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## Business Schools at a Crossroads: Navigating New Reality in American Higher Education

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## **Business Schools at a Crossroads: Navigating New Reality in American Higher Education**

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*Detailed Abstract of Presentation*

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### **Introduction**

The higher education landscape is undergoing a profound transformation due to technological advancements, demographic shifts, and evolving socio-economic trends. This presentation examines the challenges and opportunities facing U.S. higher education institutions, with a particular focus on business schools (B-schools).

The historical evolution of U.S. higher education is traced from its medieval roots to the present day, highlighting the impact of industrial revolutions on the development of the university model. The contemporary landscape of American higher education is characterized by stagnant enrollment, rising costs, and increasing competition, while technological disruptions and shifting public attitudes and perceptions pose significant challenges.

B-schools are caught in the crossfire of these trends affecting higher education at large. On the one hand, they face pressures to adapt to technological advancements, changing student demographics, and economic uncertainties. On the other hand, there are opportunities to innovate and develop new programs that meet the evolving needs of the business world. This presentation will explore strategies for business schools to navigate these challenges and capitalize on emerging opportunities.

Ultimately, the goal is to provide a comprehensive overview of the higher education landscape, identify key trends and challenges, and offer insights into the future of business education.

### **A Genesis and Contemporary Strategic Landscape of U.S. Higher Education**

#### **Genesis**

The modern university system has deep roots in medieval political-economic, cultural, educational traditions but has evolved significantly, especially influenced by the Industrial Revolutions. The Humboldtian model, developed in early 19<sup>th</sup>-century Germany, combined education and research, laying the groundwork for contemporary research universities. This European model was first adopted in the U.S. by Johns Hopkins University and subsequently spread across America (Geiger, 2015).

The last two centuries have been characterized by profound changes due to industrial revolutions, technological advancements, globalization, and increased geographic and socio-economic mobility. In response to the first Industrial Revolution, higher education institutions began to focus on engineering programs. The recognition of management as both a profession and an academic discipline grew, particularly in business education.

Between 1820 and 1899, the U.S. saw the establishment of 672 new colleges, with 573 of them being private institutions. Private universities founded during this period include Stanford, Johns Hopkins, and

the University of Chicago, which are now ranked among the top 20 in the nation and worldwide (Hess & McShane, 2024a).

The second Industrial Revolution, a.k.a. Technological Revolution, from around 1870 to World War I, further advanced higher education programs in engineering, business, and management. During this time, Henri Fayol's theory of industrial and general administration gained prominence, reinforcing the respectability of management as a profession (Wren & Bedian, 2020). The first MBA programs in the U.S. were established at Wharton, Tuck, and Harvard in the early 20th century, reflecting a national drive for industrialization and efficiency. Harvard's MBA curriculum in 1908 was notably influenced by Frederick Winslow Taylor's "scientific management" approach (Leach, 1993).

Post-World War II developments significantly shaped higher education in the U.S. The G.I. Bill of 1944 made college education accessible to millions by covering tuition and living expenses (Altschuler, 2009). In 1964, the Great Society programs further expanded support for higher education, including the Higher Education Act of 1965, which provided federal scholarships, low-interest loans, and funding for new academic facilities and community colleges (Bernstein, 1996). This period also saw the emergence of various higher education institutions, including private secular, private religious nonprofit, and for-profit colleges and universities.

Currently, the impending Third and Fourth Industrial Revolutions are transforming traditional business paradigms causing "creative destruction" (Schumpeter, 1994). This phenomenon has brought about the displacement of print media by electronic media, the rise of the gig economy and remote work challenging the conventional office setup, and AI technologies reshaping media, communication, and employment. These changes present both opportunities and challenges for higher education and B-schools, compelling them to adapt to new trends and developments.

### **Contemporary Strategic Landscape**

Arguably, colleges and universities of higher education in the U.S. have a three-pronged mission:

- Facilitate personal growth and career advancement for students.
- Cultivate responsible domestic and global citizenship.
- Provide a comprehensive "college experience."

