1 Introduction

Challenges in Managing Today's Universities

On April 14, 2025, President Donald Trump froze government research funds for Harvard. Earlier, on March 7, 2025, he had done something similar to Columbia University, arguing that, among other malfeasances by university leadership, these two universities had allowed antisemitism to flourish on campus, along with pro-Palestinian demonstrations, many of which called for physical violence against Zionists or Jews, and which were accompanied by acts of violence. The president positioned his actions as an attack on "woke" college campuses, where a professed commitment to free speech appeared to have given way to "cancellation" of those holding disfavored points of view.

The initial reaction of university leadership and the university community was criticism of President Trump and a spirited defense of the righteousness of on-campus behavior. At the same time, Emma Pettit wrote an article on May 21, 2025 in the *Chronicle of Higher Education* with the title "At UC Berkeley, the Faculty Asks Itself, Do Our Critics Have a Point?"[1] Reporting on a survey conducted of current and emeritus faculty, the article made it clear that many were of the view that diversity, equity, and inclusion (DEI) and wokeism had gone too far. Of the 290 respondents (out of the 2,560 who were mailed questions), only 16 percent were of the view that criticism of US campus culture was completely invalid, and no action was required. While not statistically valid, these results suggest that campus leadership (administrators and faculty alike) allowed the culture of free inquiry to deteriorate into a progressive monoculture.

The *Chronicle* quotes one respondent saying that the university

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> decided some time ago to use the accumulated authority and prestige of our institutions and disciplines to advance ideologically driven political agendas, and we told the lie to others (and often to ourselves) that that wasn't what we were doing … and that it would be a shame to let defensiveness, self-righteousness, and justifiable antipathy toward the current presidential administration prevent us from seeing that our own excuses have degraded the situation of the university and left us with less public sympathy and support than we have ever had.

Indeed, a declining number of Americans, particularly Republicans, see higher education as having a positive impact on the country, even if they may not agree with President Trump's blunt and arguably destructive way of trying to effectuate changes.[2] It is in this environment that a formerly fringe term, Cultural Marxism, has begun to gain traction in conservative circles and beyond. It is the belief that an intentional academic effort aims to subvert Western society and undermine Judeo-Christian values in favor of revolutionary leftist ideas.

The Trump administration's fierce attacks on progressive orthodoxy on campus, dressed up in part as it may be as a war on antisemitism, is just one of several recent examples where university leadership has been tested, and some would say found wanting. The attacks were preceded by the COVID-19 pandemic, an earlier sudden disruption that campus leadership had to grapple with.

On March 6, 2020, a week after the first US death attributed to the novel coronavirus later named COVID-19, the University of Washington in Seattle announced it would cancel all in-person classes, sending students online to complete their coursework and take finals. The University of Washington's closure was the first in what quickly turned into a flood. By the following week, the World Health Organization had declared a pandemic, and campuses across the US – including Harvard, Stanford, and the University of California, Berkeley (UC Berkeley) – had suspended or canceled in-person classes.

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Within weeks, more than 1,100 colleges and universities in the US alone had shuttered classrooms and moved instruction online. Some universities, in the UK and elsewhere, maintained in-person instruction but adopted strict social-distancing rules.

Enrollments, already on a downward path, fell 3 percent between 2019 and 2020. The nineteen million students enrolled in US postsecondary institutions in 2020 were the fewest since 2008 and two million fewer than the all-time peak in 2010. The decline continued the next year, dropping to 18.7 million.[3] While two-year community colleges bore the brunt of enrollment losses, public four-year colleges also experienced sharp declines.

Students were not the only ones who abandoned campuses; many faculty also joined the pandemic-era's Great Resignation. Faculty departures are nothing new – burnout and the lure of the private sector have long led researchers and instructors to leave academia. While there is no good direct measure of COVID-19-related faculty departures, there is plenty of anecdotal evidence that the pandemic and universities' response to it led many professors and instructors to call it quits, citing stress, family demands, expanding duties, and campus budget cuts for their departures. Senior professors retired early in part because they did not want to make the change to online instruction, while others complained about receiving terrible course evaluations for their Zoom classes. "The pandemic made teaching horrible," wrote an associate professor at a regional liberal arts college in 2022.[4]

