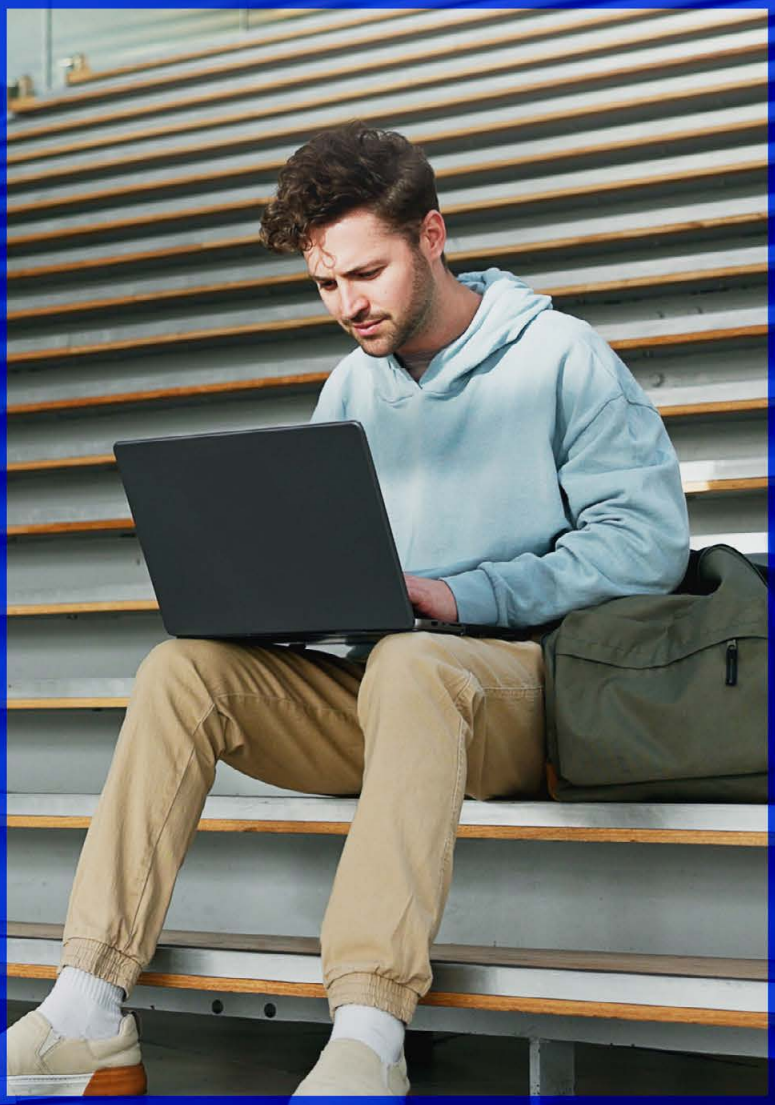
KPMG

It's time for the new "New Education"

Four things colleges and universities must do to remain relevant in the face of disruption—without compromising their mission or role as a public good



January 2026
kpmg.com

Contents

The term "inflection point" is often overused, but higher education is surely at one.

The current political climate may be grabbing the headlines, and its effects, though profound, may be transitory, but the fundamentals underpinning what has been a stable operating model for decades are inarguably changing. What has long been "business as usual" is increasingly untenable. For many institutions of higher education, only a significant change in direction will ensure continued viability; for some, the end of the line is perilously close.

We believe five trends in particular are having the greatest impact.

Presidents of these institutions are surely painfully aware of these trends, but others may benefit from understanding just how disruptive they are.

01 Growing doubts about the value of a college degree

Colleges and universities are not white-collar trade schools—most would argue their mission is to prepare students for purposeful lives, not jobs. Yet it's undeniable prospective students have long made the connection between a college degree and a well-paying career—the return on investment (ROI) calculation is implicit in their decision to obtain a degree. As they perceive the link between the two becoming more tenuous, Americans increasingly are questioning the value of a four-year degree.

In a 2024 Pew Research survey, only one in four US adults said it's extremely or very important to have a four-year college degree in order to get a well-paying job in today's economy, and nearly half of Americans said the cost of attending college is worth it only if someone doesn't have to take out loans.[1] Confidence in higher education has plummeted in recent years. In a 2024 Gallup survey, only 36 percent of US adults said they have a great deal or quite a lot of confidence in higher education, compared to 57 percent in 2015, and almost one-third now said they have little or no confidence, up from just 10 percent in 2015. Sixty-eight percent of Americans said they believe higher education is headed in the wrong direction.[2]

As is often the case, there's a disconnect between perception and reality. People with a college degree still earn significantly more than those without, and experience lower levels of unemployment, too.[3] But as any marketer will tell you, perception can be more powerful than reality, and indeed, often shapes reality as it becomes a self-fulfilling prophecy. Institutions can't simply ignore the warning signs.

[1] "Is College Worth It?," Richard Fry et al., Pew Research Center, May 23, 2024.
[2] "U.S. Confidence in Higher Education Now Closely Divided," Jeffrey M. Jones, Gallup, July 8, 2024.
[3] US Bureau of Labor Statistics, May 2023.

