

Editorial: business education in profound disruption

Mark Scott Rosenbaum

Graham School of Management, Saint Xavier University, Chicago, Illinois, USA

Rebekah Russell-Bennett

School of Advertising, Marketing and Public Relations, Queensland University of Technology, Brisbane, Australia, and

Germán Contreras-Ramírez

Department of Business Administration, Universidad Externado de Colombia, Gran Granada, Colombia

Abstract

Purpose – This editorial aims to discuss 11 trends that are driving changes in business education, especially for Master of Business Administration (MBA) curriculum programming.

Design/methodology/approach – The editorial provides introspection, personal reflections and conceptualization using current literature.

Findings – The authors discuss 11 drivers that are influencing graduate business education. These drivers include the demographic cliff, the K-shaped recovery, MBA degrees losing their allure, emergence of two pricing structures, the rise of online universities, certificates and micro-credentials, the massive open online course (MOOC) MBA programs, MOOCs and certification, Grow with Google, Outsourcing MBA instruction and business education relevancy.

Research limitations/implications – Traditional university and college graduate business education providers must realize that the educational industry is experiencing a revolutionary disruption and that many universities will fail to meet learners' expectations for relevant skills and organizational demands for employees who have specific skills for employability.

Practical implications – Learners will no longer rely on traditional four-year universities to obtain business skills.

Originality/value – This work synthesizes a disparate set of drivers that are affecting all graduate business educational providers.

Keywords Professional services, Higher education, Technology and service

Paper type Viewpoint

Introduction

The coronavirus pandemic has changed education forever. As academicians and practitioners involved in services, readers of *Journal of Services Marketing* can attest to the profound impact of the pandemic on service industries such as retailing, hospitality (including food and beverage), tourism and education. Turning attention to higher educational services in particular, most academicians were given the mandate to shift instruction from delivery in a physical classroom to an online format in a handful of days. Rather than engage in slow-paced and protracted incremental change, which tends to characterize higher education, both academic instructors and administrators were forced to engage in revolutionary change to overcome the challenges posed by the global pandemic. Yet harbingers of change in higher education were present before the onslaught of the pandemic. Therefore, the present COVID-19 crisis is serving to foster radical changes in higher educational services, but the aftermath of the pandemic on higher education is far from clear.

In this editorial, we discuss 11 changes that are currently altering graduate business education. An in-depth analysis of changes in Master of Business Administration (MBA) programming is worthy from both scholarly and practical perspectives. Many universities have traditionally relied on graduate business degrees and executive business education programming to increase their revenues (Moules, 2018). Consequently, any disruptions in a university's MBA programming and enrollment will have a ripple effect not only on the School (or College) of Business but also on the entire university system.

We speculate that the continued rise in competitors for the graduate business education dollar will create tensions for higher educational and business school administrators as they grapple with the demands of managing their institutions for both research and vocational (e.g. employment) purposes. To date, many business school administrators and faculty, especially those at AACSB-accredited institutions, have tended to view their competitive advantage in delivering business education as their offering curriculum that is research-informed, theoretically driven and based on empirical evidence.

Yet, new educational providers are diluting this formidable competitive advantage by focusing their curriculum on providing learners with practical skills that are linked to

The current issue and full text archive of this journal is available on Emerald Insight at: <https://www.emerald.com/insight/0887-6045.htm>



Journal of Services Marketing
35/5 (2021) 553–558
© Emerald Publishing Limited [ISSN 0887-6045]
[DOI 10.1108/JSM-08-2021-528]

Received 11 May 2021
Revised 12 May 2021
Accepted 12 May 2021

employability outcomes. Further, these new providers are often able to offer online business curriculum with better user interfaces and slicker delivery options compared to online offerings from traditional universities and colleges. Whether business school administrators and faculty will be able to adjust their use of theory in a way that leverages their core strength to deliver practical skills remains unknown, leading us to conclude that business education is in a state of disruption.