Recent surveys reveal mixed public opinions and attitudes regarding the value of higher education (Schleifer et al., 2022). While many Americans believe higher education enhances economic opportunities, particularly at the state level, skepticism abounds about its cost-effectiveness and return on investment of time and money. Critics, especially among the younger population without degrees, question whether the benefits outweigh the expenses. Concerns include high tuition fees, mounting student debt, and a perception that colleges are outdated and inefficient. Despite recognizing the role of higher education in fostering informed citizenship, fewer Americans see it as a boon to democracy overall.

### **Industry Structure and Dynamics**

Table 1 summarizes the structure and strategic dynamics of the American higher education sector, illustrating a mature industry characterized by high barriers to entry, heavy reliance on government support, and significant regulation. The sector faces various challenges and opportunities, including evolving stakeholder demands and competition.

Table 1

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

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**Positive impact**

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<ul style="list-style-type: none"> <li>• Industry assistance: High/steady.</li> <li>• Barriers to entry: High/steady.</li> </ul>	<ul style="list-style-type: none"> <li>• Concentration: Low.</li> <li>• Industry globalization: Low/increasing.</li> </ul>
<b>Mixed impact</b>	
<ul style="list-style-type: none"> <li>• Life cycle: Mature.</li> <li>• Revenue volatility: Medium.</li> <li>• Capital intensity: Medium.</li> </ul>	<ul style="list-style-type: none"> <li>• Technology change: Medium.</li> <li>• Competition: Medium /increasing.</li> </ul>
<b>Negative impact</b>	
<ul style="list-style-type: none"> <li>• Regulation and policy: Heavy/steady.</li> </ul>	
<b>Key trends</b>	
<ul style="list-style-type: none"> <li>• Falling demand for undergraduate courses has outweighed an increase in demand for graduate certificates.</li> <li>• Driven by growth in tax revenue, government funding for universities has increased.</li> <li>• Despite the anticipated decline in state government funding, the CARES Act provides a new stream of funding to industry operators amid the pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• The number of international students will likely recover, bolstering industry revenue.</li> <li>• Competition from community colleges will likely remain moderate as traditional colleges dominate higher education.</li> <li>• Industry institutions are expected to further implement online education programs to lower cost.</li> <li>• Operators have been able to maintain steady profit since they often rely on state funding and donations.</li> </ul>
<b>Segmentation of products and services</b>	
<ul style="list-style-type: none"> <li>• 66.0% Bachelor's degrees.</li> <li>• 27.6% Master's degrees.</li> <li>• 6.4% Doctor's degrees.</li> </ul>	
<b>SWOT analysis</b>	
<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• High and steady barriers to entry.</li> <li>• High and steady level of assistance.</li> <li>• Low imports.</li> <li>• High profit vs. sector average.</li> <li>• High revenue per employee.</li> </ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• High revenue growth (2023-2028).</li> <li>• Government funding for universities.</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• High customer class concentration.</li> <li>• High product/service concentration.</li> <li>• High capital requirements.</li> </ul> <p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• Low revenue growth (2005-2023).</li> <li>• Low revenue growth (2018-2023).</li> <li>• Low outlier growth.</li> <li>• Low performance drivers.</li> <li>• High school retention rate.</li> </ul>

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

### Enrollment and Revenue Trends

In the 2020-2021 academic year, the U.S. had 2,297 four-year degree-granting institutions, with 33% of them public and 67% private. Total student enrollment was 14 million, with public institutions enrolling 9.1 million and private nonprofit universities enrolling 4.9 million. By 2031, enrollment is projected to reach 14.9 million, with 69% in public and 31% in private nonprofit institutions (National Center for Education Statistics, 2021).

Revenue statistics for the 2020-2021 academic year showed public institutions earned \$444.5 billion compared to \$408.1 billion for private nonprofit institutions, representing about 3% of the U.S. GDP

(authors' computation based on Trading Economics, 2024). As shown in Table 2, public colleges are heavily reliant on state and local funding, which is contingent on enrollment levels. Public institutions garnered 17% of their revenues from tuition and fees, and 23% from grants and appropriations. Private institutions derived 19% of their revenues from tuition and fees, and 9% from grants. Notably, private institutions receive a larger 46%-share of revenue from investments compared to 12% at public institutions (Le, 2023).