02 Changing demographics

Men in particular are turning their backs on college degrees. Between 2011 and 2022, the number of Americans attending college dropped by 1.2 million, with men accounting for almost the entirety of that drop.[4] In the 2024-25 academic year, men made up only roughly 42 percent of undergraduates, an all-time low.[5]

Higher education is also facing the impending "demographic cliffs"—the result of a dramatic decrease in the number of births during the pandemic combined with what has been a steady decline in birth rates more generally. The number of 18-year-olds is expected to drop from 4.2 million in 2034 to 3.8 million in 2039; by 2041, it's projected there will be 13 percent fewer high school graduates than in 2025.[6]

As a result, competition for students is becoming fiercer. While there's enormous pressure to reduce the cost of a four-year degree, there's equal pressure to spend more to enhance the campus experience—programming through student housing, campus recreation, student organizations, sorority and fraternity life, along with increased needs for academic advising, mental health support, and international student services.

03 Changing economics

Colleges and universities rightly see themselves as a public good rather than as a business. But the realities of a balance sheet ultimately trump any altruistic motives—revenues must equal or exceed expenses to survive.

For decades, many institutions have relied on tuition increases to remain in the black. Over the last 20 years, the average cost of tuition and fees has risen more than 181 percent at private four-year institutions and 141 percent at public four-year institutions, well outpacing inflation.[7] But as prospective students increasingly question the ROI of a four-year degree, it is becoming more difficult to keep dipping into that well. We may already be seeing that happening: For the 2024-25 academic year, tuition at public four-year institutions actually declined on average when adjusted for inflation.[8]

Public colleges and universities increasingly must become more self-reliant. Government subsidies amount to slightly more than half of the total education revenue they receive—far less than the 77 percent they received during the late 1980s.

Political pressures may be discouraging or even preventing foreign students—long valued for their ability to pay full, unsubsidized tuition—from enrolling in US institutions of higher education, closing the tap of funding many rely on. These same pressures may be threatening the long-standing social contract colleges and universities have had to serve as the country's apolitical research and development resource, impacting yet another previously reliable source of funding. At a minimum, reimbursements for facilities and administrative (F&A) costs will likely be far lower than in the past.

As sources of revenue are squeezed, so, too, are the programs that provide financial assistance to students. For example, recent federal legislation terminates the Grad PLUS loan program for new borrowers starting on July 1, 2026. Previously, this program allowed graduate and professional students to borrow up to their full cost of attendance not covered by other aid. Now, either students or their institutions will need to cover the gap. Uncertainty around the fate of other federal aid programs, such as Pell, the Supplemental Educational Opportunity Grant (SEOG), Federal Work Study (FWS), and the TRIO Programs, is threatening the viability of long-standing financial models and perhaps putting college out of reach for many more Americans.

Whether these pressures on revenue sources are a temporary phenomenon or more permanent, it's clear that the economic model is under tremendous stress. In the last five years, 45 public or private nonprofit schools or campuses have closed; 35 have merged with other universities. The Federal Reserve Bank of Philadelphia, which developed a model to predict college closures, estimates that up to 80 colleges could close in the coming year due to financial distress.[9]

[4] "Why US Men Think College Isn't Worth It Anymore," Francesca Maglione, Bloomberg Businessweek, April 21, 2025.
[5] College Enrollment Trends and Statistics: 2024-2025, Lyss Welding, BestColleges, March 5, 2025.
[6] "Colleges Were Already Bracing for an 'Enrollment Cliff.' Now There Might Be a Second One," Dan Bauman, The Chronicle of Higher Education, February 7, 2024.
[7] "Average Cost of College by Year," Melanie Hanson, Education Data Initiative, September 9, 2024.
[8] "Published Tuition Prices at Public Institutions Increase Less Than Inflation," College Board, October 21, 2024.
[9] "Tracking College Closures and Mergers," Evan Castillo and Lyss Welding, Best Colleges, July 1, 2025.

04 Growing workforce retention, overwork, and morale challenges

In response to growing financial pressures, institutions are cutting budgets and implementing hiring freezes and even layoffs—cutbacks that extend beyond areas directly affected by recent cuts to research funding. Cuts are being felt by institutions accustomed to being immune to such financial challenges. One Ivy League university told departments to prepare for 5-to-10 percent budget cuts over the next three years in anticipation of "very large, permanent cuts to federal research funding as well as substantial increases to the endowment tax."[10]

These budget cuts are placing greater strain on a workforce that already feels overwhelmed. Sixty percent of faculty and staff believe their workload is excessive. The strain is affecting technology professionals the most, where 75 percent say it's excessive. The most commonly cited cause was insufficient staffing levels. More than one-third say their institutions have taken no actions to address the issue.[11] But it's not for lack of awareness. The National Association of College and University Business Officers (NACUBO) members identified "supporting and maintaining their workforce" as one of their top five pressing issues.[12]

Persistent challenges are compounding the problem, including an increase in turnover, difficulty in recruiting faculty and staff, and an aging faculty. Salary is the leading driver behind employees seeking opportunities outside of education—86 percent listed it among their top three reasons, and 53 percent cited it as the primary factor.[13]

05 The rise of AI

New graduates are finding it increasingly difficult to find employment.[14] Some attribute this to the current economic environment, but others see a more durable cause: the rise of artificial intelligence (AI). Some predict that AI could eliminate half of all entry-level white-collar jobs in the next one-to-five years.[15]

The disruption may not be limited to entry-level positions. For the last several decades, institutions of higher education have promoted science, technology, engineering, and math (STEM) majors as a guaranteed ticket to a well-paying career, but AI may be tearing that ticket in two. In the first half of 2025, an estimated 100,000 employees in the tech sector have lost their jobs, with many pointing to AI as the cause.[16]

Some believe AI will soon displace workers in fields once considered immune to automation, including lawyers, accountants, marketing copywriters, and most other white-collar workers.[17] If these predictions are even half true, the impact on colleges and universities—which are largely modeled around preparing people for such roles—will be profound.

