



# THE CHANGING SHAPE OF BUSINESS EDUCATION PROVISION

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Research partner:



# INTRODUCTION

The Chartered ABS sought to examine the future of business education provision in the UK, specifically the entrance of new providers into the market as well as forecast trends which business schools will need to respond to in the context of the changing competitive environment.

Specifically, the project sought to review the activities of:

- New entrants and 'alternative' providers
- Consultancies
- Further education colleges
- Online providers

The study sought to further review:

- Future scenarios for market development
- The potential impact of technology
- The disruptive influences coming in 10-15 years
- The impact on models and modes of delivery of business education

CarringtonCrisp were commissioned to conduct desk research to identify the types of providers operating in the UK marketplace, gathering information from publicly available sources to define shifts already taking place in the market and those likely to happen in the next few years. Where available the review sought to gather the following data on providers:

- Courses offered
- Fees
- Delivery models
- Number of students
- Type of students (such as domicile, entry requirement)
- Marketing and recruitment

Deans and Senior Managers at UK business schools were also asked a series of questions about their future expectations. Interviews were also conducted with a small number of new providers in the UK marketplace.

"The idea that we're preparing kids to work as cogs inside of an organization might not be as realistic as it was in the past. If you look at Generation Z, 42% of them want to start their own business... Today, five kids with laptops and some server space on Google or Amazon can start whatever they want."

**Jaime Casap, Chief Education Evangelist, Google**  
Wharton Reimagine Education conference, February 2016

## The current trends in business education provision in the UK

Whether it is new entrants, international competitors, political decisions or the impact of technology, the future shape of UK business and management education may look very different to the past. No longer is the market just about traditional university education at degree level, 18 year old undergraduates or postgraduate Masters, MBAs and PhDs, supplemented with a sprinkling of non-degree executive education.

Today's business education marketplace is incredibly diverse. Delivery comes from a variety of organisations beyond traditional university business schools, with international universities, online providers, further education colleges, consulting firms and many more active in the market. The nature of delivery is incredibly diverse. Traditional degrees still dominate but learners might now be studying while working through an apprenticeship programme, they might be studying via a MOOC or another online qualification with delivery over their mobile phone, or they might be taking a micromasters or digital badge. The business education market has changed and there is more change to come.

Business has been the most popular subject at UK universities for many years with HESA recording 342,970 students at all levels in 2017/18. Until recently, business courses dominated the UK postgraduate market. Numbers in undergraduate and postgraduate populations declined after 2011/12 but have begun recovering in recent years, although international undergraduate student numbers from outside the EU have been virtually stagnant.



**Table 1: All Business & Administrative Studies students in the UK<sup>1</sup>**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
All Business & Administrative Studies students	363,860	337,245	336,600	326,875	326,345	333,295	342,970
Undergraduate	249,955	231,480	228,730	223,755	228,200	235,325	240,040
Postgraduate	113,910	105,770	107,865	103,115	98,150	97,970	102,930

**Table 2: All Undergraduate Business & Administrative Studies students in the UK split by domicile**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Non-European Union	43,240	45,430	47,520	45,390	44,675	44,700	44,835
Other European Union	18,450	16,355	15,765	15,585	16,430	17,950	18,950
United Kingdom	188,265	169,695	165,445	162,780	167,095	172,675	176,255
Grand Total	249,955	231,480	228,730	223,755	228,200	235,325	240,040

**Table 3: All Postgraduate Business & Administrative Studies students in the UK split by domicile**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Non-European Union	59,170	56,220	58,055	55,765	53,150	50,355	54,865
Other European Union	9,650	8,450	8,865	8,735	8,320	8,545	8,310
United Kingdom	45,090	41,100	40,945	38,615	36,680	39,070	39,755
Grand Total	113,910	105,770	107,865	103,115	98,150	97,970	102,930

Consulting companies such as KPMG and EY now offer their own executive programmes; LinkedIn has LinkedIn Learning; companies like Coursera are partnering with schools to develop MOOCs and online degree offers; while edtech start-ups are disrupting the industry by offering microlearning and 100% online business education – often at a fraction of the price of a traditional business school.

Other factors are important too: Brexit and a host of other concerns around student recruitment, research funding and faculty retention. Regardless of Brexit, the UK is no longer an island when it comes to business education.

Business education has been an international market for many years and that fact is only being reinforced year-on-year. More than perhaps ever before, UK business schools will have to look beyond the UK and Europe to see the competition they face. Whether it is North America, Asia or elsewhere, challengers intent on benefiting from the growth in international student numbers are increasingly competing with UK business schools. Add in a raft of international providers unbound by geography and using technology to deliver anytime, anywhere and the market for business education can be seen to be changing rapidly.

<sup>1</sup> Higher Education Statistics Agency, 'Table 22 - HE student enrolments by subject of study and domicile 2014/15 to 2017/18', published January 2019 <https://www.hesa.ac.uk/data-and-analysis/students/what-study>. Data for 2011/12 to 2013/14 taken from HESA public data releases from prior years. The figures are for full-time and part-time enrolments combined.



## The changing international marketplace for business education provision

For many years, business schools in the UK have attracted large numbers of international students. Recent UNESCO forecasts suggest that international student numbers are set to rise over the next 20 years; the number of tertiary students worldwide is estimated to grow from 214.1 million in 2015 to 594.1 million by 2040.<sup>2</sup>

While numbers are forecast to grow, the source of international students is likely to change. The populations of India and China mean that they will continue to be sources of large numbers of students, political decisions aside. In India, the government is looking to increase the engagement rate of 18 year olds in higher education by 5% to a total of 30%; every 1% increase adds another 300,000 students to higher education. However, whether they choose the UK as a study destination is less certain.

Curtailment of post-study work visas in the UK significantly reduced Indian student numbers until 2016/17 when numbers began rising for the first time since 2010/11.<sup>3</sup> While Chinese numbers in the UK have remained high, the quality of Chinese business schools has been growing in recent years offering students greater opportunities to study at home. In 2008 three business schools from China and Hong Kong were in the top 100 of the FT Global MBA rankings, by 2018 there were seven schools. Looking further afield, in 2008 only five business schools from outside North America and Europe made the FT's Global MBA ranking. In 2018 the number stands at seventeen.

At the same time birth rates, even in emerging economies, have been tumbling. Malaysia, India, China and Bangladesh have all seen birth rates fall by half or more in the last 50 years,<sup>4</sup> meaning potential student numbers being smaller in the future. Although birth rates have fallen, the sheer size of the populations of young people compared with the higher education infrastructure currently available means that demand is likely to outpace supply within these countries.

The ability for UK business schools to attract international students are potentially further affected by the growing competition from Australia, Canada, and across Europe in particular. Challenger business schools from across Asia and, increasingly, Latin America also have been making steady inroads and are increasingly well-funded and staffed. Brexit may also impact international recruitment further, but any impacts are currently being offset by the weaker exchange rate which has made it cheaper for international students to study in the UK.



<sup>2</sup> 'Massification of Higher Education Revisited', Angel Caledron, RMIT University, June 2018

<sup>3</sup> Higher Education Statistics Agency; 'Where do HE students come from?' First year non-UK domicile students by domicile, Academic years 2006/07 to 2017/18, published January 2019 <https://www.hesa.ac.uk/data-and-analysis/students/where-from>

<sup>4</sup> Fertility rate, total (births per woman), World Bank

## Disruption in work, life and learning

EY's recent report on *'The University of the Future'* asks "what can the universities of today do in order to lead learning for tomorrow?" The report suggests this is a "transformative age" where there will be seismic shifts in how we live, work and play. In a 2018 CEO survey carried out by PWC,<sup>5</sup> 69% of UK CEOs said that emerging technologies will impact their business in the next five years, believing that there is a "need to identify and acquire key skills and to make disruptive technologies work to achieve competitive advantage."

CarringtonCrisp's *'Tomorrow's MBA'* report in 2018 stated that 'Technology Management' had replaced entrepreneurship in the top three subjects deemed important in an MBA curriculum. Future students are clearly aware of the need to understand how technology is shaping our futures. The McKinsey Global Institute report on *'What the future of work will mean for jobs, skills and wages'* in November 2017 stated that "Workers of the future will spend more time on activities that machines are less capable of, such as managing people, applying expertise, and communicating with others. They will spend less time on predictable physical activities and on collecting and processing data, where machines already exceed human performance. The skills and capabilities required will also shift, requiring more social and emotional skills and more advanced cognitive capabilities, such as logical reasoning and creativity."