The authors of this editorial come from different higher education institution backgrounds. One author is based in a private, religiously affiliated institution in the USA; the second author is based in a large public university in Australia and the third author is based in a private institution in Colombia. Two of the three institutions are accredited by the Association to Advance Collegiate Schools of Business (AACSB), while the Latin American university is in its final stages of receiving AACSB status. Therefore, all authors derive from higher education institutions that share a similar dedication to developing, implementing and maintaining high-quality business programming. In the following sections, we turn attention to discussing each of the 11 impacts on graduate business programming in more detail with the intention to present challenges that will likely permanently alter graduate business programming and to shed light on changes that will occur in other service industries.

Demographic cliff

Many higher educational pundits had predicted even before the COVID-19 pandemic hit that colleges and universities would need to be prepared for a “demographic cliff,” describing a dramatic decrease in potential full-time freshmen projected to enter the USA for the 2025–2026 academic year (Adams, 2020). Yet, with the pandemic negatively affecting household finances, high school graduation rates and international college-going plans of teenagers at a global level, many universities will realize shrinking applicant pools of these first-time undergraduate students.

For example, in March 2021, UNICEF (2021) reported that 114 million children in Latin America and the Caribbean were without face-to-face schooling and surmised that many of these students would permanently drop out of school. Australia’s closed-border policy is expected to extend into 2022, which represents a three-year closure of the new international student funnel, and whether the country’s international student population will return to pre-pandemic levels when that policy is relaxed remains unknown. In the USA, fewer high school students are completing the Free Application for Federal Student Aid (National College Attainment Network, 2021), leading us to conclude that the demographic cliff is already here.

Furthermore, even if universities were to respond to the demographic cliff by targeting non-traditional students, such as students seeking degree completion or older, professional adults seeking mid-career changes, they would still confront financial losses in auxiliary income (e.g. room and board, food, vending services), as these students are more likely to seek out online, evening or weekend programming. Moreover, non-traditional students may balk at paying fees for institutional services they will never use.

K-shaped recovery in higher education

A K-shaped recovery is a post-recession scenario in which one segment of the economy begins to climb upward while another segment continues to suffer (Aldrich, 2020). The K-shaped recovery is applicable to MBA programming, as student enrollment levels at top-tier MBA programs have continued to rise during the global pandemic, while enrollment levels at lower tier programs have either grown at a much lower rate or declined altogether (Byrne, 2019; Thomas, 2020). Essentially, elite business schools are benefiting in the post-COVID-19 economy, while many second-tier business schools are watching their MBA enrollments dwindle. Galloway (2021) speculates that many second-tier universities will continue to experience financial difficulties from declining enrollments. Despite its apparent controversy, Galloway coined the term “zombie universities” to denote second-tier institutions that are fighting for survival despite the likelihood of perishing in the near future.

MBA degrees losing their allure

Before the COVID-19 pandemic, many business schools were reporting significant decreases in applications in their two-year, full-time MBA programs, which led school such as University of Iowa, University of Missouri, University of Illinois and Purdue University to put their full-time, in-person MBA programs on hiatus (Gee, 2019). Reasons for the decline in the popularity of two-year MBA programs, outside programs in the top 25, include student interest in shorter, more affordable business master’s programs and changing hiring demands of employers that have brought MBA degrees under the spotlight (De Novellis, 2019).

For example, Elon Musk, Chief Executive Officer of Tesla and SpaceX, noted problems in MBA curriculum relevancy by stating that though MBA graduates excel at creating PowerPoint presentations, they fail to understand “how things work” (Entrepreneur Staff, 2021). This follows earlier statements in which he noted that the “MBA-ization” of America is producing graduate business students who are adept at understanding an organization’s financials but lack knowledge on how to improve an organization’s product or service offerings (Haden, 2020). Although pundits may decry Musk’s statements about the efficacy of the MBA, his statements bring into question whether MBA programming is providing students with core competences and skills that employers at a global level demand.

Emergence of the \$200K and \$20K MBA programs

Many second-tier, AACSB-accredited business schools, especially those in the USA, that receive state and federal funding subsidies, are responding to the competitive MBA marketplace by publicizing the affordability of their online MBA degrees. For example, Meltzer (2020) compiled an extensive list of AACSB-accredited MBA-granting institutions that offer graduate degrees with a total cost of less than US \$20,000. This amount is a fraction of the full-time, two-year MBA program cost at the top 25 programs, which can reach US\$200,000 (Ethier, 2020). Perhaps, MBA pricing is also following a K-shaped pattern, in which full-time graduate

programming is either “luxury” priced (the \$200K club) or affordably priced (the \$20K club), with increasingly fewer programs in the middle. In this case, as second-tier universities fight for survival, many will increasingly turn to lower tuition pricing as a short-term enrollment strategy, which may have dire long-term financial consequences.