[10] "Financial Reckoning Hits Universities: Pay Cuts, Layoffs and No Coffee," Sara Randazzo, The Wall Street Journal, May 16, 2025.
[11] "2025 EDUCAUSE Teaching and Learning Workforce in Higher Education," Mark McCormack, EDUCAUSE, July 21, 2025.
[12] "State of Higher Education: Top 5 Business Issues of 2025, National Association of College and University Business Officers (NACUBO)," September 8, 2025.
[13] The CUPA-HR 2023 Higher Education Employee Retention Survey, CUPA-HR, September 12, 2023.
[14] "Young Graduates Are Facing an Employment Crisis," Justin Lahart and Te-Ping Chen, The Wall Street Journal, June 16, 2025.
[15] "Behind the Curtain: A white-collar bloodbath," Jim VanderHel, Mike Allen, Axios, May 28, 2025.
[16] "Tech layoffs 2025: Over 100,000 jobs cut as Microsoft, Google, Amazon lead mass firings; AI is to blame," Times of India, July 4, 2025.
[17] "A.I. Might Take Your Job. Here Are 22 New Ones It Could Give You," Robert Caps, The New York Times, In another survey, June 17, 2025.

Responding to the challenge

This isn't the first time, of course, that higher education has faced significant disruption. Educational institutions have been among society's most resilient throughout history. They have adapted to significant technological, economic, and societal changes for hundreds of years, through the agricultural, scientific, and industrial revolutions, and more recently, the digital and internet revolutions.

But what we're seeing now is a new revolution that's progressing at an unprecedented pace, a pace for which educational institutions may not be fully prepared. The internet revolution, for all its disruption, where access to information became immediate and free, was practically glacial by comparison.

In "The Great Upheaval," a book that explores the future of higher education, authors Arthur Levine and Scott Van Pelt warn institutions to avoid the common mistakes that doomed what had been well-entrenched companies to failure. "They projected tomorrow to mirror yesterday," resulting in short-term adaptations that fell far short of the generational challenge, and focused on cutting costs "rather than making investments in the future."[18]

Yet we see many colleges and universities making these mistakes, approaching the current disruptions by tinkering around the edges or by cutting costs alone, spreading out budget cuts evenly like peanut butter rather than with any pointed strategy. This approach may doom many to join the Kodaks and Blockbusters of the world that tried and failed to cut their way out of change.

The industrial revolution transformed higher education from one rooted in classical liberal arts to a more "practical" one that emphasized applied knowledge—the "New Education" championed by Harvard President Charles W. Eliot in 1869. We believe that it's time for a new "New Education." But the answer isn't for colleges and universities to simply become "job factories," abandoning their roles as a public good to become for-profit businesses; instead, it's to develop the strategies and capabilities that help them strengthen their mission in the face of disruption rather than deviate from it or compromise on it.

[18] "The Great Upheaval," Arthur Levin and Scott Van Pelt, Johns Hopkins University Press, 2021, and "Thoughts on 'The Great Upheaval'," Matt Reid, Inside Higher Ed, January 3, 2022.

To that end, we see four things institutions of higher education should focus on to begin their journey to the new **"New Education"**:

01 Think *more* like a business

We believe deeply in the mission, purpose, and promise of higher education in the US, and we do not believe institutions should abandon these ideals in favor of operating purely as businesses. While for-profit institutions have a place in higher education, the mission of higher education to serve the greater good and advance society remains a cornerstone of civilization. That doesn't mean, however, colleges and universities can't take a page or two from the playbooks of businesses. Practicality and pragmatism are essential components to survival and open pathways to new and more prosperous futures. This is an opportunity for transformational thinking that allows both academic ideals and pragmatic realities to coexist.

Perhaps the most important lesson is to avoid looking at the current onslaught of disruptions solely as threats. Every change creates opportunity. And this storm of disruption offers an almost unbounded set of opportunities.

Seizing these opportunities starts with improved **strategic planning and analysis**. It's difficult, if not impossible, to steer a ship in the right direction through a storm when it's not clear what the right direction is. Well-known business tools are available to help evaluate strategic options while maintaining equitable outcomes. They can help you model the effect of disruptions on budgets and financial controls, business processes and operating models, and employee growth and retention. They can help you to make data-driven decisions and be more proactive than reactive in your strategies.

Pay attention to the **cultural changes** required to execute these strategies. Reinforce the institution's values and vision to foster pride, engagement, and shared responsibility in the enterprise strategic plan. Cultivate leadership that embodies both traditional academic paths and innovative visions for the future. Encourage them to embrace bold ideas and change, supported by strategic modeling. Value agility. Learn to make decisions and act on them quickly. You must be able to identify and cut underperforming programs while maintaining alignment with strategic priorities.