The pandemic also hit university finances hard. Closed campuses meant the loss of auxiliary revenues from dining halls, housing, and sports events. Schools that remained open were forced to invest heavily in protective equipment and technology for remote classes. International students returned to their home countries. Many families withheld tuition or demanded steep discounts, unwilling to pay for the full campus experience when their students were taking classes online. State governments, facing their own funding crisis, cut state support. After New Jersey's Montclair State University, with

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more than 21,000 students and a $437 million operating budget, was warned it would lose the $12.3 million it had expected from the state, it froze hiring, cut temporary positions, and delayed capital projects.[5] Even prestigious private universities were unable to escape the damage. Princeton University, with one of the wealthiest endowments in the US, instituted a salary and hiring freeze and cut back on nonessential spending.[6] Johns Hopkins University projected a $375 million loss for the 2021 fiscal year, in part because its health system had to halt most elective medical procedures due to the pandemic.[7] A 2021 review of university financial statements by the *Chronicle of Higher Education* found a 14 percent average decline in revenues for the top 400 universities and the top 100 liberal arts colleges in the 2020 and 2021 fiscal years, and estimated that the costs – from lost revenues, COVID-19-related expenses, and anticipated decreases in state spending – could total $183 billion.[8] As a result of pandemic-related shocks, the Standard & Poor's (S&P) rating service lowered its outlook for more than a quarter of the colleges and universities it rates. With this action, 38 percent of the 436 colleges and universities reviewed by S&P had negative outlooks.[9] "If one were to invent a crisis uniquely and diabolically designed to undermine the foundations of traditional colleges and universities, it might look very much like the current global pandemic," wrote Brian Rosenberg, former president of Macalester College, a liberal arts school in Saint Paul, Minnesota.[10]

The damage from the pandemic was severe, but it was not as bad as many originally feared. A quick transition to online instruction kept enrollments from falling even further, and many schools that lost students in 2020 had fully recovered by 2023. In most places, universities reopened more quickly than other parts of the economy. Campus leaders' aggressive response to revenue shortfalls limited the damage to budgets, while $76 billion in federal pandemic aid eased the pain.[11]

The pandemic also enabled universities to demonstrate the essential role they play in society and the economy. Researchers at

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scores of universities, including Rice, UC Berkeley, and Washington University in St. Louis, turned their attention to understanding the novel coronavirus and identifying potential treatments for the disease. Johns Hopkins in early 2020 formed the Coronavirus Research Center to track its spread, quickly becoming a critical resource for policymakers, the medical community, and the public. Research by scientists at the University of Pennsylvania laid the groundwork for the rapid development and distribution of the first COVID-19 vaccines.[12]

The pandemic underscored both the vital importance of great research universities *and* the many challenges facing many leaders in higher education today. Universities are unique in pushing the frontiers of knowledge through their research, and they pass that knowledge on to successive generations through their teaching. They graduate the educated adults required by an advanced knowledge economy and increasingly are the spawning ground for new businesses, the source of problem-solving for industry, agriculture, and the service sector, and the wellspring for innovation in society.

At the same time, higher education has entered a turbulent time of profound change and uncertainty. Rising expenses and tight budgets have led to unsustainable increases in costs for students and a resulting rise in debt. The steep drop in student numbers during the pandemic was only an amplification of existing trends, and the expectation of future enrollment declines has implications for budgets and for campus building programs. Technology has dramatically changed the instructional and research landscape, and although online learning proved a savior during campus shutdowns, artificial intelligence (AI), virtual reality, and other developments promise further disruption. Going forward, university leaders will have to address the growing loss in public confidence and doubts about the value of a college degree. All these forces combine to raise questions about the continuing management, operations, and societal role of universities.

Gabriel Paquette, vice provost for academic affairs at the University of Oregon, argued that universities survived the pandemic

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in part because of "the enduring attraction of a college education and to the absence of viable alternatives," but mostly due to the capacity of universities to reform themselves. Nonetheless, he wrote, "the question is whether this demonstrated capacity to adapt is sufficiently elastic to overcome the current range, intensity, magnitude, and complexity of the threats."[13]

We contend that universities' ability to adapt and to shape their environment, not just adapt to it, will depend on whether their leaders learn to manage more strategically, using modern management concepts, frameworks, and techniques.