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

### Performance and Outlook

The industry's historical performance from 2012 to 2029 shows moderate revenue growth and value added, with slight increases in wages and stable enrollment figures. Table 3 illustrates these trends.

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

### Global Connection

Despite being predominantly domestically focused, U.S. universities continue to attract a substantial number of international students. The foreign student enrollment increased from 311.9 thousand in 1980-1981 to 547.9 thousand in 2000-2021, reaching 948.5 thousand in 2021-2022. The top countries of origin are China and India, contributing 31% and 21% of the total foreign student enrollment, respectively (Le, 2023; National Center for Education Statistics, 2021).

Overall, the U.S. higher education sector faces a landscape of both challenges and opportunities, shaped by evolving demands, regulatory pressures, and global competition.

### Strategic Drivers, and Disruptors

The landscape of higher education in the U.S. is being reshaped by a confluence of strategic drivers, including demographic shifts, economic pressures, technological advancements, and sociopolitical trends.

These factors are crucial for navigating the challenges and seizing the opportunities that will define the future of U.S. higher education.

### **Demographics and Enrollment Trends**

Demographic trends are a key driver of change in the U.S. higher education sector. After reaching a peak in 2010, student enrollments at colleges have leveled off, and projections suggest that total enrollment will remain around 20 million students through 2030. This plateau is occurring in the context of significant demographic shifts, with a more diverse student population emerging due to the growing multicultural segments of the U.S. population. Hispanic, Asian, and multiracial students are expected to make up a larger share of the student body, while the proportion of non-Hispanic white students is projected to decline (National Center for Education Statistics, 2021).

The strategic impact of these demographic changes for higher education is multifaceted. Institutions will need to adapt to the needs of a more diverse student body, which may include offering more culturally responsive curricula, enhancing support services for first-generation college students, and addressing equity gaps in college access and completion. Additionally, as the population of traditional college-age students stagnates or declines in certain regions, particularly in the Northeast and Midwest, colleges and universities may face increased competition for students. This could lead to a greater focus on recruitment strategies, including efforts to attract non-traditional students such as adult learners, veterans, and international students.

### **Technological and Business Innovations**

The rapid pace of technological innovation is transforming every aspect of higher education, from how knowledge is delivered to how institutions operate. The third and fourth Industrial Revolutions have introduced new tools and platforms that are reshaping the educational landscape. For example, Massive Open Online Courses (MOOCs) offered by platforms such as Coursera, edX,<sup>1</sup> and Udacity provide access to high-quality courses from top universities, often at a fraction of the cost of traditional programs. Additionally, platforms like LinkedIn Learning and Khan Academy offer targeted skill-based learning that is increasingly valued by employers (Dieleman et al., 2022). The introduction of ChatGPT in 2020 marked the beginning of an AI revolution that has profoundly reshaped the socio-economic fabric of society and significantly impacted higher education.

The COVID-19 pandemic has further accelerated the adoption of online education, with nearly all institutions shifting to remote learning during the height of the pandemic. This rapid shift exposed both the potential and the challenges of online education. While online learning offers flexibility and can expand access, it also raises concerns about the quality of education, student engagement, and the digital divide. Students from low-income backgrounds, in particular, may lack access to the necessary technology and internet connectivity, exacerbating existing educational inequalities (Dua et al., 2020).

In response to these challenges, some institutions are exploring hybrid models that combine the best elements of online and in-person education. Additionally, there is a growing emphasis on micro-credentials and stackable credentials, which allow students to gain specific skills and competencies that

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<sup>1</sup> In 2024, edX, owned by 2U Inc., has filed for Chapter 11 bankruptcy protection. This filing is part of a process to restructure their debt and take the company private. Despite the bankruptcy filing, edX has assured that there will be no disruption to their services or existing courses.

are directly aligned with workforce needs. These innovations are challenging the traditional model of higher education, which is often seen as rigid and slow to adapt to the demands of the modern economy.