Aligning stakeholders to a common vision is equally important so that everyone is pulling in the same direction. It's not uncommon in universities to hear high-level administrators say that the decentralized, autonomous nature of individual schools makes it difficult to get a common organizational strategy or establish common performance metrics that drive budget decisions. You must foster an iterative, inclusive approach to strategic planning that lifts the community and encourages active participation from faculty. Conduct listening sessions to incorporate diverse perspectives, emphasizing community impact and historical insights to guide future objectives. Reinforce the institution's commitment to wellness, inclusion, and addressing faculty burnout.

Focus on **revenue and resource optimization**. Adopt an investment mindset that prioritizes long-term returns over short-term budgeting constraints. Explore portfolio models similar to financial services, harnessing different organizational parts for diverse purposes and audiences. Utilize campus spaces creatively to build revenue streams and develop partnerships with local communities and industries for workforce and economic development.

Build **customer-centric models**. Recognize you have multiple stakeholders or "customers": students, employers, funders, and communities, each with different needs and expectations. Ultimately, these needs converge in the shared goal of producing graduates prepared to serve all other stakeholders effectively. In this regard, students are more the "products" of higher education institutions than their customers. As with any product, unless it's produced with care and quality, and designed to effectively meet the needs of customers, the organization that produces them will become irrelevant.

Historically, colleges and universities have never been held to account for the quality of the products they produce—the fitness of their graduates for job opportunities. That's now changing. Workforce Pell Grant standards, for example, now require institutions to show a verified job replacement rate of at least 70 percent within 180 days of program completion, and median earnings for program graduates must be at least 150 percent of federal poverty guidelines and exceed the median total price students were charged.[19]

Prioritize students to meet their expectations consistently, and your other stakeholders should be well served. Develop comprehensive pipelines that support students' careers from entry through alumni engagement. Integrate feedback and performance metrics to help align student needs with institutional goals.

[19] "Congress Is Poised To Expand Workforce Pell. Here's What It Means for Adult Learners," Matthew Arrojas, BestColleges, June 25, 2025.

02 Develop an AI strategy and capabilities—*fast*

Industry is adopting AI at an unprecedented pace, and higher education needs to be paying more attention. A recent survey of more than 800 senior business leaders by The Wharton School revealed that weekly usage of generative AI (GenAI) nearly doubled from 37 percent in 2023 to 72 percent in 2024.[20]

Yet as fast as business is moving to adopt it, the technology itself seems to be advancing even faster. GenAI, the darling of the past few years, has suddenly become old hat, replaced by AI agentic systems, which possess higher levels of autonomy and intelligence than their GenAI predecessors, enabling them to collaborate and adapt and optimize their actions in response to changes in their environment,[21] moving AI from passive information retrieval to proactive execution and decision-making.

At the beginning of 2025, 61 percent of enterprise IT leaders said they were experimenting with AI agents.[22] Just six months later, 90 percent said they are already past AI-agent experimentation and are working on adoption, and a third said they had already deployed agents.[23] At this pace, adoption will almost surely be much higher by the time you read this. It's all the more astonishing when you consider that just a few years ago, AI agents weren't yet on the radar of many business leaders.

Moore's law, which predicts a doubling of transistors on a microchip every two years, has defined the pace of computing power and innovation for more than a generation. But AI is relatively unconstrained by the physical limits of microchips; its ability to accomplish increasingly complex tasks appears to be doubling every few months,[24] and that pace is itself accelerating.[25]

In 2020, AI was only able to perform tasks that would typically take a human expert a couple of seconds to do. By 2024, that had risen to almost an hour. By 2028, AI is projected to be able to quickly complete tasks that would take a human several weeks to do.[26] Reinforcement learning, a new approach to training being used by AI firms, is enabling AI models to reason and begin to be capable of adapting to a wide variety of situations and tasks. In 2024, this approach let them surpass human PhDs at answering difficult scientific reasoning questions and achieve expert-level performance on one-hour software coding tasks.[27]

The transformative effects of these advancements may be some of the most profound in human history. They are existential threats to the higher education model as we know it—and to our current economic and societal models more broadly. Yet few outside of commercial enterprises appear to be paying attention. In our experience, the response at many institutions appears to be limited to developing policies on the use of GenAI for writing papers or offering courses on GenAI prompt engineering—the equivalent of bailing out a sinking ship with a teacup.

[20] "Growing Up: Navigating Generative AI's Early Years – AI Adoption Report," Jeremy Korst, et al., The Wharton School, October 2024.
[21] "The Rise of AI Agents and the Evolution of Innovation in AgentLayer," Medium, March 3, 2024.
[22] "AI Agents Are Everywhere…and Nowhere," Belle Lin, The Wall Street Journal, February 12, 2025.
[23] "KPMG AI Quarterly Pulse Survey Q2 2025," June 26, 2025.
[24] "AI can handle tasks twice as complex every few months. What does this exponential growth mean for how we use it?" Roland Moore-Colyer, LiveScience, April 27, 2025.
[25] "A new Moore's Law for AI agents," AIDigest, April 22, 2025.
[26] "Why AGI could be here by 2030: the case for and against," Benjamin Todd, 80000 Hours, March 21, 2025.
[27] Ibid.