Ultimately, the shape and success of business education in the UK will depend on the success of domestic and global economies. A pre-requisite for economic growth is a workforce equipped with the appropriate skills and knowledge, and this will in turn stimulate demand for training and development. McKinsey has previously estimated that global consumption could grow by \$23 trillion between 2015 and 2030 with much of it coming from emerging economies.<sup>6</sup> As a consequence, 250 million to 280 million jobs could be created through the demand for consumer goods with a further 50 million to 85 million jobs generated from higher health and education spending. At the same time, life expectancy is growing, again driving demand for healthcare, while large young populations means greater demand for higher education.

Many of these new jobs could be filled by people moving from occupations now in decline. It is suggested that as many as 375 million workers may need to switch occupations and, consequently, need to learn new skills. Understanding where new jobs may be created and the skills that those jobs will require provides a guide for business schools considering new offers whether these are traditional degrees, blended models, online programmes, short-courses leading to certification, executive education, or a combination of some or all of these.

McKinsey conclude that when net changes are considered across all countries, the categories with the highest percentage job growth net of automation include the following:

- Healthcare providers
- Professionals such as engineers, scientists, accountants, and analysts
- IT professionals and other technology specialists
- Managers and executives, whose work cannot easily be replaced by machines
- Educators, especially in emerging economies with young populations
- 'Creatives', a small but growing category of artists, performers, and entertainers who will be in demand as rising incomes create more demand for leisure and recreation
- Builders and related professions, particularly in the scenario that involves higher investments in infrastructure and buildings
- Manual and service jobs in unpredictable environments, such as home-health aides and gardeners

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<sup>5</sup> 'HE Matters Technology' PWC, Spring 2018

<sup>6</sup> 'Urban World: The Global Consumers to Watch', McKinsey Global Institute, April 2016

So – what does the future hold for the UK's business schools? How are they responding? What is concerning them? And how is the market likely to evolve as a result?

In the introduction to GeorgiaTech's *'Deliberate Innovation: Lifetime Education'* report, Rafael Bras, the school's Provost says, "In 40 years in academia, I have never experienced a faster pace of change. I am convinced that the future belongs to those institutions that are nimble enough to stay in front of the wave of change and, more importantly, help define what will be next in education."

And perhaps this is the key. In its 2017 report, *'A Collective Vision for Business Education'* AACSB says there is a distinct opportunity for business schools to be at the forefront of the changes in working lives and education. The report stated that business schools "must see themselves as co-creators of knowledge, become hubs for life-long learning, be leaders on leadership, act as catalysts for innovation and enable global prosperity."

To achieve this, the report says that business schools must actively drive innovation in higher education, stating: "Business schools cannot evolve independently of higher education, but they can help lead the transformation. They have an opportunity to be active participants and leaders in the creation of the new systems, standards, and traditions within which they will operate and compete. New approaches to education, knowledge creation, and outreach will require different faculty and staffing models, educational and credentialing models, and funding models, as well as more interdependencies than independence."



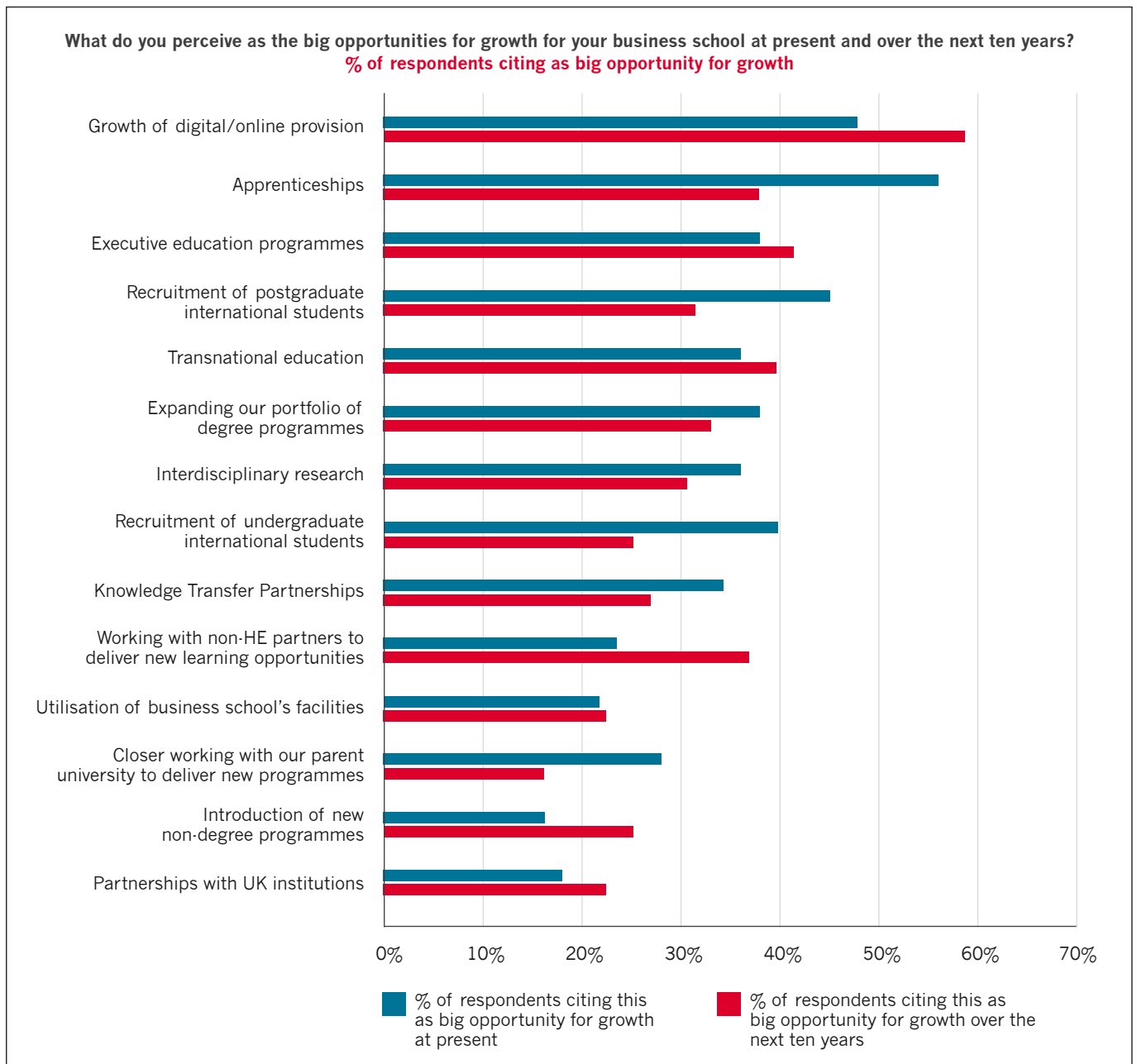


# THE INSIDE TRACK – THE VIEW FROM BUSINESS SCHOOLS

In support of this study representatives of UK business schools were surveyed on how they are responding to the changing trends in the delivery of business and management education. Questions were asked of Deans and Senior Managers through the Chartered ABS Annual Membership Survey conducted in September 2018 and at a meeting of Deans at the Chartered ABS Annual Conference in November 2018.

The respondents were asked questions on growth opportunities now and in the next ten years; plans to offer new products; approaches to the delivery of online learning products; and models adopted to meet employers' changing skill demands. This section presents the key findings from the two surveys.

