. A peer review team may question a school’s criteria if it appears the criteria are not in alignment with the school’s mission and peer institutions. Standard 8 does require that “a significant cross section of faculty

in the school and each discipline is engaged in the production of intellectual contributions, relying heavily on participating faculty” (AACSB, 2024, pp.29-35). All of that translates into the following qualification thresholds dubbed as AACSB “guidelines” that are imposed on schools with various degrees of flexibility in the faculty body composition: 1) SA guideline: $(SA)/(SA + PA + SP + IP + A) > 40\%$; 2) $(SA + PA + SP + IP)/(SA + PA + SP + IP + A) > 90\%$ (AACSB, 2022b).

¹⁶ The article addresses several nuances of this proposal.

¹⁷ Currently, there are more than one million unique credentials in the U.S.—diplomas, degrees, certifications, apprenticeships, licenses, and badges—spread out across 60,000 providers. With so many options, employers, students, and their families are often overwhelmed with the choices. Credential Transparency provides specific details on a credential program’s length, cost, competencies, skills provided, level of mastery targeted, earnings potential, and employment outcomes. It is made possible by Credential Transparency Description Language, technology that is recognized as a common, standard language to make credentials understandable, comparable, and discoverable (Bergeron & Fryer, 2023). A poll published in 2022 asked parents if they would rather their child attended a four-year college or a three-year apprenticeship that would train them for a job and pay them while they learned. Nearly half of parents whose child had graduated from college chose the apprenticeship. However, unlike the European model of HE, where students enter a vocational track and apprentice with an employer with the assistance of government support, the U.S. invests almost exclusively in students heading to college. Government financial support for universities outstrips apprenticeships by about 1,000 to one, writes Ryan Craig, author of the book *Apprentice Nation* and managing director of a firm that invests in new educational models. The pressure to place less emphasis on four-year degrees is growing, however. In what has been called the “degree reset,” the federal government and several states eliminated the degree requirements for many government jobs. Companies such as IBM and the giant professional services firm Deloitte have, too. Last year, a survey of 800 companies by Intelligent.com found that 45% intended to eliminate bachelor’s degree requirements for some positions, in 2024. The Ad Council recently ran a campaign encouraging employers to get rid of the “paper ceiling.” In place of a degree, some employers are adopting skills-based hiring, looking at what students know as opposed to what credential they hold. The problem is that the signal sent by a college degree still matters more, in most cases, than the demonstration of skills. The result is something of a stand-off between old and new ideas of job readiness. A LinkedIn study published last

August found that, between 2019 and 2022, there was a 36% increase in job postings that omitted degree requirements, but the actual number of jobs filled with candidates who did not have a degree was much smaller. New initiatives may start to change that balance. New York Mayor Eric Adams has called for 30,000 new apprenticeships in the city by 2030. California Gov. Gavin Newsom wants to create 500,000 in the state by 2029. Deloitte is one of dozens of big companies championing the idea that skills matter more than degrees (Belkin, 2024).

¹⁸ The university-industry partnership model is gaining popularity (Bryant et al, 2023; Lutchen, 2024), although the venerable academic “ivory tower” tradition still stands the ground (Brint, 2024; Cantwell, 2024; Rosenberg, 2023; Schrecker, 2022).

¹⁹ A B-school is also sometimes referred to as school of management, management school, school of business administration or college of business administration.

²⁰ Within the broad “instruction” category, there are distinctions between “teaching” and “learning,” “pedagogy” (i.e., teaching of children or dependent personalities), “andragogy” (i.e., facilitation of learning for adults, who are self-directed learners), and “heutagogy” (i.e., management of learning for self-managed learners).

²¹ Under impacts of emerging strategic trends and disruptors in the competitive HE environment, the existing “ivory tower” status quo might sustain itself in undergraduate business programs as most of the students have limited exposure to the real world but prove inadequate in graduate studies where many students possess practical business/management experience.

²² For instance, College Scorecard (<https://collegescorecard.ed.gov/school/>) by the U.S. Department of Education is a great resource for comparing colleges specifically in terms of cost and return on investment, including net price, graduation rates, and average earnings after graduation. Educational Data Initiative (<https://educationdata.org/>) provides a wide range of college-related data and analytics for students, teachers, policy makers, writers, and reporters. College Raptor (<https://www.collegeraptor.com/>) offers side-by-side comparisons of estimated financial aid packages along with simplified campus match scores and admission chances. Students and families have the power to make the best decisions, find the schools that best fit their academic and career goals, and find the institutions that are most affordable, reduce their need for student debt and create a plan for maximizing their chances of getting in and receiving the most aid.

- ²³ Notably, technological advances have reduced the self-centered importance of specialized scholarly knowledge and instructional toolbox accumulated over several decades of work in academia to an Internet interface or a tiny flash drive used in a classroom to retrieve and disseminate subject information. Also, the role of specialized knowledge, however emphasized and widespread in traditional academic scholarship in business domain, comes into contrast with an increasingly integrated and systemic business realities in the real world. As a classic literary quote by Kozma Prutkov goes, “a specialist is like a gumboil: his plenitude is unilateral” (<https://www.english-slang.com/eng/famous/p/prutkov-kozma?page=1>).
- ²⁴ There are hundreds of pedagogical methods and techniques varying in their content, scope, organizational requirements, learning effectiveness and efficiency, among others (Boston College, The Center for Teaching Excellence, 2024; Cornell University, Center for Teaching Innovation, 2024; Zhuplev & Blass, 2022). For instance, the Center for Excellence in Learning and Teaching at the Iowa State University describes 226 active learning techniques (<https://www.celt.iastate.edu/instructional-strategies/teaching-format/active-learning/>).