Colleges and universities must develop comprehensive AI strategies to reimagine the education model—the purpose the institution serves in an era where AI is radically changing work and society more broadly. The challenge for institutions is to prepare students for what's yet to be imagined with the adaptability and curiosity to thrive no matter what the future holds.

By one estimate, nearly 57 million people in the US are interested in learning AI-based skills—with about 8.7 million currently doing so. However, just 7,000 (0.2 percent) are learning AI via a credit-bearing program from an accredited institution—most are doing so independently through videos, online reading, and other learning resources.[28] These figures suggest there may be significant opportunities to expand course offerings to include AI. Still, in many programs, the real opportunity may be less straightforward than these numbers imply.

Trying to keep pace with AI advancements by continuously modifying the curriculum to incorporate the teaching of it could prove to be a fool's errand. Given the time it takes for most universities to modify course offerings, even the most agile educators would struggle to develop meaningful coursework at the pace of AI's evolution. Instead, both students and employers might be better served with coursework anchored in so-called "soft skills" valuable across any career path or technology: critical thinking, effective communication, the ability to engage with different viewpoints, independent thinking, and information analysis.

Institutions must also identify how they can leverage the same AI capabilities that business is so rapidly adopting to help improve the education experience and student success, and realize operational efficiencies by reducing the administrative burden of overworked and resource-constrained faculty and staff. AI can assist in administrative tasks, academic advising, course material development, syllabus generation, and grading. It can help develop custom learning experiences personalized for each student. It can help to more rapidly identify at-risk students to improve retention—the possibilities are seemingly endless. AI technology developers are helping in this regard.

Anthropic and OpenAI, for example, have released versions of their large language models (LLMs) designed specifically for university students, educators, and administrators. ServiceNow, a leading agentic AI platform, has done the same.

At a minimum, institutions must conduct opportunity assessments to understand where the greatest ROI lies while maintaining strategic and operational alignment. You'll need to identify operational and performance issues, conduct in-depth cost-optimization and risk assessments, and develop actionable plans to address their findings.

Administrative bloat is surely a prime target. Over the last 20 years, the number of managerial and professional staff has exploded at colleges and universities, in many cases far outpacing the growth of faculty and students. There are now three times as many administrators as there are faculty on a per-student basis at the leading schools in the country.[29] At one Ivy League university, administrators now outnumber undergraduates.[30] Adding more labor resources to decentralized, nonstandard, and inefficient business operations is not working. Instead, institutions must reexamine their operating models—how work gets done and goals are achieved—to take advantage of these technologies.

However, you can't fully consider the strategic implications of AI until you first determine if you have the necessary foundation in place to support its adoption—your AI readiness. Clear governance, usage policies, and stakeholder alignment are essential from day one. You'll need to measure your cybersecurity, data trust and governance, workforce skill development, project management, and value tracking capabilities. Given AI's reliance on data, some level of data modernization or system integrations may be required. It also may involve infrastructure upgrades, with increased network bandwidth, dedicated servers, edge computing capabilities, and enhanced network architectures and security capabilities. You must identify gaps and develop a plan to address them.

[28] "Colleges Meet Just a Fraction of Demand for AI Training," Patrick Jack, Inside Higher Ed, August 1, 20250.
[29] "Administrative Bloat At U.S. Colleges Is Skyrocketing," Paul Weinstein Jr., Forbes, August 28, 2023.
[30] "Death By a Thousand Emails: How Administrative Bloat is Killing American Higher Education," Lance Dinino, The Bowdoin Review, February 7, 2024.

03 Embrace the shift to skills-first hiring

Given the pace of technology advancements and the resulting rapidly changing nature of work, skills-first hiring—prioritizing a candidate's demonstrated skills, competencies, and potential over college degrees, job titles, or years of experience—is gaining momentum.

AI is accelerating the trend by helping employers better understand what skills they need to achieve their mission, what gaps they have between those skills and the skills of their current workforce, and how to better identify the skills of prospective employees. It's also fundamentally changing career planning—how employees seek to remain relevant as the nature of work changes. Adopting a skills-first mindset is key to adapting to this new reality.