**Figure 1: Big opportunities for growth for business schools at present and over the next ten years**



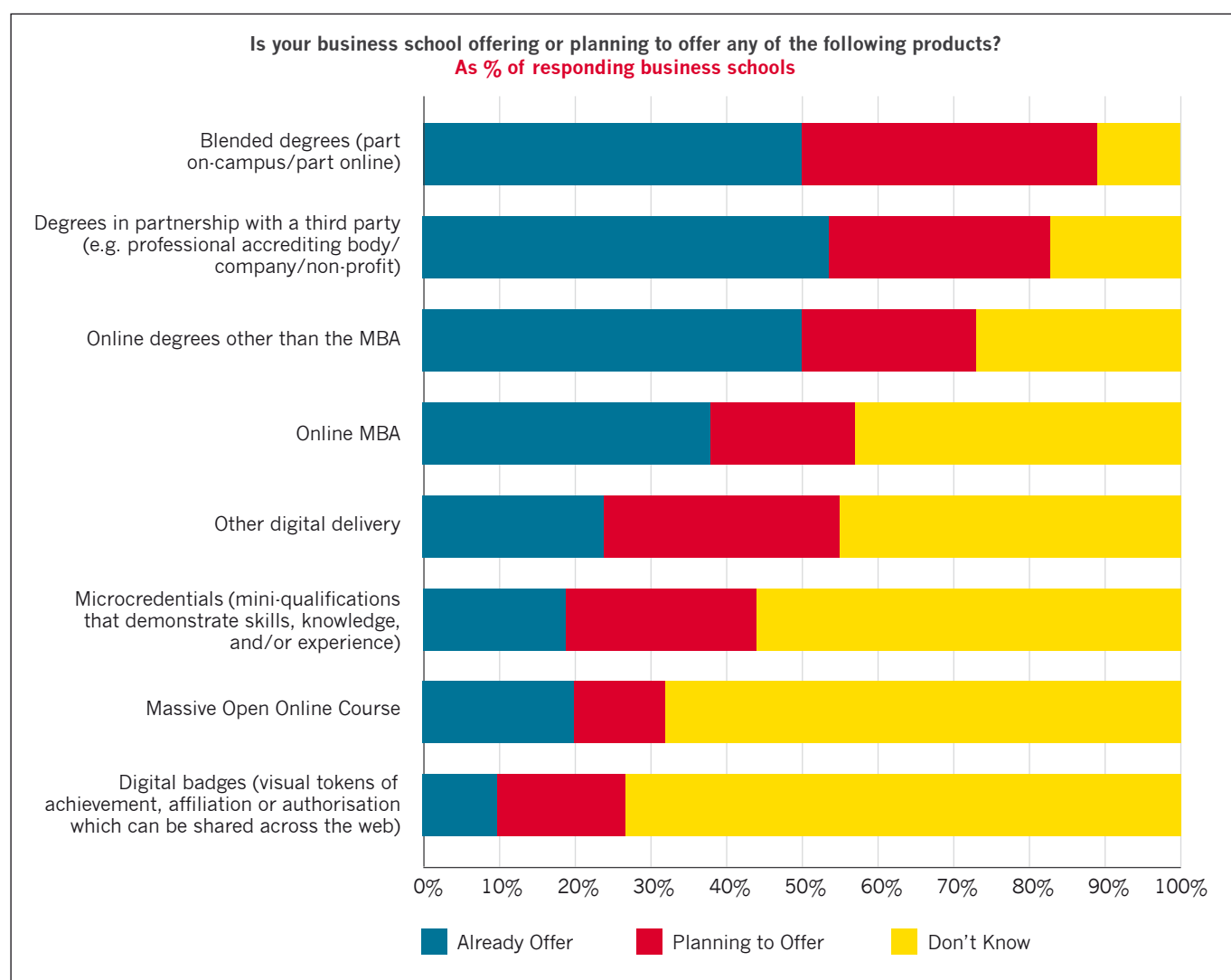
The external challenges facing business schools today might mean that opportunities to attain a competitive advantage have been pushed down the agenda. However, the results show that business schools are aware of the new models of business education and the need to diversify their offer. There is recognition of the growth potential in the provision of online courses, with 59% of respondents citing digital/online provision as a big opportunity for growth over the next ten years and half seeing it as a growth opportunity at present.

Apprenticeships were cited most frequently as being a growth opportunity at present (56% of respondents), but only 38% saw it as a big opportunity over the next ten years, perhaps reflecting the uncertainty around the degree apprenticeships initiative. The data for the survey was collected in September 2018 and the result would perhaps now be different following announcements to curb levy spending on some apprenticeship programmes.

According to research by TES over 1,400 students are expected to enrol in levy-funded MBA programmes in the 2018/19 academic year, with many schools creating specific MBA programmes that comply with the levy requirements (businesses can spend the money on MBAs but only to a value of £18,000 per employee).

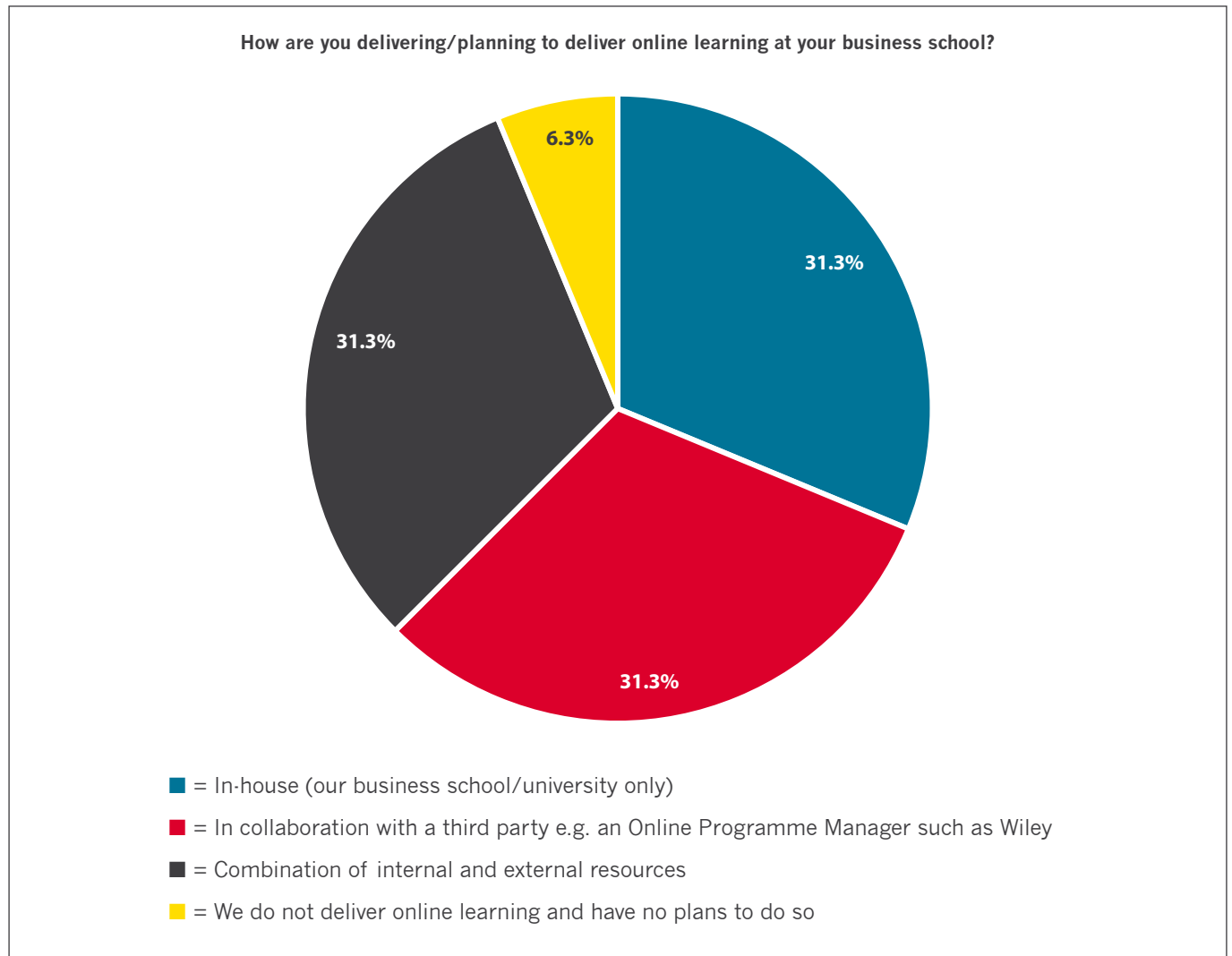
International recruitment continues to be seen as holding significant growth potential, at least in the present, with 45% and 40% of respondents citing this opportunity at postgraduate and undergraduate level, respectively. Executive education programmes were also frequently cited as a big growth opportunity both now (38%) and over the next ten years (41%).