Rise of online “powerhouse” universities

Although many public universities are touting affordable, AACSB-accredited MBA programming, they are also confronting competition from online institutions that are enrolling vast numbers of students, some exceeding 100,000, such as Southern New Hampshire University and Western Governors University (Lederman, 2020). Other state-supported institutions such as Arizona State University, Purdue University, University of Maryland and Florida International University are creating online divisions that support tens of thousands of students. In addition, many online institutions that have student enrollments that mirror the size of US small cities are for-profit institutions that overlook business programming accreditation.

We call these “powerhouse” universities not only in terms of their enrollment numbers but also in terms of their advertising and promotional expenditures. Many higher education institutions that are confronting budgetary challenges will be unable to match the reach and frequency of advertising and promotional messages coming from online powerhouses. Therefore, business programs at second-tier institutions will increasingly need to rely on their alumni and donors to promote the university and establish relationships with local employers for job training.

Certificates/micro-credentials versus graduate degrees

Amoruso (2020) documents that many working adults want to increase their skills to secure reliable, in-demand jobs; however, they do not necessarily want to commit to traditional, two-year graduate programs. Indeed, many AACSB-accredited business schools are offering graduate students certificate programs, “micro” master’s programs or micro-credentials, which typically focus on helping learners obtain specific skillsets, some of which may be “stackable,” meaning that students can count their credits toward a future formal degree program (De Novellis, 2021).

As universities look beyond the typical 18-to-21-year-old demographic for growth and potentially survival, they will need to create innovative curriculum programming that meets the needs of working professionals and lifelong learners. Furthermore, this new type of graduate programming will need to be acutely designed for practical, skill-based instruction, as adult learners are shying away from humanities and liberal arts programming as well as courses that have unclear or immediate learning outcomes.

From a business school administrative perspective, business certificates or micro-credentials could be a way to counterbalance revenue losses stemming from decreases in students pursuing two-year graduate degrees. Yet, given that many certificate and micro-credentials comprise three to five courses, while traditional two-year MBA programs comprise 10

to 12 courses, some business schools may be unable to recoup lost revenue. In addition, domestic students cannot obtain financial aid for certificate or non-degree, micro-credential programs, nor do these programs attract much interest from international students who tend to pursue two-year, full-time MBA degrees. Last, because certificate programs have significantly fewer courses than traditional MBA programs and because many of the courses constituting skill-focused certificate programs are often taught best by practitioners, universities may have less of a need to employ faculty with terminal degrees.

Massive open online course MBA

In addition to the emergence of MBA programming at powerhouse universities, MBA programs are also being offered via massive open online course (MOOC) platforms – most notably, via Coursera and EdX. For example, via Coursera, students can obtain MBA degrees from the University of Illinois (AACSB-accredited) at a cost of US\$21,744 or from Macquarie University (AACSB-accredited) at a cost of \$33,000 AUD; via EdX, students can obtain MBA degrees from Boston University (AACSB-accredited) at a cost of \$24,000. Both University of Illinois and Boston University laud that they have delivered on their promises to democratize higher education by making their MOOC MBA programming accessible (e.g. instant enrollment), convenient (e.g. mobile device friendly), affordable and easier to obtain, with the elimination of standardized tests, such as the GMAT or GRE. These MOOC MBA programs seem to be in the “\$20K club.”

Massive open online courses and certification

Although sites such Coursera and EdX are hosting entire MBA programs, they are also allowing learners to enroll in single courses, many of which are stackable into micro-credentials and certificates. Indeed, in 2019, the top five MOOC platforms (i.e. Coursera, EdX, Udacity, FutureLearn and Swayam) partnered with 900 higher education institutions worldwide to launch more than 2,500 new courses, 11 online degrees and 170 micro-credentials (Bisoux, 2020). The impact of MOOCs on traditional university business education cannot be overstated. For example, Coursera offers learners access to hundreds of free courses, while learners can obtain certificates from AACSB-accredited institutions for \$29 to \$100 per course, as well as low-cost undergraduate and graduate business degrees.