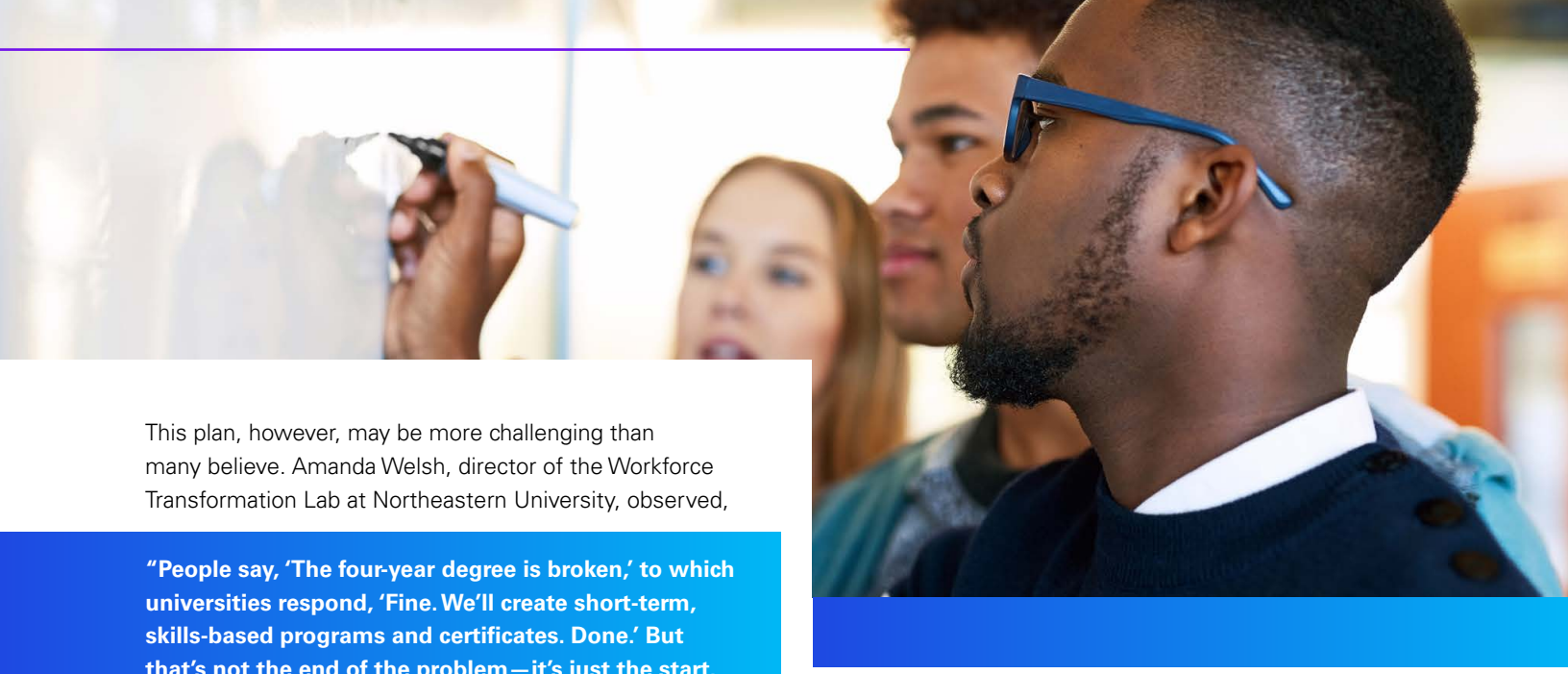
One sign of the trend is the growing number of employers that are eliminating college degree requirements from hiring in favor of demonstrable skills. One leading tech firm, for example, is widely known for its hiring preference for skills over degrees, "placing a higher priority on cognitive ability, curiosity, a willingness to learn, and emergent leadership skills than on specialized expertise."[31] Others are following suit. Over half of US state governments have adopted policies encouraging skills-based hiring, including eliminating degree requirements for many job postings.[32] In a recent survey, one in four companies said they will stop requiring a bachelor's degree for some roles by the end of this year.[33]

The jury is still out on whether eliminating degree requirements is effective.[34] While some are finding success, others that have experimented with eliminating degree requirements have reverted to their previous practices. It does appear to be working better for some industries (e.g., government, real estate, accommodation, food services) than others.[35]

Whether eliminating degree requirements proves to be effective or not, the growing emphasis on skills appears to be less in doubt. Given the rapidly shifting market dynamics and technological innovations, workers can expect that two-fifths of their existing skill sets will need to be transformed or they will become outdated by 2030.[36]

Many institutions are responding by developing credential/certificate-based learning programs or "microcredentials" focused on the development of specific skills. Because they typically require less time and money to complete compared to traditional two- or four-year degrees, these programs may appeal to a wider range of prospective students, including those who may be eschewing four-year degrees as well as those seeking upskilling or reskilling opportunities, expanding the typical age range served by colleges and universities from 18–24 to lifelong learners.

[31] "Why Google Prioritizes Skills Over College Degrees: 5 Key Insights," Oliver Grand, Amwork, November 27, 2024.
[32] "Empowering Progress: Harnessing Skills-Based Strategies to Drive Public Sector Excellence," National Governors Association, February 6, 2025.
[33] "2 in 5 Hiring Managers Say Gen Z Should Prioritize Gaining Experience Over a Degree," Resume Templates, May 20, 2025.
[34] Ibid.
[35] "Skills-based hiring: The long road from pronouncements to practice," Matt Sigelman et al., Harvard Business School and The Burning Glass Institute, February 2024.
[36] "Future of Jobs Report 2025," World Economic Forum, January 7, 2025.



This plan, however, may be more challenging than many believe. Amanda Welsh, director of the Workforce Transformation Lab at Northeastern University, observed,

"People say, 'The four-year degree is broken,' to which universities respond, 'Fine. We'll create short-term, skills-based programs and certificates. Done.' But that's not the end of the problem—it's just the start. Creating certificates is the easy part. The problem is the product is radically different, and the audience is radically different, so therefore, the strategy, the positioning, the execution, the industry partnerships, the staffing, the IT systems that support it, all need to be radically different. And most universities have yet to embrace the magnitude of this transformation."[37]

In today's rapidly evolving job market, educational credentials alone no longer serve as the sole benchmark for evaluating a candidate's suitability or a proxy for their skills. Employers are looking beyond traditional degrees to assess specific skills and competencies that individuals bring to the table. Historically, a degree in a field such as mechanical engineering might be enough to secure an entry-level position. However, modern workplace demands necessitate a more comprehensive skill set, including effective communication, problem solving, project management, and analytical skills, and a basic proficiency in AI technologies—skills that may not be reflected in the degree alone. Would an employer know if a recent graduate from your institution had these skills based solely on their degree in mechanical engineering?