**Figure 2: Plans for new products and programmes**



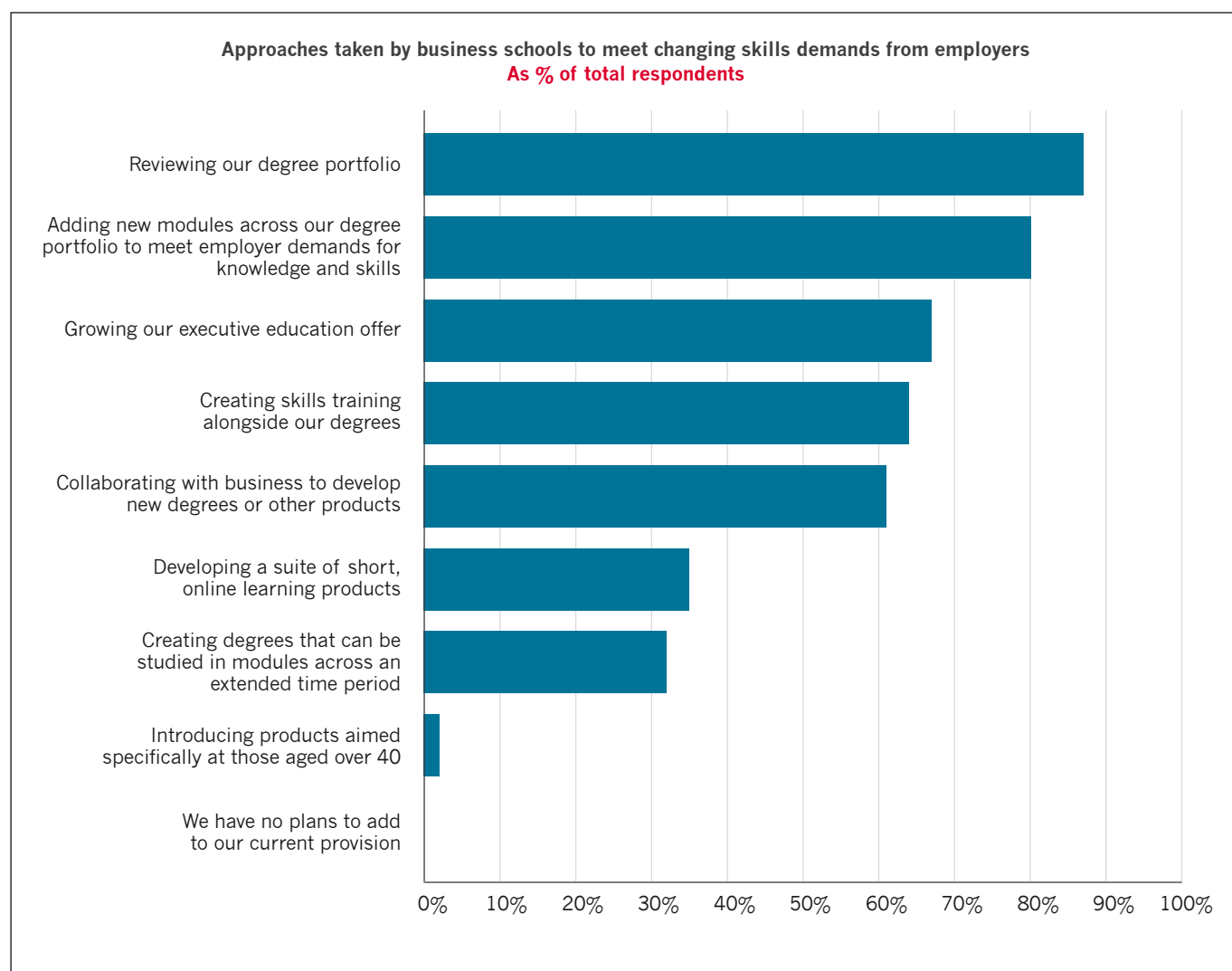
The nature of course delivery by UK business schools is already responding to the transformation in technology and the demand for more varied offerings. Almost nine out of ten (89%) business schools in the UK either already offer or are planning to offer blended degrees with part online and part on campus study. Further indications of innovation are also evident – half the respondents already offer an online degree that isn't an MBA and 38% have an online MBA. However, only 20% deliver a MOOC, 19% offer a microcredential and 10% provide digital badges.

**Figure 3: Resourcing online delivery**



When business school Deans were asked how they delivered, or were planning to deliver, online learning the results were evenly split between handling the delivery in-house, working in collaboration with a third party such as an Online Programme Manager (OPM) and making use of a combination of resources, both in-house and external.

**Figure 4:** How business schools are meeting changing skills demands from employers



Business school Deans were also asked how they are responding to changing demands from employers for graduate skills. Inevitably, the vast majority (87%) have begun by reviewing their degree portfolio, while 80% are adding new modules to degrees to fulfil employer demands for knowledge and skills.

Just over two-thirds are growing their executive education offer and 65% are creating skills training alongside their degree programmes. Much of this change might be described as mainstream, but innovation is also present. Around a third (35%) are developing a suite of short, online products, while 33% are creating degrees that can be studied in modules across an extended time period. Just over six out of ten (61%) respondents are collaborating with businesses to develop new degrees or other products.

There is a clear financial imperative for schools to work with an OPM to deliver digital learning. Although an OPM will take a large part of the fee income from students, they will also remove the need for heavy technical investment by a business school and significant expenditure on marketing, recruitment and admissions.



**Table 4:** On a scale from not at all likely to very likely, please indicate your thoughts on the likelihood of the following statements becoming a reality in the next 10 years?

Hypothesis	% of total respondents believing statement is quite or very likely to become a reality
Business school product offerings will have to evolve to meet the rapidly evolving skills required by successful businesses	96%
To grow our business school we will introduce new products to meet growing interest in lifelong learning	80%
UK business schools will grow their transnational education, leveraging their brand strength to open further overseas campuses	77%
Online provision is likely to replace some current face-to-face degrees entirely	69%
A small number of UK business schools are likely to abandon research and become teaching only institutions	64%
The growing number of alternative and international providers entering the UK business education marketplace is likely to lead to closure or mergers of existing UK business schools	61%

Business school staff were asked to consider future scenarios as to how the provision of business and management education may evolve over the next ten years. Almost all the respondents (96%) indicated it was quite or very likely that 'Business school product offerings will have to evolve to meet the rapidly evolving skills required by successful businesses'.

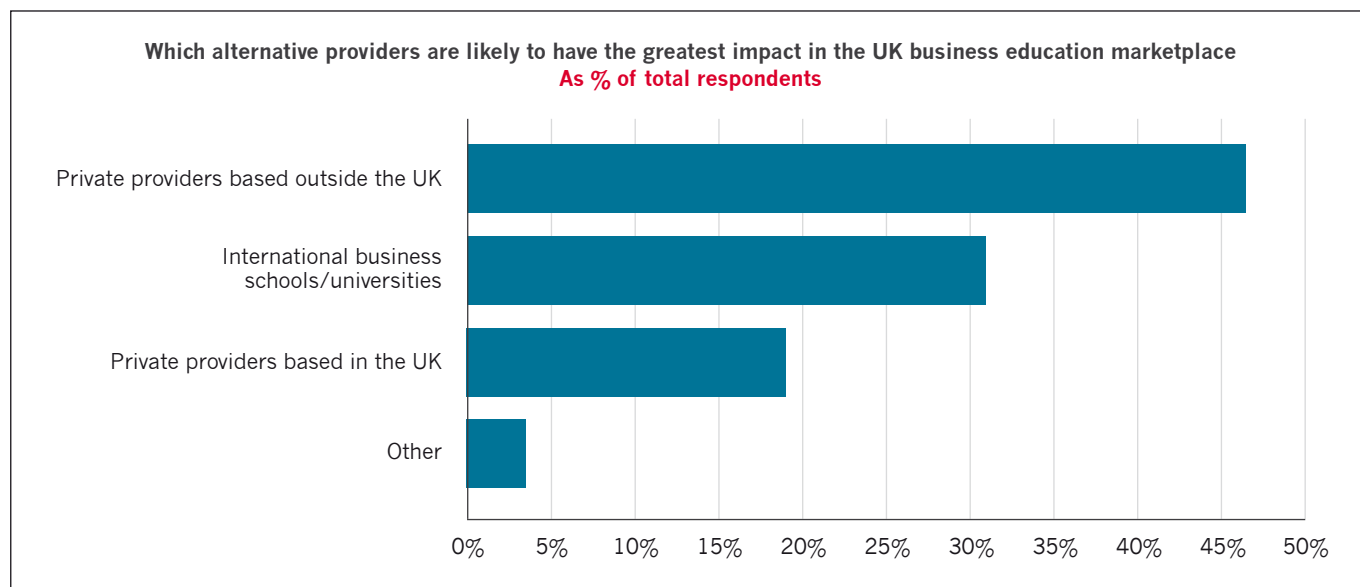
Eight out of ten agreed that it was very likely or quite likely that 'To grow our business school we will introduce new products to meet growing interest in lifelong learning'. Much has been written about the '100 year life' in recent years, the idea that more people will live longer in future. One consequence will be the need to change careers and retrain to acquire new skills which offers a considerable opportunity for business schools who can develop offerings distinct from traditional undergraduate or postgraduate degrees.