A relevant question for educators is whether MOOCs represent a threat to higher education or a potential educational partner. Regardless of the answer, MOOCs are attracting non-traditional students who were overlooked by traditional universities – namely, learners who want to pursue alternative credentials for skill development and career enhancement. Furthermore, MOOCs have shown university administrators that many learners no longer see value in the “bundle” of required programming that characterizes traditional undergraduate and graduate business programming or the plethora of offered services, such as fitness centers, libraries, health care, career centers, student support and the like, that often go unused. Rather, many learners want to pay an educational provider only to teach them a specific skill that they

deem valuable and to do so in a way that they are not obligated to pay for anything else, including exorbitant fees for unused and undesired services (Craig, 2020).

Grow with Google

As we have previously discussed, economic uncertainty and high levels of unemployment stemming from the global pandemic are encouraging many working professionals, non-traditional students and teenagers who no longer see value in pursuing traditional four-year undergraduate education to consider obtaining technical training to upskill and to obtain high-paying, in-demand jobs. Although many certificate and micro-credential programs may serve this growing demand for practical skills, Google's Grow with Google educational initiative will likely present a formidable challenge to higher education (Amoruso, 2020).

At present, Grow with Google offers learners opportunities to obtain career certificates in IT support, data analytics, project management, UX design and android development as well as free training in specific skills (e.g. using Google Ads or Meet). Furthermore, Google's certificates can be obtained via Coursera's platform at a cost of \$39 per month, with the company reporting that the average cost of a certificate is less than US\$300. Last, Grow with Google links learners with employment opportunities via its Google Career Certificate Consortium. This consortium currently consists of more than 130 US companies, including Walmart, Best Buy, Bayer, Duke Energy, Deloitte, SAP and T-Mobile. As a result, Grow with Google users have an immediate path to meaningful employment.

Research shows that first-generation students often have limited personal connections to leverage in their job searches and thus rely on universities and college to assist them with professional and career development (EAB, 2021). In essence, Grow with Google offers traditionally underserved students exactly what they seek – clear employment outcomes and career programming at a fraction of the cost of a four-year, full-time undergraduate degree.

We urge business school administrators to recognize Grow with Google as a viable opportunity to students who are seeking skills in operations management, e-commerce and data analytics. Furthermore, we speculate that Grow with Google will continue to disrupt higher education by carving out niches in other high-demand areas, including accounting and health care.

Outsourcing MBA instruction to organizational adjunct services

In addition to MOOCs offering courses that were once taught only by traditional universities, professional educational service providers, such as Podium Education, that partner with colleges and universities to deliver online programming have emerged. On the one hand, universities have usually relied on practitioners to serve as adjunct instructors because they had expertise in a certain area (i.e. instructional practitioners). On the other hand, organizations such as Podium Education are now serving in this role by providing organizational adjunct services in high-demand, skill-focused areas, such as digital marketing, data analytics, Web development and technology

operations. Universities and colleges act as a conduit by bringing their students into online settings, which are, unbeknownst to students, operated by third-party, organizational adjunct services.

This does not mean that organizational adjunct services are a threat to traditional universities. However, nothing prevents these service providers from entering the certificate/micro-credential market and bypassing universities altogether to offer relevant, skill-based curriculum programming to learners via online delivery. Indeed, as students increasingly focus on skill-based badges and certificates as evidence of learning, skills that demonstrate their core competences will take precedence over where those skillsets were obtained.

Business education relevancy – practice to theory and back

This discussion highlights the reality that contemporary business students are looking to educational providers, including both traditional degree-granting institutions and newer types of providers, such as Google or those, whether AACSB-accredited or not, hosted on MOOCs, to obtain skills that lead to clear pathways to meaningful employment. Unfortunately, we believe that many business educators who have been trained to focus almost exclusively on scholarship and research may be ill-prepared to meet learners' changing needs for practical, skill-focused business education.