HIGHER EDUCATION IN THE US

As of 2020, there were more than 3,700 degree-granting postsecondary institutions in the US, including roughly 2,200 four-year colleges and universities. Of those, only about 390 public and private universities are counted as research universities that grant doctoral degrees, and an even smaller number – only about 130 – are classified as having a "very high level of research activity."[14]

The American system of higher education has long been the envy of the world. In the twentieth century, its schools gained a reputation for the quality and importance of their research and for their ability to help millions of graduates achieve unprecedented upward social and economic mobility. The golden age was perhaps best exemplified by California, with its three-tier system consisting of the multicampus University of California, twenty-three state universities, and 116 community colleges. Generous state funding subsidized schools so that in-state students paid only nominal tuition, graduates would prosper, and their human capital would carry the entire economy upward. Across the US, graduates would benefit from a substantial "college wage premium," the difference in median hourly wages between those with a bachelor's degree and those who completed only high school. American higher education was "the dynamo of the dream of upward mobility."[15]

Yet universities – like private businesses – operate in a volatile environment subject to sudden and often unpredictable shocks.

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Academia might once have seemed "a genteel, slow-paced environment of pondered decisions where conflict is mostly personality-driven and nothing that a leader tempered in the dog-eat-dog battles of corporate life can't handle," wrote Teece and Stefano Falconi: "The reality is different. Universities are no longer sheltered from the realities and constraints of the outside world: affordability, quality control, competition and customer expectations, and, of course, growth and the *bottom line*. There is no avoiding competitive forces."[16]

University leaders today encounter increased uncertainty – about the outlook for government funding, the long-term effects of online instruction, and the rise of global competitors for talent. They operate in a more complex environment than all but the largest global corporations. Their finances depend on a hodgepodge of sources: tuition and fees from students, appropriations and grants from state governments, gifts from alumni and wealthy individuals, the income from private endowments (which in turn are subject to the vagaries of the global financial system), financial surpluses from successful programs such as medical schools or athletic teams, and contracts from federal agencies such as the National Science Foundation and the National Institutes of Health. They are embedded in cities, regions, and states that are sometimes friendly to a campus's needs and goals and sometimes hostile. Internally, the university is a complex system of independent parts. Departments and schools have substantial autonomy, which they jealously guard and which can make them resistant to innovation and change. Individual departments often have their own brand identity, such as the Wharton School at the University of Pennsylvania, which can either enhance or dominate the university's overall image.

In this chapter, we will examine the key challenges facing university leaders, including the long-term decline in state support for public universities, rising student costs, falling enrollment in the traditional student demographic, and the resulting loss of confidence in the value of the higher education institutions. These problems are not felt equally across all colleges and universities, of course. The

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top institutions, many of them private, have large endowments, provide generous financial aid, and attract more students than they can possibly accept, while some of the hardest hit have been for-profit schools and two-year community colleges. Despite the valuable role they play in providing instruction to millions of students, often the first in their families to attend college, community colleges and for-profit schools are largely outside our focus. Our attention is primarily directed to the large four-year research institutions that now operate in an environment defined by volatility, uncertainty, complexity, and ambiguity – what military planners call VUCA.

FINANCIAL CHALLENGES

Universities can be assessed on a variety of dimensions, but it is financial performance more than any other that is foundational to an institution's long-term survival. A university without sound financial management quickly finds itself unable to maintain its campus and facilities, preserve quality standards, and fulfill its mission.

For public universities in the US, maintaining sound finances has been made more challenging by the steady erosion over the past forty years in the support they receive from state governments, at one time their most important patron. Even at financially solid campuses, the loss of state funds has made the task of university management much more difficult and complex as leaders struggle to balance swelling budgets amid reduced operating support, falling enrollments, and growing resistance by students and their parents to constantly rising tuition.

American universities cover their operating costs by orchestrating income from a variety of disparate revenue streams: student tuition and fees; grants and contracts from local, state, and federal governments; revenues from auxiliary enterprises such as dormitories, bookstores, and sporting events; medical fees from university hospitals; gifts; gifts from alumni; and income from endowments. For decades, state governments in the US represented the most important and reliable source of operating funds for public universities, but

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legislatures have grown increasingly stingy. One set of numbers tells the story: In 1980–1981, state appropriations, contracts, and grants accounted for 46 percent on average of the revenues of four-year public colleges and universities.[17] In 2020–2021, that had fallen to about 17 percent.[18]