Again, digital and remote learning will help to drive this trend as workers increasingly opt to engage in some form of flexible on-going education, rather than taking an undergraduate degree at 18, and then perhaps supplementing it with a Master's of some kind in their twenties or early thirties. Microlearning fuelled by apps, alternative credentials such as Mozilla's 'Open Badges' offering, and MOOCs are all feeding a culture of continuous professional development that caters to workers' schedules and is less expensive than traditional degrees.

More than three-quarters (77%) of respondents suggest it is very likely or quite likely that 'UK business schools will grow their transnational education', and a possible consequence of Brexit may be that it becomes harder to attract international students to the UK. It is perhaps unsurprising that in response UK business schools are considering other ways to leverage their strong brands within the international context.

The expectation that technology will be a disruptive influence is also clear, with 69% of respondents agreeing that 'Online provision is likely to replace some current face-to-face degrees entirely'. The impact may be dramatic for some business schools; just over six out of ten (61%) of the survey respondents believe that 'The growing number of alternative and international providers entering the UK business education marketplace is likely to lead to closure or mergers of existing UK business schools'.

**Figure 5:** The impact of alternative providers on the UK business education marketplace



However, when asked which categories of alternative providers would have the greatest impact in the UK business education marketplace over the next ten years, almost half (46%) stated private providers based outside the UK, followed by international business schools/universities (30%).



# THE NEW MARKET

## Further Education providers

In recent years a number of further education colleges have sought to enter the higher education market. In March 2017 there were 241 further education or sixth form colleges (FECs) delivering higher education. This includes providers that are directly funded by the OfS and those that deliver higher education through a sub-contractual arrangement.

A majority of students at FECs are registered on undergraduate courses other than first degrees, such as foundation degrees, Higher National Diplomas (HNDs) and Higher National Certificates (HNCs). In 2016/17 this was more than three-quarters of all undergraduate students taught at FECs.<sup>7</sup> There have been increases in the number of students starting courses at all levels at FECs in the past decade, but the relative increase has been greatest for foundation degrees. The number of students starting these courses was 75% higher in 2016/17 than in 2007/08. There has also been a large increase in entrants to HND courses. The number of students starting HNDs increased by 10% in 2016/17 compared with the previous year, and the number of entrants has more than doubled since 2010/11.

While foundation degrees and HNDs have not historically been large markets for university-based business schools, the growth in these awards may lead to lower numbers taking traditional Bachelor degrees and impacting on university-based business school numbers. Some of those securing a qualification in a FEC may look for further learning in their late twenties and beyond as they require higher qualifications to progress in their career, in turn creating new opportunities for university-based business schools.

The Department for Education and the Education and Skills Funding Agency provide data on learners who are studying on a course at a further education college, learners studying courses within their local community, employees undertaking an apprenticeship, and employees undertaking other qualifications in the workplace.<sup>8</sup> In 2017/18 the data found that on all government funded courses taught in further education providers (this includes colleges as well as private training providers) there were 49 business or business-related courses offered at Level 5 or Level 6, covering everything from an NVQ Certificate or Diploma, to a foundation degree, an apprenticeship degree, and BA (Hons) degrees. The Level 5 and 6 regulated courses had 25,360 learners in 2017/18, the vast majority of which are learning as part of an apprenticeship. There were 23,550 enrolments at Level 5 and 1,810 at Level 6, with the latter consisting of 550 enrolments on undergraduate degrees that are not degree apprenticeships.

**Table 5: FE colleges - profile of provision in business and management education**

Level of qualifications offered	Typical business subjects offered	Total number of business students enrolled	Typical student profile	Teaching delivery
Level 5: Foundation degrees Diplomas NVQ Diplomas BTEC Diplomas  Level 6: Undergraduate degrees Degree apprenticeships Advanced Diplomas	Business Studies, Accounting, HRM, Marketing	Level 5: 23,550 Level 6: 1,810 Total at Levels 5 and 6: 25,360	UK-based students aged between 16 and 25	Predominately classroom-based

<sup>7</sup> Further Education Colleges, Key Facts 2016-17; HEFCE, March 2017

<sup>8</sup> FE and Skills, National Aims Report 2016/17 to 2017/18, Department for Education

## The apprenticeships marketplace

There were 375,800 apprenticeship starts across all levels in 2017/18. This is a drop of 25% on the 2016/17 numbers, although starts at Level 4 or above rose from 36,600 to 48,200.<sup>9</sup> Of the 375,800 starters in 2017/18, 111,100 (30%) were in business, administration and law, down 27,380 from the previous year.<sup>10</sup> Starts at higher business courses (Level 4+) increased from 18,200 to 27,100 between 2016/17 and 2017/18. For degree apprenticeships (Levels 6 and 7) the most popular courses are:<sup>11</sup>

- Chartered Manager – 34% of all degree apprenticeship entrants
- Digital and Technology Solutions Professional – 29% of entrants

On their website, the CMI list 57 providers of the Chartered Manager Degree Apprenticeship, of which 44 are universities. It lists 29 providers of the Senior Leaders Master's Degree, all of which are universities or university colleges. There are 71 providers of the Team Leader and Operations Manager Apprenticeship, which are a mix of mainly colleges and training companies with a couple of universities.

Many business schools have entered the degree apprenticeship market, offering products at both undergraduate and postgraduate level. The most up to date Register of Apprenticeship Training Providers lists over 100 UK universities as providers alongside corporates such as Ernst & Young, Barclays, John Lewis and Virgin Atlantic, and more than 2,000 other training providers.

However, the apprenticeship market may not be as lucrative as some schools anticipated. Coverage of the apprenticeship marketplace in FE Week in November 2018 stated, "The Institute for Apprenticeships is forecasting a £500 million overspend on the levy budget by July 2019, rising to £1.5 billion for the year ending July 2021."

There is uncertainty that in future funding would be refocused on training for young people entering the labour market rather than adults seeking management degrees. The amount of funding business schools will receive for delivering Chartered Manager Degree Apprenticeships has also been cut by £5,000 to £22,000.

Universities seeking to build a strong presence in the apprenticeship marketplace may have to think beyond traditional degree apprenticeships programmes if they are to create a significant income stream. Use of the levy to fund management development with the objective of growing economic productivity makes sense, but it may take some time for a stable model to evolve.

**Table 6: Apprenticeships - profile of provision in business and management education**

Level of qualifications offered	Typical business subjects offered	Total number of business students enrolled	Typical student profile	Teaching delivery
Intermediate (Level 2), Advanced (Level 3), Higher (Level 4+), Degree (Levels 5-7)	Business administration, accounting, finance, management and leadership	Intermediate: 36,900 Advanced: 47,000 Higher: 27,100 Degree: 1,110	Below degree level students are typically UK-based and aged between 16 and 25.  For degree apprenticeships the profile is more varied and includes senior staff well-established in their careers.	Predominately classroom-based

<sup>9</sup> 'Apprenticeship Statistics: England', House of Commons Briefing Paper No. 06113, February 2019

<sup>10</sup> 'Apprenticeships provider type and sector subject area PivotTable tool: starts and achievements 2014 to 2015 to 2017 to 2018', Department for Education

<sup>11</sup> 'Analysis of degree apprenticeships', Office for Students, October 2018





## Alternative providers

Another part of the UK higher education marketplace is the 'alternative providers' sector. Essentially, 'alternative providers' are higher education providers who do not receive recurrent funding from the funding councils or other public bodies, and who are not further education colleges. In 2016/17, there were 51,930 undergraduate students on designated courses and 6,805 Masters taught students on designated courses at alternative providers with degree awarding powers. In total, there were 2,564,470 higher education students across all providers in the UK in 2016/17.<sup>12</sup>

Among the students at alternative providers, 26,355 were studying business and administrative studies according to HESA. In 2016/17, 6,645 first degrees were awarded from designated courses at alternative providers. HESA data shows that the largest alternative provider among the 95 listed in the UK is a specialist in business and administrative studies – BPP University.