Business education emerged in the USA at the beginning of the 20th century as a response to mass production and industrialization. At the time, pioneering business researchers had a vocational orientation, as they sought to answer questions that included fundamental understanding of topics such as how to sell, how to create an organization, how to bring products to the marketplace and how to engage in location analysis for organizational expansion. This vocational emphasis and how-to research approach served US employers through World War 2; however, the rapidly expanding US economy necessitated that business educators engage in, and prepare students for, occupations that required long-term strategic planning.

In response to the void in the US labor force skillset, the Ford Foundation played a key role in “reshaping America's graduate schools of management between 1952 to 1965 from a vocationally, disparate, but ‘successful’ field to a more academically and discipline based orientation” (Khurana et al., 2011, p. 1). More specifically, the Ford Foundation hired economists to produce the Gordon-Howell report, which recommended that business schools improve their weak scientific-based business education by drawing on economics (Khurana et al., 2011).

Similarly, the Carnegie Foundation also aimed to explore business education in the USA, and its efforts yielded publication of the book *The Education of the American Businessmen* by Frank C. Pierson in 1959 (Roos, 2014). This book concluded that the American business education should be as “rigorous as any other type of higher education, grounded in the more traditional disciplines, broad rather than narrow, and centered on the development of analytical thinking rather than skills and techniques” (Campbell, 1961, p. 311). Business instruction shifted from practice to theory as business scholars began publishing increasingly obscure research in journals that

had almost no value to real companies, while many tenured business professors lacked any work experience outside academia (Roos, 2014). Thus, business education in the USA became scientifically rigorous, but, in many ways, it also became increasingly irrelevant to employers.

Perhaps, the rise of non-traditional instructional institutions, such as Coursera, EdX, Udemy and Grow with Google, is a corporate backlash against staid business education, which often seems disconnected from employer needs. AACSB's (2020) recent standards adoption (which replaced its 2013 standards) suggests that the "pendulum has swung too far" and that business education will return to its practical origins. In particular, AACSB-2020 Standard 4 requires accredited business schools to ensure that their curricula offer learners currency, relevancy and competence.

Conclusion

The goal of this editorial was to highlight challenges that university and college administrators confront in their graduate business degree programming. Many of the drivers of change were in place before the onslaught of the COVID-19 global pandemic; the pandemic simply hastened the speed at which educational programming would undergo disruption. In a similar vein, companies such as Amazon.com, Uber, Airbnb, eBay, Netflix, Warby Parker and the like also have significantly disrupted once-staid service industries. Therefore, business school administrators should not be shocked by the growth of institutions and organizations that offer learners skills to obtain meaningful employment and to do so in a format that is convenient, easy to use and affordable.

Unfortunately, both business administrators and tenured business faculty must realize that unless they can respond to meet learners' expectations for relevancy, value and outcomes that are related to meaningful, in-demand employment, they too will soon confront their own demise. All service corporations must meet their customers' expectations to ensure satisfaction; the educational service industry is no exception. Time will tell whether traditional university and college business administrators have successfully responded to the changes occurring on their doorsteps; however, many of these doors will no longer exist.