To play in the skills-first game, educational institutions must be able to connect their curriculum to the systems that will determine what skills any given graduate has acquired through that curriculum—and we don't mean figuratively connect. It's purely a data game. In today's employment recruiting, résumés are primarily read by AI algorithms, not people. Humans don't enter the loop until near the very end of the process. Résumés are increasingly being generated by AI, too—recruiting today is largely AI reading résumés that have been generated by AI.

We're also now seeing the emergence of "digital learning and employment records (LERs)" or "digital wallets" that are designed for individuals to hold their own education and skills-based certification portfolios, with an independent set of organizations verifying their authenticity. Employee candidates will simply present their LER or digital wallet to potential employers. Applications and résumés may soon be headed the way of the floppy disk.

There are benefits to this approach beyond the ability to quickly parse hundreds of applications. AI-powered systems can automatically validate a certification and institution accreditation to identify résumé fraud or inflation, for example. More importantly, they can identify an applicant's skills based on their education and past life experiences and instantly match those to employer needs.

Currently, multiple organizations are competing to develop a single, standard "skills taxonomy," each considering its skills list as best or most appropriate. The result, at least for the moment, is a Tower of Babel-like cacophony of similar but nonetheless distinct taxonomies.[38] Some institutions are waiting for the dust to settle, hoping for a single standard to emerge before they invest in this new framework. But as they say, the nice thing about standards is that there are so many to choose from. For many reasons, it's likely there will be multiple competing or complementary standards that continue to coexist for the foreseeable future.

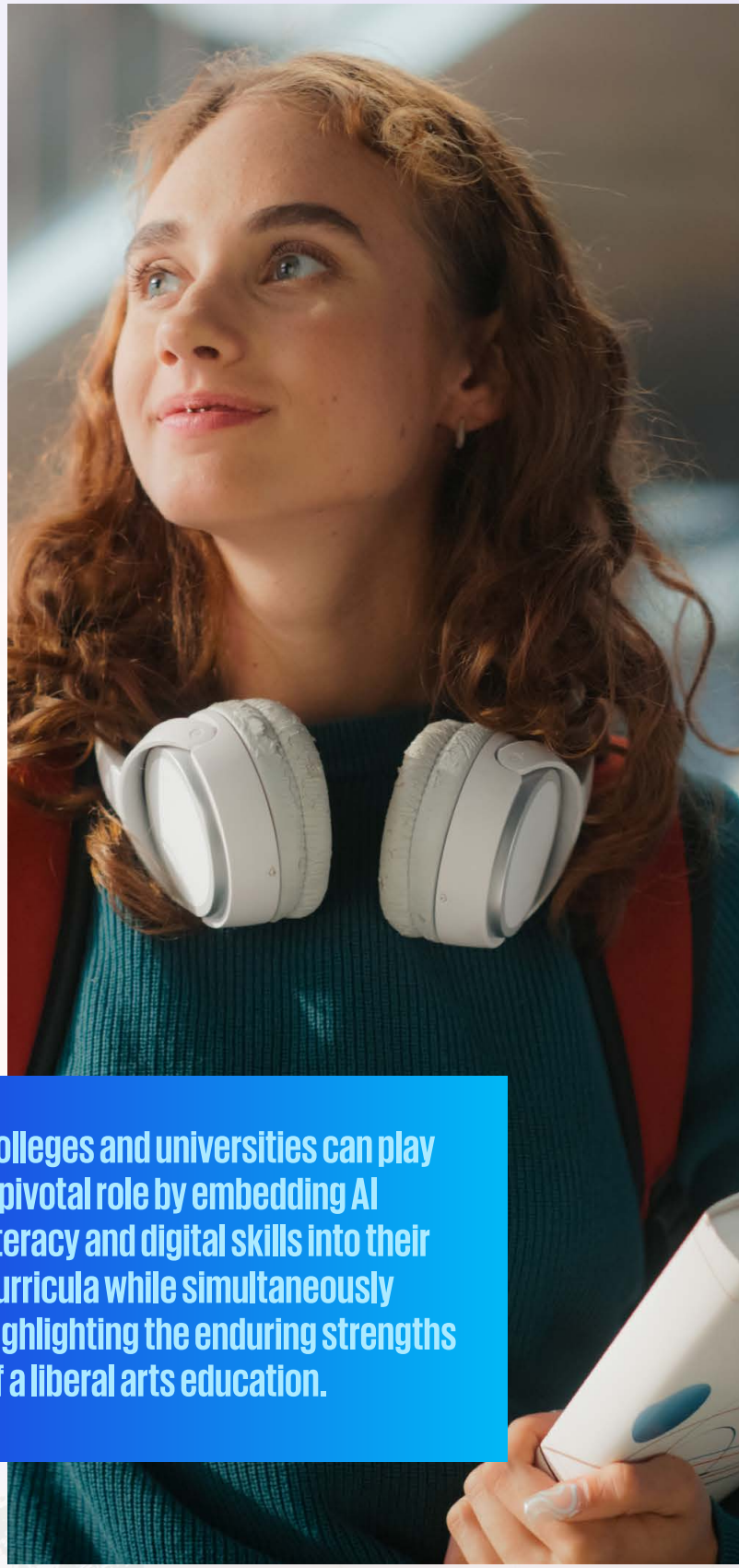
[37] Amanda Welsh, PhD, Director, Workforce Transformation Lab, Northeastern University, and Associate Dean, Workforce and Economic Development, Northeastern University.
[38] "Exploration of Skillification and Its Use in Awarding Credit for Prior Learning," Amanda Welsh and Allison Ruda, The Journal of Continuing Higher Education, January 16, 2024.