Appendix A: Business Schools Collaborate to Drive Regional Socio-Economic Progress with Global Insights

Project Description

Nations, regions, municipalities, communities, social groups, and individuals around the world vary in their dynamics and SED interests and priorities. Many of them face similar SED problems and priorities but often diverge in their solutions suffering duplication of effort and inefficiencies in resource allocation. Our analysis revealed major SED problems of common nature between Los Angeles (L.A.), U.S.A, and Córdoba, Spain (listed below). We included Córdoba as a hypothetical example. This project development model can be applied across multiple countries and universities worldwide. We compiled the list via AI tool and verified it through background research.

Table 6. SED Problems of Common Nature for Greater Los Angeles, California and Greater Córdoba, Spain

Socioeconomic problems of common nature	
Greater Los Angeles, California	Greater Córdoba, Spain
<ul style="list-style-type: none"> ● Healthcare access: Numerous L.A. residents, especially low-income communities, are unable to access healthcare services. ● Crime: The high crime rate at 1.2 times the national average. This predominantly impacts low-income neighborhoods. ● Housing affordability, homelessness: The cost of living in L.A. is 51% above the national average. This causes a range of other SED problems. The homeless population, the largest in the country, is between 60,000 and 80,000. ● Poverty, income inequality: One of the highest income inequality levels in L.A. nationwide is a root cause of many other SED issues. ● Racial and ethnic inequality: L.A. has a historical pattern of racial/ethnic tensions spilling into other SED areas. Communities of color often face unequal access to resources and opportunities. 	<ul style="list-style-type: none"> ● Unemployment: Cordoba has been battling high unemployment, a precursor to many SED problems. ● Poverty, income inequality: Poverty is a concern, particularly in rural areas, resulting in adverse health impacts, educational deficits, and other negative effects. Cordoba suffers income disparities potentially fueling social tensions and a sense of injustice. ● Economic opportunities, brain drain: Cordoba faces challenges in attracting new businesses and industries, restricting job creation, and hindering SED. ● Aging population: This poses multiple SED challenges. ● Healthcare access: Certain areas of Cordoba have limited access to healthcare causing poor health and reduced life expectancy.

Western democracies operate as interdependent units such as states, provinces, and municipalities, with each unit having autonomous political-economic, SED, and strategic interests. Despite shared interests, there is widespread duplication of efforts on national, regional, and local levels worldwide due to a lack of awareness

and collaboration. This causes inefficiencies in addressing common concerns like public transportation, energy or unemployment.

In the pre-Internet era, cross-country collaboration was often hindered by global logistical constraints and information barriers. Proliferation of IT, AI, and other innovations call for collaboration grounded in comparative analysis, adaptation, and application of best global practices toward local problem-solving and SED. The UN Sustainable Development Goals' model can serve as a starting point and conceptual template.

Stages in the Project “Scaffolding”

Universities involved in such collaborative SED project can implement this approach on local level in stages of the project “scaffolding” process: Single problem focus, multiple problem focus, collaborative local/regional projects, and collaborative international projects.

Strategic Rationale

This approach does not necessitate additional resources but creates a spectrum of stakeholder benefits: Bridging the gap between academia and real world, amplifying positive impacts of higher education on local SED and problem solving, enhancing university brand and visibility, and others.

SED is driven by innovation and imitation, each playing distinct roles. Imitation involves learning from somebody's experience/practices, tends to be less expensive and can generate most immediate impacts. Genuine breakthrough innovation tends to be time and cost-intensive and accounts for a minority share of positive impacts in problem solving and development. In contrast, substantial resources are often dedicated to innovations that already exist elsewhere, achieved by predecessors or neighboring jurisdictions. This is caused by insufficient effort put into comparative analysis and adaptation of existing “best practices.” A perpetual “reinvention of the wheel” causes inefficiencies and duplication of effort in addressing SED priorities of common interest.

In the increasingly competitive HE landscape, B-schools are seeking to reimagine and reposition themselves. This includes sharing mutual core competencies and resources from universities worldwide, underscoring academic excellence, experiential learning, and community service, among others.

B-schools strive to serve as catalysts for positive transformation. This involves channeling creative energy of the younger generation away from passivity, dependency, and even destructive activities toward encouragement to embrace positive values and engage meaningfully in SED.

Of paramount importance is the bridging of the gap between the real world and the academe. By bridging this gap, B-schools can facilitate SED of mutual interest across countries and position themselves as agents of progress. This approach ensures their relevance and impact.

Universities and Their Intellectual Potential for Regional Socioeconomic Development

Universities and colleges have intellectual potential and resources information (e.g., talent, libraries, printed resources, and mobile electronic databases). However, by and large, they have limited impact of local SED and problem solving, while enjoying various forms of strategic benefits (e.g., tax exemption status) and local support from government agencies, NGOs, and other sources.

Deliverables, Outcomes, and Stakeholder Benefits

1. Stakeholders and benefits:
 - a. Loyola Marymount University (LMU) and other HE institutions (primary beneficiaries), via improved branding and visibility regionally, nationally, and internationally.
 - b. Students, via impactful education and career outcomes.
 - c. Local communities and organizations, via SED, problem solving, and improvements grounded in intellectual resources and best practices worldwide.
2. LMU and a partner institution (hereafter partners) select a local SED priority of common interest for exploration and development. LMU focuses on SoCal, partner institution, on its respective region in Spain. This constitutes a “case study” for the pilot R&D project run.
3. Partners complete their projects independently and exchange information and experiences in the process.
4. Partners independently develop their projects/recommendations designated for their respective stakeholders.
5. Partners develop and disseminate joint recommendations/frameworks designated toward scaling up.