References

- AACSB (2020), "2020 Guiding principles and standards for business", available at: www.aacsb.edu/-/media/aacsb/docs/accreditation/business/standards-and-tables/2020%20business%20accreditation%20standards.ashx?la=en&hash=E4B7D8348A6860B3AA9804567F02C68960281DA2
- Adams, M. (2020), "The demographic cliff is already here – and it's about to get worse", *EAB Expert Insight*, available at: <https://eab.com/insights/expert-insight/enrollment/the-demographic-cliff-is-already-here-and-its-about-to-get-worse/>
- Aldrich, E. (2020), "What a K-shaped recovery means, and how it highlights a nation's economic inequalities", *Business Insider*, available at: www.businessinsider.com/k-shaped-recovery-definition
- Amoruso, S. (2020), "The future of non-degree certificates", *EAB Insights*, available at: <https://eab.com/insights/daily-briefing/adult-learner/the-future-of-non-degree-certificates/>
- Bisoux, T. (2020), "Clearing the way for adult learners", *BizEd Magazine*, available at: <https://bized.aacsb.edu/articles/2020/september/clearing-the-way-for-adult-learners>
- Byrne, J.A. (2019), "MBA in decline? Not at top-tier schools", *Poets&Quants*, available at: <https://poetsandquants.com/2019/02/04/mba-in-decline-not-at-top-tier-business-schools/3/>
- Campbell, R. (1961), "Reviewed work: the education of American businessmen. by frank C. Pierson", *Industrial and Labor Relations Review*, Vol. 14 No. 2, pp. 310-312.
- Craig, R. (2020), "The great unbundling of higher education starts now", *Forbes*, available at: www.forbes.com/sites/ryancraig/2020/07/24/the-great-unbundling-of-higher-education-starts-now/?sh=7a9a89216ed2
- De Novellis, M. (2019), "MBA vs master's: why some business schools are closing their MBA programs", *AACSB Insights*, available at: www.aacsb.edu/insights/2019/may/mba-vs-masters-why-some-business-schools-closing-mba-programs
- De Novellis, M. (2021), "Microcredentials: staying competitive among rising business education disruptors", *AACSB Insights*, available at: <https://aacsb.edu/insights>
- EAB (2021), "Transforming the first-generation college student experience toolkit", available at: <https://eab.com/research/student-affairs/toolkit/transforming-the-first-generation-college-student-experience-toolkit/>
- Entrepreneur Staff (2021), "'MBA graduates may be good at PowerPoint, but they don't know how things work,' Elon Musk says", *Entrepreneur*, available at: www.entrepreneur.com/article/364969
- Ethier, M. (2020), "What it now costs to get a top-25 MBA degree", *Poets&Quants*, available at: <https://poetsandquants.com/2020/11/02/covid-slows-but-cant-stop-the-rising-cost-of-a-top-25-u-s-mba-program/>
- Galloway, S. (2021), "Higher Ed 2.0 (what we got right/wrong)", available at: www.profgalloway.com/higher-ed-2-0-what-we-got-right-wrong/
- Gee, K. (2019), "More universities shut down traditional M.B.A. programs as popularity wanes", available at: www.wsj.com/articles/more-universities-shut-down-traditional-m-b-a-programs-as-popularity-wanes-11559727000
- Haden, J. (2020), "Elon musk says 'too many MBAs' run companies. It's time to rethink B-school", *Inc.*, available at: www.inc.com/jeff-haden/why-elon-musk-says-there-are-too-many-mbas-running-companies.html
- Khurana, R., Kimura, K. and Fourcade, M. (2011), "How foundations think: the ford foundation as a dominating institution in the field of American business schools", *Harvard Business School Working Paper*, pp. 11-070.
- Lederman, D. (2020), "The biggest movers online", *Inside Higher Ed*, available at: www.insidehighered.com/digital-learning/article/2019/12/17/colleges-and-universities-most-online-students-2018
- Meltzer, T. (2020), "Most affordable online MBA programs (AACSB-accredited)", available at: www.noodle.com/articles/cheapest-online-mba-programs-aacsb-accredited
- Moules, M. (2018), "UK universities use business schools as cash cows", *Financial Times*, available at: www.ft.com/content/05a18eac-47bf-11e8-8ee8-cae73aab7ccb

- National College Attainment Network (2021), "National FAFSA completion rates for high school seniors and graduates", available at: www.ncan.org/page/NationalFAFSACompletionRatesforHighSchoolSeniorsandGraduates
- Roos, J. (2014), "The renaissance we need in business education", *Harvard Business Review*, available at: <https://hbr.org/2014/07/the-renaissance-we-need-in-business-education>.
- Thomas, P. (2020), "M.B.A. programs across the globe anticipate drop in fall enrollment", *Wall Street Journal*, available at: www.wsj.com/articles/m-b-a-programs-across-the-globe-anticipate-drop-in-fall-enrollment-11588952426
- UNICEF (2021), "114 Million children still out of the classroom in Latin America and the Caribbean", *UNICEF*

Press Release, available at: www.unicef.org/press-releases/114-million-children-still-out-classroom-latin-america-and-caribbean

Further reading

Bowen, M. (1978), *Family Therapy in Clinical Practice*, Jason Aronson, New York, NY.

Corresponding author

Mark Scott Rosenbaum can be contacted at: dr.markrosenbaum@gmail.com

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com