After World War II, most states spent generously on higher education to serve the growing baby boom generation, to compete in science and technology with the US's Cold War rival, the Soviet Union, and to make sure there was sufficient talent to make the transition from an industrial to a knowledge economy. This largess came to an end in the mid 1970s, a result of tightening state budgets and a backlash against campus disturbances in the late 1960s. As the former president of the University of California once quipped, "I find the three major administrative problems on campus are sex for the students, athletics for the alumni, and parking for the faculty."[19]

Around the same time, there was also a belief among liberals that public financial support for higher education mainly benefited the privileged and that the solution was higher tuition for those who could afford it and financial aid for those who could not. Funding for higher education ceased to be a top priority and became the "balance wheel" of state budgets – something that could be cut in a weak economy in favor of growing spending on public-sector pensions, prisons, and welfare programs. Lawmakers can justify this with the explanation that universities and colleges have independent revenue streams and are better positioned than other state agencies to absorb cuts. Officials are also less likely to hear objections from the general public, who often see universities as inefficient and wasteful spenders.

Over the last twenty years, average state per-student spending has fluctuated depending on economic conditions, falling during recessions and rising again when times improve. Only recently has per-student spending at public colleges and universities surpassed levels last seen in 2001, but solely thanks to a sharp decline in enrollment, recent increases in state spending, and federal stimulus funds.[20]

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National averages conceal considerable variation among states. In 2023, thirty-two states were spending less per student on higher education than they did in 2001, and half were spending less than before the 2008 recession. Iowa experienced the biggest decline, as state higher education funding fell nearly 45 percent between 2001 and 2023.[21] In California, the state contributed 50 percent of UC Berkeley's revenue thirty years ago; today it provides only about 14 percent.[22] To many, the paltry share of state support makes UC Berkeley almost like a private university.

Even as state support declined, the cost of operating university campuses to serve a growing and more demanding student population have continued to rise. Altogether, four-year public universities spent a total of $365.9 billion in 2020–2021 on instruction, research, student services, and other operations, 60 percent more than a decade earlier.[23] With smaller total enrollments, four-year private universities spent $222.1 billion.[24]

Many factors contribute to the increased cost of running a university, but one of the most intractable is "Baumol's cost disease," first laid out by economists William Baumol and William Bowen in the 1960s. Baumol and Bowen explained how service industries like higher education will inevitably experience higher costs as they grow since they cannot benefit from the economies of scale that manufacturing and other industries enjoy.[25] Higher education is unavoidably labor-intensive; the more students a university recruits, the more instructors they need. These costs can be somewhat moderated by the use of adjuncts and large lecture courses, but they cannot show meaningful improvements without productivity breakthroughs.

To make up for this mismatch between the increasing expense involved in running a large research university and less generous state support, campus leaders have had to look for other sources of revenues, including an increased emphasis on entrepreneurial activities (more about that in Chapter 2), funding from Washington, DC, and most significantly, students and their families.

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In the US, colleges and universities have called on students to bear an increasing share of the cost of their education. (The financial problems of universities in the UK are aggravated by government limits on tuition and fees.) In 1980, according to an analysis by the State Higher Education Executive Officers Association, student tuition and fees on average accounted for about 20.9 percent of the total revenues at two-year and four-year public institutions; in 2022 the average student share was nearly 42 percent. Looking at four-year schools only, student tuition contributed more than half of campus revenues.[26] In this, the University of California system is about average; tuition and fees contributed about 53 percent to the system's core budget.

As a result, the total student cost of attending college – for tuition, fees, books, and room and board – has skyrocketed. At four-year public universities, costs have risen 163 percent to $21,878 since 1980, while the sticker price at private institutions has increased 45 percent since 1999 (the most recent available) to $51,154, adjusted for inflation.[27] Costs for out-of-state students and those in professional-development graduate programs are even higher.

These high nominal prices are ameliorated somewhat by discounts and state and federal grant programs. Discounting, which at state universities can amount to 50 percent or more of the published tuition rates, is so widespread that only a fraction of first-time, full-time students pay the published rate for tuition and fees. Nearly half of the financial assistance going to students at public four-year universities comes from the institution itself in the form of grants and discounts. Widespread discounting does not solve universities' revenue problems, though. As campuses become more reliant on tuition and fees, they not only need to attract more students with new programs and more aggressive marketing, but they also need to recruit those who are willing to pay more of the full cost of their education. Typically, that means more out-of-state and foreign students but can also mean seeking out wealthier students who require less financial aid.