### **Political and Societal Trends**

Higher education in the U.S. is also influenced by broader political and societal trends. Public confidence in higher education has been declining in recent years. According to a Gallup poll, only 36% of Americans expressed a great deal of confidence in colleges and universities in 2023, down from 57% in 2015 (Brenan, 2023). This decline in confidence reflects growing concerns about the cost of education, student debt, and the perceived disconnect between higher education institutions and the needs of society. One of the most significant societal shifts is the changing perception of the value of a college degree. While a college education has traditionally been seen as a pathway to upward mobility and economic security, increasing numbers of Americans are questioning whether the benefits outweigh the costs. This skepticism is particularly pronounced among younger generations, many of whom are burdened with significant student debt. Moreover, there is a growing recognition that not all jobs require a four-year degree. As a result, alternative pathways to careers, such as apprenticeships, trade schools, and coding boot camps, are gaining popularity (Smith, 2023).

These trends carry significant implications for higher education institutions across the nation, influencing political, strategic, and cultural patterns that vary according to location, size, and other factors. To regain public trust and remain relevant, colleges and universities must demonstrate their value to students and society. This may involve reevaluating their curricula, strengthening connections with employers, and increasing transparency around outcomes such as graduation rates, job placement, and earnings. Additionally, institutions may need to engage more actively in public policy debates around issues such as student debt, college affordability, and workforce development.

### **Economic Pressures**

Economic factors are perhaps the most immediate and pressing drivers of change in higher education. The cost of attending college has risen dramatically over the past few decades, far outpacing general inflation and wage growth. Between 2006 and 2016, the average cost of tuition and fees at four-year public institutions increased by 63%, while the cost at private nonprofit institutions increased by 53% (U.S. Bureau of Labor Statistics, 2021). As a result, student loan debt has reached unprecedented levels, with the average student graduating with \$28,950 in debt (Maglione, 2024).

This growing financial burden is leading to increased scrutiny of the return on investment (ROI) of a college education. While a college degree still offers significant economic benefits, including higher lifetime earnings and lower unemployment rates, these benefits are not evenly distributed across different demographic groups and social strata. Graduates in certain fields, such as engineering and computer science, tend to have high earnings and good job prospects, while those in other fields, such as the arts and humanities, may struggle to find well-paying jobs. Additionally, a sizable percentage of college graduates are underemployed, meaning they are working in jobs that do not require a college degree. This underemployment raises questions about whether the current higher education system is effectively preparing students for the workforce (Hanson et al., 2024).

In response to these economic pressures, many institutions are exploring ways to reduce costs and increase efficiency. Some are adopting new business models, such as partnerships with private companies or offering accelerated degree programs that allow students to graduate in less time. Others are focusing on improving student retention and completion rates, which can help reduce costs for students and

increase revenue for institutions. Additionally, there is a growing interest in performance-based funding models, where state funding is tied to specific outcomes such as graduation rates or job placement.

### International Comparisons and Financial Strategies

When compared to other OECD countries, the U.S. stands out for its higher levels of expenditure on postsecondary education. In 2019, U.S. institutions spent an average of \$37,417 per full-time equivalent (FTE) student, significantly higher than the OECD average of \$18,418 (National Center for Education Statistics, 2021). Despite this high level of spending (Table 4), U.S. institutions face significant challenges in terms of enrollment rates, student debt, and underemployment among graduates.

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

One strategy that U.S. institutions have used to address financial challenges is to attract international students, who typically pay full tuition and do not qualify for federal financial aid. International students have become an important source of revenue for many institutions, particularly public universities that have faced cuts in state funding. However, the COVID-19 pandemic has disrupted this revenue stream, as travel restrictions and health concerns led to a decline in international student enrollment. This decline has exacerbated the financial strains on colleges and universities, many of which were already facing budget deficits before the pandemic (Belkin, 2022; Friga, 2021).