Although alternative providers represent only around 2% of the total student population in the UK, it is clear that some operators have successfully scaled their model, growing beyond the size of some business schools. However, these operators and the other alternative providers face many of the same threats as traditional UK business schools.

While some may have teaching only models without the costs of large research faculties, they will still be impacted by international competition, by government policy, by technological change and shifting employer demands. The entry of further alternative providers to the market cannot be discounted and some may succeed in the same way that BPP has done. However, to build scale quickly in the UK business education market, especially among traditional undergraduate audiences, is likely to prove difficult.

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<sup>12</sup> <https://www.hesa.ac.uk/news/15-02-2018/sfr249-higher-education-student-statistics-APs>

## Consulting and professional services firms

The world's major professional services firms have historically been some of the business education sector's best friends – simultaneously providing students and hoovering up thousands of graduates between them annually. However in the last few years these, and other established professional services firms, have begun to set up their own executive education operations.

EY, for example, announced in September 2017 that they were setting up a series of global talent programmes – including LEAD, a “new global model for career, development and performance.” LEAD uses digital platforms and encourages real-time feedback across EY's global workforce of 250,000 people, enabling employees to “gain the insights they need to develop, grow their individual careers and prepare for the future of work.” Where previously EY employees might have headed to business school to brush up on skills, they'll now be able to do so, flexibly, without leaving their job, or even the office.

KPMG have entered the fray too – creating the KPMG Learning Academy which enables clients to “design and build effective, sustainable learning solutions centred on the learner experience.” Services range from standard e-learning modules through to “designing and implementing bespoke digital learning environments.” The KPMG Learning Academy uses its subject matter expertise together with learning design and technology skills and capabilities to deliver off-the-shelf digital, blended, and classroom training courses on a wide range of subjects through their dedicated, accessible online platform.

McKinsey has their ‘Academy’ which vows to “help organisations thrive by accelerating their talent advantage.” It even sounds like a business school's strap line! McKinsey says that its range of online programmes can help to solve the problems of digitisation, automation, the gig economy and an ageing workforce. In 2017 the consultancy launched a free trial of its new Business Strategy online course with over 10,000 students signing up in less than two weeks.

Technology is again at the fore of delivery, but combined with strong experiential learning. Offering over 350 in-person and digital modules, McKinsey uses internal resource in learning design and delivery, instructional designers, programme managers, operations experts and change facilitators to create its learning provision.

An on-going trend is for course content that accurately reflects what learners need for their careers. In recent years we have seen edtech platforms such as Axonify and Knewton emerge to deliver highly personalised programmes and content both for individuals and companies. A pilot of Axonify run by PWC recently demonstrated faster progress for over 25% of learners studying accounting.

Sally Jefferey, Global Education and Skills Practice Leader at PWC, states “I believe that tools based on neuroscience have the potential to really disrupt higher education. If you could provide each student with content that reflects what they genuinely need to learn, use gamification to engage them and then AI to fast track their progress, the potential for faculty liberation and curricula expansion is very promising.”

**Table 7: Consulting and professional services firms - profile of provision in business and management education**

Level of qualifications offered	Typical business subjects offered	Typical student profile	Teaching delivery
Employee development programmes	Talent development, business strategy	Employees already established in the corporate environment	Predominately online but with in-person teaching often delivered by internal experts

## Online providers

There is no hiding from the fact that online and edtech providers form the basis for the most radical disruption in the business education sector. Third-party edtech providers such as Wiley and the likes of Lynda from LinkedIn Learning mean one of the key themes for business schools in the coming years will be competition for UK institutions from overseas competitors who do not require students to be on campus in order to participate and learn.

There are a couple of key areas where such providers will impact higher education in particular – firstly in broadening student access to higher education, and also in the development and application of new technology. At the end of 2012, the New York Times published an article titled ‘Year of the MOOC’; the disruption of higher education had arrived and nothing would ever be the same again.

In February 2013, Professor Clayton Christensen at Harvard Business School stated, “I think higher education is just on the edge of the crevasse. Generally, universities are doing very well financially, so they don’t feel from the data that their world is going to collapse. But I think even five years from now these enterprises are going to be in real trouble.” However, the reality has been somewhat different.

MOOCs are still part of the changing edtech environment but they are only one component. Today, digital learning might mean an online or blended degree, but it could also mean a micromasters or a digital badge. Coursera, edX, FutureLearn, 2U and many more have grown their offer beyond MOOCs with most moving into online degree provision, executive education and more. Some have become Online Programme Managers, joined by the likes of Wiley, KeyPath and Higher Education Partners. In some cases, universities have struck out on their own to develop digital offers, while others have developed partnerships such as SEEK, which includes Swinburne University in Australia as one of its founding partners.

In January 2018, Indian firm Knowledge Sourcing Intelligence LLP forecast that the global online education market will have a compound annual growth rate of 10% between 2018 and 2023 growing from \$159.52 billion in 2017 to \$286.62 billion by 2023. In 2016, e-learning in higher education was estimated to be a \$17 billion market, 34% of the \$51.5 billion edtech market.<sup>13</sup>

At the end of 2017 there were estimated to be 9,400 MOOC style courses globally compared with only 1,200 in 2013. The total number of learners over the same period grew from 10 million to 81 million, while the number of universities offering MOOCs went from 200 to 800.

The Babson Survey Research Group reported in 2017 that distance enrolments in the US had increased for the fourteenth straight year in 2016 and that the most recent gain translates to over 30% of higher education students taking at least one distance education course.

AACSB, the business school accreditation body, collecting data from 459 schools found that there was a 54% growth in the number of business schools offering an online MBA between 2012/13 and 2016/17, from 91 to 140.<sup>14</sup> Overall, the proportion of online MBA programmes reporting application growth has risen from 39% five years ago to 50% globally in 2017, according to the Graduate Management Admission Council.

The development of the online learning marketplace has highlighted another group of potential students for business schools. While part-time student numbers have tended to decline in the UK in recent years, many of the users of Coursera programmes are adult learners who either didn’t complete a first degree, find they need additional skills and qualifications, or who wish to change career direction.

A market which was largely based around MOOC offers when it began growing around a decade ago is now being expanded by the introduction of both undergraduate and postgraduate degrees as well as short course skills development for employers and their staff. The changing nature of employment and the nature of services provided by business mean that there is a growing demand for efficient and flexible approaches to learning through online services.

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<sup>13</sup> ‘How Bertelsmann-backed Emeritus plans to make its mark in the ed-tech space’, VCcircle, August 2017

<sup>14</sup> ‘Number of schools offering online MBAs on the rise’, Financial Times, March 2018

To understand the potential of the edtech sector it is worth reviewing a few key pieces of data.

Eduventures reports that there are now more than 35 separate companies who provide online education services worth more than \$1.1 billion annually. In a separate study, Eduventures suggests that up to 80% of more than 2,600 colleges that deliver online courses outsource programme management with most of these services paid for in a tuition sharing model.<sup>15</sup> Eduventures also found that headcount in online courses increased by some 30% between 2011 and 2015, while the number of online programmes increased by 110%.<sup>16</sup> It is estimated that five providers - 2U, Academic Partnerships, Bisk, Pearson Embanet, and Wiley Education Solutions - control half the market.