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Unfortunately, the strategy of filling revenue shortfalls by attracting more students runs into another problem: the long-term trend of declining enrollments. "Simply put, there are not enough students to pay the full tuition that institutions wish to charge, and schools are struggling to balance budgets," writes Frank H. Wu, former chancellor and dean at the University of California Hastings College of Law. "Although colleges and universities, the traditional type that are either non-profit or public, share a set of unique academic values, they are business ventures as well, facing the economic rules of supply and demand. And as enterprises, they are vulnerable."[28]

While overall enrollments at four-year public universities and the top private institutions have increased since 2015, the picture is worse at less prestigious colleges and universities. Between 2010 and 2021, full-time postsecondary enrollment fell by two million students, a 17 percent decline.[29] The decline was largely concentrated in two-year community colleges, for-profit schools, and smaller private colleges.

Future demographic trends do not look kind. Because of declining birthrates during the Great Recession of 2007–2009, the number of college-age students is expected to begin falling in 2025 and could sink about 15 percent over the following four years. For many universities, recruiting will become an increasingly zero-sum game. A 2019 survey of 495 college and university leaders found that the most common concern, expressed by 62 percent of both public- and private-school leaders, is increased competition for students.[30] Top-tier institutions are less likely to suffer from this competition as they will continue to attract far more applicants than they can accept, although they will have to contend with each other for the most promising candidates and for the pool of out-of-state and international students who pay full tuition. But at least filling classrooms should not be a problem. That will not be the case for second-tier regional colleges and universities, smaller liberal arts schools, and campuses in rural states with declining populations. Leaders there will have to deal with attempts by rival schools to add market share at their

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expense along with efforts by large flagship universities to attract distant students with heavy investments in online programs (as Arizona State University is doing to reach students in California).[31]

University administrators also are confronting the growing suspicion among students and families that a university education is no longer worth the cost. A March 2023 survey by *The Wall Street Journal* found that 56 percent of Americans believe that a college degree is not worth the time or the money. That's a reversal from ten years earlier, when 53 percent of those surveyed were confident in the value of higher education. Doubt about college's worth is greatest among men and those aged 18–34. Even more striking, 42 percent of those with a college degree doubted its value, ten percentage points more than a decade ago.[32]

Fueling this skepticism is the large debt burden students increasingly have to absorb to fund their higher education. The problem is especially stark for those with advanced degrees. At the latest count, federal student debt averaged $29,550 for holders of bachelor's degrees and $102,790 for those with graduate degrees, while total student debt has reached nearly $1.8 trillion.[33] State and federal policies have contributed to the debt load, as public financial aid has shifted from direct-to-student grants to a greater reliance on government-subsidized loans, made available with lax underwriting standards.

What is more, many critics of the current state of higher education see a growing disconnect between what universities offer and the needs of a technology-driven knowledge economy. They argue that there needs to be more useful and less expensive means to gain the most-needed skills and credentials. Billionaire Peter Thiel created an annual scholarship that pays $100,000 to about two dozen students to drop out of school and start businesses, conduct research, or pursue other ventures. This loss in public confidence makes it more difficult for university leaders to recruit students and to appeal to donors or persuade state legislatures to increase appropriations.

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COMPETITION

Like the heads of other large enterprises, university leaders have to navigate their institutions through an increasingly tough competitive environment. There is competition for financial support, for top faculty, for qualified and minority students, from online technology-powered startups, and for physical space and prominence in communities. This competition is global in nature, at least among the leading institutions of higher learning. Competition in higher education is not new, of course; the University of California suffered a decline in its share of state spending as California in the 1970s and 1980s diverted funds to expand the state university system. Now, however, the competitive field is no longer limited to public institutions contending for funds inside state borders but encompasses leading universities across the US and the world. As Christine Musselin has noted, top universities are no longer in a contest just with national rivals; they now compete globally with institutions that are growing in size, wealth, and prestige:

> Their teaching no longer aims to solely train nationals, but also "citizens of the world." Their student body and faculty are less and less national, their research addresses international issues rather than purely domestic matters, and they are less dependent on national funding and authorities as they have managed to secure other sources of funding (often from the tuition paid by their international students).[34]

During the pandemic, new enrollments by international students in US universities declined in 2020 by 72 percent, an unprecedented drop. While numbers have ticked up more recently, the decline is part of a longer-term trend that shows no sign of reversing itself. Many foreign students are worried about crime and public safety in the US and concerned about a tightening of American immigration policy. (In contrast, such countries as Australia and Canada have developed a path to permanent residency for foreign

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graduates.)[35] Finally, US universities are no longer the leading option for international students, who now have a much wider field of alternatives, both at home and abroad. This is especially true for students from China.