In the face of these challenges, some institutions are exploring new financial strategies, such as increasing their reliance on online programs, expanding partnerships with industry, and developing new revenue streams through continuing education and professional development programs. Additionally, there is a growing recognition of the need for greater financial transparency and accountability. Students and families are increasingly demanding clear information about the costs and benefits of different educational programs, and institutions that can demonstrate a strong return on investment (ROI) are likely to have a competitive advantage.

### Navigating the Challenges

American higher education stands at a critical juncture, facing a series of mega changes, societal trends, and regulatory pressures that demand a reassessment of its traditional model. Stakeholders advocating for preserving the current system argue that colleges and universities have consistently adapted to crises by expanding access, enhancing amenities, and striking private sector deals to tap new markets. Despite technological innovations like MOOCs and the digital revolution, these advancements have not significantly disrupted the traditional model of higher education (Cooper, 2023).

However, critics argue that today's crisis differs fundamentally from past challenges. With public confidence in higher education waning and skepticism growing about the value of a college degree,



higher education institutions may have reached the limits of their ability to grow out of decline. The demographic cliff further complicates the landscape, making it increasingly difficult to recruit students (Fischer, 2022).

### **Calls for Reform and Accountability**

Horn (2023) offers a compelling case for reform, highlighting the "pay-for-what-you-get" model that characterizes the current higher education system. He argues that the system's primary focus on enrollment, rather than student outcomes such as employment, learning, and life enhancement, is a significant flaw. This lack of focus on outcomes is problematic, given that the value of higher education is difficult to gauge until after students enter the workforce. Horn contends that there are insufficient incentives for colleges to prioritize the financial returns and learning outcomes that students seek. From a taxpayer's perspective, this lack of focus on economic value is unacceptable.

Horn asserts that the American higher education system has historically evolved into a monopolistic provider of advanced education and professional qualifications, holding a gatekeeper role in professional success and social status. This power is reinforced by the accreditation system, which operates on a binary principle: once attained, accreditation opens the door to federal funding, allowing colleges to enroll students under the guise of offering subsidized and cost-effective education. However, this often results in escalating costs and subpar outcomes for students.

The Postsecondary Commission (PSC) (2024) reports that factors such as low graduation rates, high loan-default rates, and low median student earnings rarely prompt disciplinary action against colleges. Only 11% of the colleges studied faced any disciplinary action concerning student outcomes or academic program quality resulting in accreditation reviews. This highlights the inadequacy of the current accreditation system in ensuring quality and value for students and taxpayers.

### **Proposals for Change**

Reform advocates propose breaking the accreditation monopoly by introducing alternative federally recognized accreditors like the PSC, which emphasizes student outcomes over prioritizing standardized inputs. For example, the PSC Accreditation Handbook allows institutions to determine faculty qualifications, focusing on relevant subject-matter expertise and practical experience rather than universal standards (PSC, 2024).

Another proposal calls for increased accountability by requiring colleges that accept public funds to bear some of the costs for students who do not graduate. This would incentivize colleges to help students complete their degrees and secure employment (Hess & McShane, 2024b). Additionally, privatizing federal student loans could introduce market-driven accountability, as private lenders would have a vested interest in ensuring that students can repay their loans, thereby compelling colleges to offer programs with a strong return on investment (Akers et al., 2024).

### **Evolving Employment Credentials**

The traditional reliance on college diplomas as a hiring prerequisite is also under scrutiny. Critics argue that this system is inefficient and exclusionary, disadvantaging qualified candidates without degrees and limiting opportunities for those who cannot afford college. There is a growing regulatory and political movement to shift the focus from formal diplomas to skills-based qualifications, recognizing alternative credentials like industry-specific certifications and apprenticeships. This shift could democratize access to employment opportunities, emphasizing skills over a one-size-fits-all degree.

### **Challenges for Higher Education Leaders**

College and university leaders today face numerous challenges, including financial strain, the complexities of diversity, equity, inclusion, and accessibility (DEIA) initiatives, and the pressure to demonstrate a clear return on investment for students. Financial stress is a significant concern, especially for smaller institutions, as rising costs and constraints on public funding create an unstable financial environment. The impending decline in potential students, predicted as early as 2025, is likely to exacerbate these budgetary issues (Deloitte, 2024).