**Figure 6:** Some of the firms active in the online education marketplace



One of the leading firms, 2U, now has a stock valuation of \$4.7 billion. In ten years, 2U has enrolled more than 38,000 students in 2U-administered degree programmes and is on track to generate as much as \$412 million in revenue this year. 2U recently acquired GetSmarter, a South African firm providing online learning opportunities. In October 2017, GetSmarter worked with Saïd Business School at the University of Oxford to deliver the Oxford Fintech Programme. The programme ran over 10 weeks and involved 12-15 hours study per week. At the start of the programme, just under 1,000 students had signed up for a fee of £2,500 per student.<sup>17</sup>

**Table 8:** Online providers - profile of provision in business and management education

Level of qualifications offered	Typical business subjects offered	Total estimated number of business students enrolled	Typical student profile	Teaching delivery
Undergraduate and postgraduate degrees, MOOCs, micromasters, digital badges	Business Strategy, Business Analytics, Business Management, Marketing and subjects related to Finance	Millions	Too broad to be defined	Fully online

<sup>15</sup> How Companies Profit Off Education at Nonprofit Schools; The Atlantic, June 2016

<sup>16</sup> 'The Evolution of Online Program Management'

<sup>17</sup> 'Fintech's first-year success'; Saïd Business School, October 2018



## Edtech case studies

Many of the large edtech providers are U.S.-based, but the nature of technology means learning is borderless and these companies may be partners or competitors for UK business schools. The information in this section is taken from the Class Central website and the websites of the respective providers.

### Coursera

Coursera was founded in January 2011 and by October 2013 already had 4 million sign-ups. At the end of 2017 Coursera had registered 30 million learners and as a business was reportedly valued at \$800 million. Coursera has more than 150 University partners, has delivered over 2,700 courses with in excess of 250 specialisations and now provide four fully online degrees with six more planned. Coursera report their audience profile as having an average age of 35 and average work experience of 14 years. Coursera also highlight the financial benefit of studying online, suggesting typical costs for their offer are \$22,000 compared with a traditional on-campus degree at \$52,000.<sup>18</sup>

### edX

edX, a partnership from MIT and Harvard, offers more than 1,900 courses to over 14 million learners. Instead of offering full degrees online edX introduced MicroMasters which allows a student to take the first third of a full Masters online; if they pass an exam they are eligible to turn the MicroMasters into a full Masters on campus.

### FutureLearn

While a small number of UK universities and their business schools are working with Coursera, edX and other providers based outside the UK, FutureLearn, the Open University-owned digital provider, now works with 40 UK universities. Other institutions have chosen to take their own initiative in developing online delivery. FutureLearn's audience is 61% female and 51% in work; 83% of users have a tertiary education; 68% of the audience is between the ages of 26 and 64; and 56% of learners hadn't taken an online course before their experience with FutureLearn.

While MOOCs have attracted large numbers of learners, completion rates have varied widely. Smaller enrolments tend to have higher completion rates with some over 60%, but others with over 150,000 participants have had completion rates of less than 1%, although this still translates to 1,500 students. Monetisation of the MOOC business model has seen the introduction of paid for completion certificates and this has tended to grow completions. However, a move to corporate delivery by Coursera and others as well as the introduction of fully online degrees are evidence of the need for these organisations to find other ways to grow income from their offer.<sup>19</sup>

### Higher Education Partners

Higher Education Partners (HEP) was launched in 2017, providing an Online Programme Manager service to universities seeking to meet the growing demand for wholly online degrees. HEP offer an end-to-end experience, including marketing, managing applications and developing online pedagogy and assessment. HEP focus on high demand subjects, which primarily means business, health and education.

HEP managed degrees have six start dates per year. Teaching is delivered in 15 credit modules providing learners with the flexibility of dipping in and out of programmes as their circumstances dictate. As cost is an important factor, especially for international students, HEP offers programmes at different price points.

### Southern New Hampshire University (SNHU)

Beginning life as a traditional campus university, SNHU has over recent years grown a large online degree catalogue. The university now has over 90,000 students on 300 programmes. A typical programme might be the MS Accounting. Fees are \$1,881 per course with students required to complete between 12 and 21 courses depending on their previous education and experience. Degrees can be completed in as few as 15 months, there are multiple term starts throughout the year with self-paced learning for each student and 24/7 online access to classes.

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<sup>18</sup> 'MOOC Trends in 2017: Online Degrees and Corporate Learning', Class Central, January 2018

<sup>19</sup> 'Drop out rates of massive open online courses: Behavioural patterns', D.F.O'Neil, J.Sinclair, R.Boyatt, The University of Warwick, 2014

### **Western Governors University (WGU)**

WGU began offering online degrees just over 20 years ago and now provides both undergraduate and postgraduate degrees in Business, Teaching, IT and Health and Nursing. On average an undergraduate degree costs \$15,000 and takes 2.5 years to complete. Just under three-quarters of all students (74%) are undergraduates. At the end of 2017 there were 91,436 students (having grown from just 1,000 in 2003) with 37% studying business.

### **Online Education Services (OES)**

OES, a subsidiary of employment services provider SEEK, started as Swinburne Online in 2011, with Swinburne University as a minority shareholder. Both SEEK and Swinburne University invested AUS\$5 million at the launch in 2011. OES now generates sales revenue of \$109m and provides services to QUT and Western Sydney University among others. Some 1,500 students have graduated from Swinburne Online courses, and a further 9,500 are currently enrolled. The average student age is 32.

### **Online provision by UK universities**

In the UK, many universities have developed extensive online offers including the provision of business degrees.

Founded in 2011, the University of Derby Online Learning (UDOL) had approximately 3,500 learners enrolled from over 100 countries by 2015, offering a range of diplomas, certificates, top-ups and Masters degrees including a Masters in Finance and an MBA Global.

Launched in 2007, Kaplan Open Learning (KOL) works in partnership with the University of Essex to provide a wide range of undergraduate and postgraduate online courses including a BSc Healthcare Management and an MSc Project Management.

The University of Liverpool works in partnership with online education firm Laureate Online Education. Established in 2001, the University of Liverpool currently has about 8,000 students from over 160 countries and has graduated more than 12,000 students. The University currently offers a mix of more than 30 online Masters, Doctoral and short courses including MSc Big Data Analytics, MBA Global and MSc Project Management.

The University of Birmingham recently launched a partnership with Wiley Education Services to provide three online business Masters degrees: an MBA, MSc International Business and Masters of Public Administration.

In June 2017 Coventry University announced a partnership with FutureLearn to roll out 50 degree programmes over five years including business. Learners may begin studying for free and complete a range of short pathway courses before deciding to enrol. The degrees will be pay-as-you-go to make learning both manageable and flexible.

The University of London recently announced its first fully online undergraduate degree in partnership with Coursera. The degree will begin with a few hundred students, but it is intended to be scaled up to about 3,000 students. Fees for the degree will be £5,650 per year over three years.

CarringtonCrisp's own nine year study of prospective MBA students suggests that 45% of prospective students are seeking flexibility in their MBA studies whether that is fully online, blended or part-time.

The data suggests strong demand for online programmes at UK universities with research from KeyPath suggesting the top five locations where students undertook online degrees with these institutions in 2015/16 were Singapore, Hong Kong, Nigeria, Malaysia and the U.S, generating more than 33,000 students in total.<sup>20</sup>

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<sup>20</sup> "Prestige of UK Universities Drives Demand for Online Degrees in Markets Worldwide", Keypath, July 2017

## COMPARISON OF FEES

The Chartered ABS carried out desk research into the fees charged by each category of provider for whom there is data available. The review consisted of FE colleges and alternative providers based in the UK and the leading online providers of higher education programmes. Details of the range of fees charged for each programme are contained below. All prices refer to the full cost over the duration of the course. Prices are for full-time study for UK/EU students only with the exception of online providers where the fees charged do not distinguish between nationality.

**Table 9:** Range of fees charged by category of provider

	HNC	HND	Foundation Degree	Undergraduate Degree	Postgraduate Degree	MOOCs	MicroMasters	Professional Certificate
FE Colleges	£5,000 - £7,200	£12,000 - £15,000	£7,800 - £16,500	£24,750 - £27,750	£7,875 - £12,375			
Alternative Providers		£12,000	£12,000	£18,500 - £52,500	£7,200 - £21,000			
Online Providers				£2,160 - £29,300	£2,919 - £17,600	Free - £500	£400 - £600	£400 - £500

The FE colleges' offering at degree level largely consists of top-up degrees which enable those who have completed an HNC/HND or Foundation Degree to 'top-up' to full honours. This is generally cheaper than the traditional route, as the first two years of a Foundation Degree cost on average £12,000 and the top-up year is charged at the normal rate of around £9,000, resulting in a total cost of around £21,000 which is cheaper than a traditional three-year degree if we presume the average is around £27,000. It is feasible that more students might choose the Foundation/top-up option to save costs.