This new competitive landscape can be best observed in the popular "league tables" – the national and global rankings of colleges and universities by *U.S. News and World Report*, *Times Higher Education* (*THE*), and others. In the rankings, the once-dominant universities in the US and the UK, while still strong in absolute terms, now share the top tier with rising institutions in China and Australia. For instance, the University of Oxford and the University of Cambridge still hold the one and three spots in the most recent ranking by *THE*, and US schools claim twelve of the top twenty positions. But China now boasts seven universities in *THE*'s top 100 list, compared with three five years ago. In the latest *U.S. News and World Report* global rankings of more than 2,000 institutions, China had 338 universities compared with 280 from the US, the first time China has surpassed the US in the total of schools ranked (although most US institutions are ranked in the top half, and eight in the top 10).[36]

Further down in the rankings, US schools have seen their scores fall and their relative positions decline, especially in important research metrics. For example, US university scores in the bottom 75 percent have lost about four points in five years based on the average number of citations of published research. At the same time, the bottom three-quarters of Chinese universities have raised their average score by sixteen points.[37]

The relative decline does not represent an actual loss of quality in research in the US as much as the rising reputations of universities elsewhere. Because the *THE* survey asks scholars to assess the reputations of the best fifteen universities for teaching and research, the limited number of slots means that rising newcomers will crowd out still-solid US universities, as indeed they have: The UK has three universities in that top tier, China has two, and Switzerland and Japan each have one.

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GEOPOLITICAL ISSUES

China in particular has demonstrated an unrivaled willingness to invest both in building more world-class universities and in expanding its higher education system to serve more students domestically instead of sending them abroad. Tsinghua University was number sixteen on the 2023 *THE* list, up from fifty-eight in 2011, while Peking University was ranked seventeenth. The universities scored well for their ability to win financial support from industry and are catching up with US schools in the number of research citations.[38] Their growing prominence is especially notable in the critical fields of computer science and engineering, where Tsinghua ranks in *THE*'s top fifteen in computer science, and both it and Peking make into top rank in engineering.[39]

China lags in the key area of international connections, based on its scores for international students, staffing, and co-authorship of research. This reflects both improvement in Chinese institutions and – importantly for US universities – the growing tensions between the country and Western democracies. (Because the analysis is based on activity before the COVID-19 shutdowns it reflects trends independent of the pandemic.)

Beginning in President Trump's first term, the US has moved toward a wider "decoupling" in the US – China relationship, characterized by the imposition of tariffs by both countries on each other's goods, by increased concern about Chinese nationals on US campuses, and by suspicions about the activities of some Chinese researchers. Universities in the US are caught in the middle.

While the effect of US–China tensions on attracting researchers and faculty is so far difficult to measure, the impact on international enrollments is stark. Before the pandemic, China accounted for a third of the one million international students in the US. That number has dropped dramatically. For the fall of 2022, the number of US visas issued to Chinese students plunged by 45 percent from the level before the pandemic, according to an analysis by the *Chronicle*

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of Higher Education.[40] While the number of international students appears to be slowly recovering, it is less clear whether Chinese students, who have increasingly attractive options at home, will return to US campuses in large numbers.

University leaders also have to confront competition from new technology-powered upstarts, which are challenging the near-monopoly of colleges and universities in postsecondary education (a subject we will explore in more detail in Chapter 6). Providers of massive open online courses (MOOCs) such as Coursera and online program managers (OPMs) such as 2U have made it possible for universities to reach more students online, but they also capture a part – sometimes a large part – of the revenue streams from these students. Meanwhile, coding boot camps and companies such as Udacity increasingly are seen as a viable alternative for students who desire skills and credentials more closely tied to the needs of the labor market.

Finally, university leaders face an escalation in the ongoing culture wars on campus that show little signs of abating, an issue we examine in Chapter 7. The return of President Trump to the White House in 2025 has converted an internal cultural issue into a geopolitical one. The US government has been using the denial of international student visas as a cudgel to beat universities into line and deny foreign students the privilege of speaking their mind in ways the government doesn't approve of. At the same time, US border enforcement has become both more invasive, requiring access to nonpublic social media, and occasionally arresting students over minor issues following international travel.[41] We anticipate that these developments will have a further chilling effect on the ability of US universities to attract top international students.