The focus on DEI presents both opportunities and challenges, requiring leaders to navigate complex regulatory, economic, and political landscapes. University presidents must balance competing viewpoints while fostering an inclusive environment, all while addressing student concerns about job preparedness and career outcomes. The Deloitte 2024 Higher Education Trends report emphasizes the growing importance of student ROI, with increased pressure on universities to demonstrate the value of their degrees.

### **Leadership and Governance in Higher Education**

The challenges facing higher education have led to a leadership crisis, with the average tenure of university presidents declining and many citing immense pressure and lack of support as key factors. Boards must develop a deeper understanding of current trends to ensure they hire presidents with the skills needed to navigate these turbulent times. This includes establishing clear policies for leadership development and succession planning while fostering diverse candidate pools.

Addressing the leadership crisis requires a multi-pronged approach, including identifying and cultivating potential successors. The future of higher education depends on its ability to cultivate competent and prepared leaders who can steer institutions through these challenging times.

### **Strategic Implications for Business Schools**

B-schools are at a critical juncture, facing an array of mega trends and macro disruptors that challenge traditional higher education institutions. These forces compel B-schools to reevaluate and reimagine their strategies and adapt to a rapidly changing environment to remain relevant and competitive. Schlegelmilch (2020) underscores several key issues that B-schools must address, including the digital paradigm shift, deglobalization, internal criticism, and the competition/cooperation dilemma with online education providers.

#### **Digital Paradigm**

The digital paradigm shift represents a fundamental change in how information is disseminated and consumed. Traditional B-schools have been slow to embrace technology and innovation, which has placed them at a disadvantage compared to more agile competitors. The rise of online education platforms and the proliferation of digital learning tools have created new opportunities for delivering business education, but they have also intensified competition. Schlegelmilch (2020) argues that B-schools must adopt new technologies and embrace innovations such as micro-credentials, digital badges, and AI to stay competitive. Without embracing these changes, traditional B-schools may struggle to survive in an increasingly digital world.

#### **Deglobalization**

Deglobalization and the shift of economic power to Asia have also created significant challenges for B-schools. These trends have disrupted traditional patterns of scientific exchange and student flow, particularly between Western countries and emerging economies in Asia. The increasing prominence of

Asian economies in the global marketplace has led to a reconfiguration of global business networks, which in turn has impacted B-schools' ability to attract international students and faculty. This shift necessitates a rethinking of the traditional B-school model, which has historically been oriented towards a Western-centric view of business education.

### **Internal Criticism**

Internal criticism within educational institutions presents another significant challenge for B-schools. There is growing skepticism about the value of traditional business education, with critics questioning whether B-schools are adequately preparing students for the realities of the modern business world. This criticism has been exacerbated by the perceived disconnect between B-schools and the business community in real world, as well as the persistent focus on theoretical knowledge at the expense of practical skills. Schlegelmilch (2020) suggests that B-schools must work to rebuild their academic reputation by fostering stronger connections with the business community and ensuring that their curricula are aligned with the needs of employers.

### **Competition/Cooperation**

The competition/cooperation dilemma with online education providers is yet another strategic issue that B-schools must navigate. The rapid growth of online education platforms has disrupted traditional higher education models, offering students more flexible and affordable alternatives to traditional B-schools. However, these platforms also present opportunities for collaboration. By forming strategic partnerships with online education providers, B-schools can expand their reach, enhance their offerings, and create new revenue streams. Schlegelmilch argues that B-schools must strike a balance between competition and cooperation with online education providers to maximize their strategic potential.

Graham and Donaldson (2020) provide a comprehensive strategic framework for addressing the external pressures that college leaders face. They offer a model which identifies several key external pressures, including funding, technology, and competition, and suggests strategic responses to these challenges.

### **Adopting Business Models from the Real World**

One of the Graham and Donaldson's (2020) primary recommendations is for B-schools to adopt business models similar to those used by for-profit organizations. This approach emphasizes the importance of data-driven decision-making, cost analysis, and market-driven strategies. By adopting more business-like models, B-schools can become more agile and responsive to market demands, thereby enhancing their competitiveness.