Alternative providers charge similar fees to the traditional institutions both at undergraduate and postgraduate level and some charge higher fees due to being unrestricted by UK government regulations. At present, online providers are more active in the postgraduate as opposed to undergraduate space and, by UK standards, their fees for postgraduate courses are comparable to the classroom-based courses. The other courses offered by the online providers, such as MOOCs, have a more complex pricing system but the general approach is that the materials are free to access but if a student wants a certificate to evidence their learning they must pay a relatively small fee. Some of the courses can be attempted on a standalone basis and others must be purchased as a single course consisting of a series of modules.

It is arguably the shorter, online courses which may pose the greatest competition to traditional business schools as they are both cheap and flexible and cater for the trend towards lifelong learning. People might well decide against paying nearly £30,000 for a degree if they can acquire credentials in a much cheaper manner online, and there is the added benefit of enabling people to change their specialism at any time without having to commit to a new degree. Time will tell, however, if credentials obtained online will carry weight in the jobs market and thus compete with the prestige of traditional degrees as a route to enhancing employment prospects.

# EXTENDED INTERVIEW CASE STUDIES

The following case studies and views were drawn from interviews with the providers.

## Nexford University

### Fadl Al Tarzi, Founder, Nexford University

Nexford University grew out of its founders' desire to start an educational institution that 'closed the gap' between what employers want, and what traditional universities and business schools were offering. Since 2018 Nexford has offered 100% online education – starting with a Bachelor's in Business Administration (BBA) and an MBA programme, putting it squarely in competition with the world's business schools.

The programmes will begin with 'members' (as opposed to students) from the initial 'core markets' of the U.S, Egypt, Nigeria and the Philippines taking classes - and fees will be charged on a subscription basis, with costs in line with market conditions in each country. After this first cohort, Nexford will open its programmes to the rest of the world and will also launch a series of certificates to serve the growing demand for so-called 'microcredentials'. The whole operation from conception to realisation has taken less than two years, including a large-scale research project, setting up from an administrative perspective, hiring of full-time faculty, and the development of curriculum and delivery technology.

Nexford's founder Fadl Al Tarzi believes that a number of factors are driving disruption in the business education market and that demand is increasing for a more affordable education offer that is capable of being delivered to any location that has internet connectivity. "Firstly, online education is on the rise worldwide and the demand for online learning means it is becoming more mainstream. Secondly, traditional education is expensive and students around the world are becoming more and more indebted. And thirdly, location is becoming less and less relevant for work. Finally, from our research it was clear that the gap between what employers are looking for, and what they are being offered by current providers is growing".

## Higher Education Partners

### Steve Hill, CEO of HEP, and Former Chairman of FutureLearn and CEO, Open University

Higher Education Partners (HEP) was launched in 2017, providing an Online Programme Manager service to universities seeking to meet the growing demand for wholly online degrees. HEP offer an end-to-end experience, including marketing, managing applications and developing online pedagogy and assessment.

Demand is being driven by a number of factors. For prospective students, the search is for a flexible solution that can help enhance their career prospects. The average age of students joining an online Master's degree is 32-35 with 90%+ in full-time work when they study. Employers are seeking support to fill skills gaps and support productivity growth, which in turn leads to popularity in certain degree subjects. There is only limited demand from 18 year olds looking for an undergraduate course as they tend to want a campus experience.

For universities, demand for HEPs services have emerged for a number of reasons. UK universities are facing declining undergraduate numbers and - combined with the potential impact of Brexit - attracting Masters students will be key to filling the income gap. Some will search for international students through traditional routes such as agents, but with costs reaching 15%+ of degree fees and ever more difficult processes for students to acquire visas, this is becoming a less attractive proposition. Other institutions have sought to go down the transnational education route and set up overseas campuses, but the profitability of this approach seems marginal. The only solution to substantially grow a postgraduate cohort is to go online.



The HEP offer is a high touch model where every student gets a named student adviser. There is a considerable focus on digital marketing of programmes with a data driven approach. HEP focus on high demand subjects, which primarily means business, health and education. For universities that want to develop a strong online degree offer there can be many challenges. Application turn-around times need to be a maximum of two days rather than two weeks and there needs to be flexibility in thinking about entry tariffs; undergraduate results don't make much sense for someone in their late 30s, instead experience is much more significant.

HEP managed degrees have six start dates per year compared with the one or two that most traditional approaches offer. If prospective students can't see a start date within two months for the degree they want, they will look for another university that can deliver to their timetable. Teaching is delivered in 15 credit modules providing learners with the flexibility of dipping in and out of programmes as their circumstances dictate. As cost is an important factor, especially for international students, HEP offers programmes at different price points.

Students on HEP managed degrees are split almost 50:50 between domestic and international students. There is a brand halo around UK higher education which attracts international students to a variety of providers. However, U.S institutions are perhaps ten years ahead of their UK counterparts and if UK institutions don't embrace online they will lose out to competitor countries. Steve Hill is clear that "more investment is needed in technology rather than buildings; the days of build it and they will come are gone." And the potential for online doesn't just begin and end with online Masters degrees. The MicroMasters sector in the U.S is now a \$1.3 billion industry annually where students will pay \$1,000 for a certificate with growing interest in alternative credentials.

## CONCLUSION

The business and management education market has never stood still. Business schools have often been innovators in higher education, introducing new programmes for new audiences, and doing so with considerable commercial success. However, the speed and diversity of the change now taking place in the wider business education marketplace makes it difficult to know how best to respond, especially when many of the changes in the wider world are beyond the control of any one business school or even a collection of business schools. If it was just one driver of change, even if that driver was Brexit, the changes required might be manageable, but when the change comes from international competition, government policy, technological transformation, new employer requirements and shifting demographics, the complexity of change becomes almost unmanageable.

In 2013 it wasn't just Professor Clayton Christensen at Harvard Business School who was suggesting that within five years universities would be looking at a very uncertain future. Shortly afterwards, the then Dean of Berkley Business School suggested large scale closures of business schools in the U.S were likely in the next five to ten years. Neither of these predictions have come true, yet.

However, looking forward it is clear that technology and globalisation will drive change and that the consequence of these changes may be mergers of schools or even closures. Schools in the UK will face ever-increasing competition from abroad – from providers offering innovative online alternatives as well as from increasingly competent and experienced international business schools.

What is clear is that UK business schools, like those elsewhere, must continue to evolve if they are to meet the needs and expectations of students. The world of work is changing at a rapid pace and business schools are a crucial link between the worlds of academia and industry.

For those that are able to seize the opportunities presented by changes in the wider world, there is an exciting future. Building on traditions of research and leading innovation in higher education, business schools can again be at the forefront of twenty first century learning. To do so, schools will need to think about:

- How best to work with businesses to ensure that traditional degree programmes deliver the skills in demand and enable students to operate in volatile, uncertain, complex and ambiguous business and cultural environments;
- Identifying partners to deliver learning, whether those are corporates, other faculties in their institutions, international schools that may previously have been considered competitors or those with skills that don't exist in their institutions, especially technical skills;
- New approaches to learning that take the strengths developed by business schools in creating and building programmes and apply them in new environments where technology and flexibility are key to delivery while ensuring high quality outcomes;
- Developing new products for new audiences rather than assuming a one-size fits all approach as learning becomes a lifelong and lifestyle pursuit, especially for older learners;
- How best to use their research heritage and expertise to create differentiation from the competition.

UK business schools have in many cases embraced the opportunities that online learning offers with many developing digital equivalents of existing programmes, but now they will need to go further, think more creatively and innovate if they are to build on the successes of recent years.

Technology is central to both the threats and opportunities faced by UK institutions. Schools who meet international competition head-on in the digital stakes whilst leveraging the UK's existing reputational advantages, infrastructure, experience and knowledge-base will be well placed to reap the rewards of growing international student numbers and the opportunities presented by longer working, and learning, lives.

**“Workers of the future will spend more time on activities that machines are less capable of, such as managing people, applying expertise, and communicating with others. They will spend less time on predictable physical activities and on collecting and processing data, where machines already exceed human performance. The skills and capabilities required will also shift, requiring more social and emotional skills and more advanced cognitive capabilities, such as logical reasoning and creativity.”**

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