A STRATEGIC FRAMEWORK

Although the sheer size and variety of the US system of higher education makes generalization difficult, one fact is clear: For universities today, the era of flush budgets, soaring enrollments, and unchallenged international dominance is over. Leaders have to scramble for

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new sources of funding, including some – such as an increased reliance on partnerships with private industry – that draw loud opposition from some university constituents.

Institutions reflect the markets they serve, and higher education is no exception. Around the world, students, parents, prospective employers, and national governments interested in long-term economic growth are demanding a new kind of higher education, one that is less expensive and more attuned to the evolving needs of students, the workplace, and the knowledge economy.

To meet these challenges and deliver on the promise of higher education, business as usual is not an option. Managing a modern university is arguably more complex than running a Fortune 500 company. Presidents and chancellors have to satisfy a more diverse group of stakeholders with different and often competing interests: students and faculty, alumni and parents, trustees and donors, politicians and local communities. Campuses are frequently embroiled in hot-button political issues such as free speech and diversity and inclusion.

It is our thesis that universities in the US and elsewhere generally have not been well managed and that given the present challenges, improved leadership and better management is essential. It is a commonplace that universities need to be run in a more business-like manner, but they remain unique environments and should not be managed in exactly the same way as a business. Nonetheless, they suffer when they neglect contemporary management concepts and practices.

In this book, we lay out a strategic management framework designed to help campus leadership recognize opportunities, set priorities and execute them wisely, and transform their institutions. That framework is called *dynamic capabilities*. We will explore this framework in more detail in Chapter 4 and throughout the book, but meanwhile, here is a quick introduction.

The dynamic capabilities framework – first outlined by Teece and Pisano in 1994 and developed more fully in 1997 by Teece, Pisano,

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and Shuen – provides leaders with a conceptual lens for understanding the critical issues they face and with a useful tool for prioritizing an endless stream of competing and often conflicting demands.[42] Developing and applying an institution's dynamic capabilities is also critical to maintaining its long-term "evolutionary fitness" – its ability to adapt rapidly to changes in its internal and external environment. Indeed, maintaining evolutionary/ecological fitness is far more important than making sure that the university operates efficiently, and its inability to adapt will lead an institution to become less attractive to students, faculty, donors, and other stakeholders.

What are a university's dynamic capabilities? In management theory, these represent an organization's internal and external skills, processes, and activities that it can tap in order to achieve its mission. "Dynamic" capabilities exist in contrast with "ordinary" capabilities – those that contribute to successfully meeting present needs. What makes these capabilities dynamic is their capacity to respond to (and shape) the needs of a changing environment and to drive the organization into a munificent future. They are especially important in times of rapid technological change, when the future of competition and markets are uncertain, and timely action is critical.

Consider the problem of declining enrollments. An "ordinary" approach to the problem might be to cut the number of classes, compete on price, either by lowering tuition or increasing discounting or financial aid, and cut other costs to balance budgets. Getting more efficient can happen fairly quickly, and certain elements may be necessary, but it is not sustainable. Engaging in a race to the bottom isn't the answer. Being innovative is what's required, and strong dynamic capabilities enable a university to innovate and change.

A dynamic capabilities perspective requires more effort: understanding why enrollment is falling and then addressing those underlying causes. This might mean introducing new programs in areas where student demand is high, such as AI, or in the case of West Virginia University found, esports (Chapter 8). It also requires making sure the new programs are consistent with the university's existing

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strengths. An AI program makes sense if the school already has a robust computer science program, but not when it is one weak in engineering and mathematics. This approach is far from easy, requiring a *dynamic* effort to orchestrate resources through working with faculty committees, admissions staff, the marketing department, and financial planners, which in turn demands a continuous effort to build and maintain consensus. Leaders have to take a systems-level approach, identifying the most critical internal and external interdependencies. They could do well to keep in mind the model laid out by Great Britain's Royal Society of Arts: "Think like a system, act like an entrepreneur."

The dynamic capabilities framework comprises a cluster of activities – sensing, seizing, and transforming – but it represents a mindset as much as a set of processes and tools. The goal must be to imagine the future while thinking astutely about the present. A university with the ability to develop and exercise strong dynamic capabilities will be poised to become effective, agile, entrepreneurial, and resilient, and to respond to the challenges of the twenty-first century and beyond.

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