### **Modifying Curricula**

Revamping existing curricula stands as a pivotal strategy. As the needs of the business community evolve, B-schools must continuously update their curricula to ensure that they are providing students with the skills and knowledge required to succeed in the modern workforce. This includes designing more market-driven programs, such as professional and certificate programs, which align with the specific needs of employers.

### **Improving Marketing**

B-schools must significantly enhance their marketing efforts to attract and retain students in an increasingly competitive educational landscape. According to Graham and Donaldson (2020), business schools face mounting pressure not only from traditional competitors but also from emerging online platforms and alternative educational providers. To remain competitive, B-schools need to adopt more sophisticated, data-driven marketing strategies that emphasize their unique value propositions, align with the shifting preferences of prospective students, and effectively communicate the tangible benefits of their programs. Additionally, developing strong brand identities and leveraging digital marketing tools are essential for sustaining enrollment and fostering long-term institutional growth.

### Focusing on Students and Their Needs

B-schools must prioritize the focus on students, their needs, and satisfaction with their college education, engagement, and well-being to create a positive educational experience. This approach includes providing students with personalized support, flexible learning options, and opportunities for hands-on, experiential learning. By focusing on students, B-schools can differentiate themselves from competitors and build a compelling reputation for student-centered education.

### Strategic Management

The strategic planning and environmental scanning approach is another key component of Graham and Donaldson's (2020) framework. This approach involves conducting thorough internal and external analyses to identify potential opportunities and threats in the educational environment. B-schools must remain vigilant and proactive in monitoring changes in the higher education landscape, such as shifts in student demographics, technological advancements, and changes in employer needs. By staying ahead of these trends, B-schools can make informed strategic decisions that position them for long-term success.

### Strategic Alliances

Graham and Donaldson's (2020) framework also stresses the importance of forming strategic alliances as critical for B-schools in navigating the challenges of the current higher education environment. By collaborating with other entities, including competitors and private organizations, B-schools can leverage shared resources, expertise, and networks to enhance their offerings and expand their reach. These alliances can take many forms, including joint programs, research partnerships, and industry collaborations. Graham and Donaldson argue that B-schools must be open to transforming competitors into collaborators to maximize their strategic potential.

The U.S. undergraduate student enrollment in business-related fields was nearly 1.5 million in the 2019-2020 academic year, representing 16% of total undergraduate enrollment (National Center for Education Statistics, 2023). However, out of the 16,563 B-schools worldwide, only 5.7% hold AACSB accreditation, with 535 in the U.S. (AACSB, 2021, 2022c). This suggests that many B-schools operate in a highly competitive environment where strategic adaptation is crucial. To remain competitive, B-schools must continuously modernize their curricula, foster real-world experience among faculty, and prioritize skill development over rote learning (AACSB, 2022a; Zhuplev & Blas, 2022).

Table 5

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

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

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| <ul style="list-style-type: none"> <li>• Leadership and social justice.</li> <li>• Coordination and time management.</li> </ul> | <ul style="list-style-type: none"> <li>• Reasoning, problem solving, and ideation.</li> <li>• Systems analysis and evaluation.</li> </ul> | <ul style="list-style-type: none"> <li>• Coordination and time management.</li> <li>• Visual, auditory, and speech abilities.</li> <li>• Technology use, monitoring, and control.</li> </ul> |
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As the future of work becomes increasingly volatile and complex, B-schools need to focus on developing 21st-century skills such as creativity, adaptability, and innovation (Gonzalez et al., 2023; Reaves, 2019) as outlined in Table 5. The disconnect between higher education and employer needs is growing, requiring B-schools to adapt their curricula and methodologies to better align with the demands of the modern workforce. Employers are increasingly prioritizing skills over formal degrees, which means that B-schools must shift from traditional instructor-centered teaching to student-centered learning. This includes incorporating experiential learning, project-based learning, and service learning into the curriculum to ensure that students are equipped with the skills needed to succeed in a rapidly changing business environment.

Long-term university-industry partnerships are vital for B-schools to develop relevant curricula that meet the demands of the real business world (Lutchen, 2024). Traditional B-school models, rooted in early 20th-century industrial practices, need to evolve through stronger collaborations with industry. This can be achieved by involving companies in advisory boards, offering mutually beneficial intellectual property arrangements, and employing faculty with real-world experience as "Professors of Practice." These partnerships can facilitate the generation of new knowledge and the integration of emerging skills into the curriculum, ensuring that B-schools remain relevant and competitive in a rapidly changing environment.

A shift from instructor-centered to student-centered learning is crucial for the future of B-education (Le, 2023; McMurtrie, 2023). Employers are increasingly prioritizing skills over formal degrees, and B-schools must adapt by focusing on skill development and experiential learning. The rise of generative AI and other technologies further challenges the traditional B-school model, necessitating a rethinking of their educational value proposition. As technology continues to disrupt traditional business models, B-schools must be prepared to embrace these changes and integrate them into their curricula.

In a competitive higher education landscape, B-schools must justify their value proposition against lower-cost alternatives offered by "challenger" institutions like Coursera. These institutions provide flexible, cost-effective programs that can be completed at the learner's own pace, leading to lucrative jobs without requiring traditional academic degrees (<https://www.coursera.org/articles/high-income-skills>). B-schools must find ways to differentiate themselves from these competitors by offering unique value propositions that cannot be easily replicated by online platforms. This may include providing personalized mentorship, offering hands-on learning experiences, and fostering a keen sense of community among students. B-schools' responses to these challenges must balance their educational missions with the realities of the higher education environment, which is shaped by political, economic, social, and technological forces. Traditional B-school pedagogy, centered on deep subject expertise and theory, must evolve to prioritize active learning and practical applications. Experiential, project-based, and service learning will play a central role in ensuring B-education's impact in the future.

Some B-schools are already collaborating globally to tackle socioeconomic development (SED) challenges. For example, a project involving B-schools in Greater Los Angeles, USA, and Córdoba, Spain, focuses on skill development through real-world business scenarios. This initiative highlights the potential for B-schools to bridge the gap between academia and real-world applications, positioning them as pivotal agents of socioeconomic transformation (Rincon et. al., 2024).

### Conclusion

The U.S. higher education landscape is undergoing profound changes, shaped by political, economic, social, technological, and regulatory forces. The traditional academic model, characterized by prohibitive costs and rigid structures, is under increasing pressures from alternative educational pathways, technological innovations, and socio-political demands. As students, taxpayers, and other stakeholders seek greater value and accountability, higher education institutions must evolve to remain relevant and competitive.

Central to the reform efforts are the privatization of student loans and the focus on outcome-based accountability, which aim to encourage colleges to improve their return on investment by equipping students with marketable skills. Moreover, the traditional reliance on college degrees as the primary measure of employability is being increasingly challenged by the rise of alternative credentials and skills-based hiring practices.

Business schools, in particular, face a critical juncture. To thrive in a volatile, uncertain, complex, and ambiguous (VUCA) environment, they must incorporate 21st-century skills into their curricula and build strong industry partnerships. The shift from teacher-centered to learner-centered models, with a focus on active learning and real-world problem-solving, is essential for their continued relevance. To achieve this, B-schools must ensure that faculty have practical experience gained through employment in business or nonprofit organizations as part of their qualifications.

Additionally, demographic trends and economic realities, including the high cost of education and the burden of student debt, demand innovative approaches to education delivery. The growth of online learning platforms and alternative educational programs presents both challenges and opportunities for traditional institutions to rethink their value propositions.

In this rapidly changing landscape, higher education institutions must find a balance between preserving the core values of traditional education and adopting innovative strategies that enhance accessibility, affordability, and relevance. By doing so, they can better serve their diverse student populations and contribute more effectively to broader societal and economic goals.

Ultimately, the future of higher education in the U.S. depends on its ability to adapt and respond to the evolving demands of the modern world. Institutions that successfully integrate technology, cultivate industry partnerships, and prioritize student outcomes will be well-positioned to succeed in this dynamic environment.

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