Higher education institutions must rethink how they describe a traditional liberal arts education by examining—and effectively communicating—the durable, uniquely human skills it cultivates. The ability to critically think and communicate, hallmarks of a liberal arts education, may be more valuable today than ever. This transition to skill-based education is not about reinventing how or what you teach, but about connecting the dots between academic curriculum, industry demands, and learners' skill sets.

Given AI's expanding role in the workforce, this connection becomes even more crucial. As AI emerges as "digital labor" within hybrid human-AI environments, it takes on many tasks traditionally performed by humans, such as content creation and data analysis. This shift is redefining job roles across enterprises, leading to job consolidation, the creation of new positions, and the integration of digital teammates on organizational charts.

Colleges and universities can play a pivotal role by embedding AI literacy and digital skills into their curricula while simultaneously highlighting the enduring strengths of a liberal arts education. By codifying and communicating these skills, graduates are prepared not only to excel in a workforce increasingly influenced by AI but also to navigate and leverage the uniquely human capabilities that technology cannot replicate. Through strategic alignment with the evolving job market, educational institutions can equip students for success in an AI-driven world, reinforcing the foundational importance of a liberal arts education in fostering adaptability, critical thinking, and communication.

Educational institutions must begin today to develop the capabilities—the strategies, processes, and technologies—that enable them to "skillify their syllabi" so that skills gleaned from a class are capturable, with a translation layer that enables them to share the data they have in a structured way with any LERs, applicant tracking system (ATS), or human resource information system (HRIS) as necessary.



Colleges and universities can play a pivotal role by embedding AI literacy and digital skills into their curricula while simultaneously highlighting the enduring strengths of a liberal arts education.

04 Develop more meaningful industry partnerships

Major employers are increasingly investing in their own employee education programs, fueling the doubts of those already questioning the relevance of a four-year degree and of higher education institutions in general. Some believe that more employers in the future will take on responsibilities that used to be the domain of higher education, training new hires and providing upskilling and reskilling opportunities that are core to individual success. Many in this camp believe that access to higher education will remain important, but that the value of a degree in terms of employable skills will shrink dramatically."[39]

Others believe that the threat to higher education's relevance may be exaggerated. As one researcher in the field opined, "If universities aren't doing a perfect job, businesses are doing worse. Universities are remarkably good at teaching people; businesses traditionally are not. Support for learning is often sporadic, managed through vendors with highly varying quality, often not well tied to the true enterprise need."

Meaningful collaborations between industry and higher education offer a best-of-both-worlds solution. As the education model evolves, increased cooperation between four-year institutions and employers can help institutions remain relevant without diluting the educational experience into an "employee factory." There are opportunities for colleges and universities to collaborate creatively with employers—including KPMG LLP (KPMG)—using faculty expertise and institution resources to create alternative learning pathways that are more cost-effective and efficient for those seeking targeted educational opportunities rather than four-year degrees. Higher education institutions and businesses are exploring subscription models, for example, to provide continuous training and development opportunities for employees to help them adapt to industry and technology changes.

Industry-higher education collaborations are also helping to keep the traditional four-year educational experience more relevant for both students and employers. Northeastern University's cooperative education model, for example, includes two different programs, one a traditional internship program where students work at employers, and the other where employers present real-world needs or challenges to the university, and students work on solutions in classrooms under faculty guidance. Such programs are becoming increasingly popular. Applications to Northeastern have jumped 53 percent since 2020, driving the acceptance rate down to 5.2 percent.[40]

As government-funded research becomes increasingly difficult to secure, such structured higher education–industry partnerships can extend the benefits of an institution's academic "sandbox," enabling companies to test new technologies and hypotheses they might otherwise be unable to explore within their own highly regulated or profit-driven environments. These collaborations also create opportunities for institutions to generate income through royalties, licensing, and equity derived from the innovations they help incubate.

For students, professional experience outside the classroom is fast becoming a requirement. Internships, leadership roles in organizations, and community involvement provide practical insights that prepare candidates for real-world challenges. These experiences foster adaptability and teamwork, traits that are highly prized in collaborative environments. An applicant's ability to engage effectively with diverse teams and adapt to different leadership styles can greatly impact their success.

[39] "AI Has the Potential to Advance Skills-First Hiring," Roy Maurer, SHRM, October 23, 2023.
[40] "Degree in hand, jobs out of reach: Why recent grads are struggling in a competitive market," Nayeli Jaramillo-Plata, CNN, January 26, 2025.

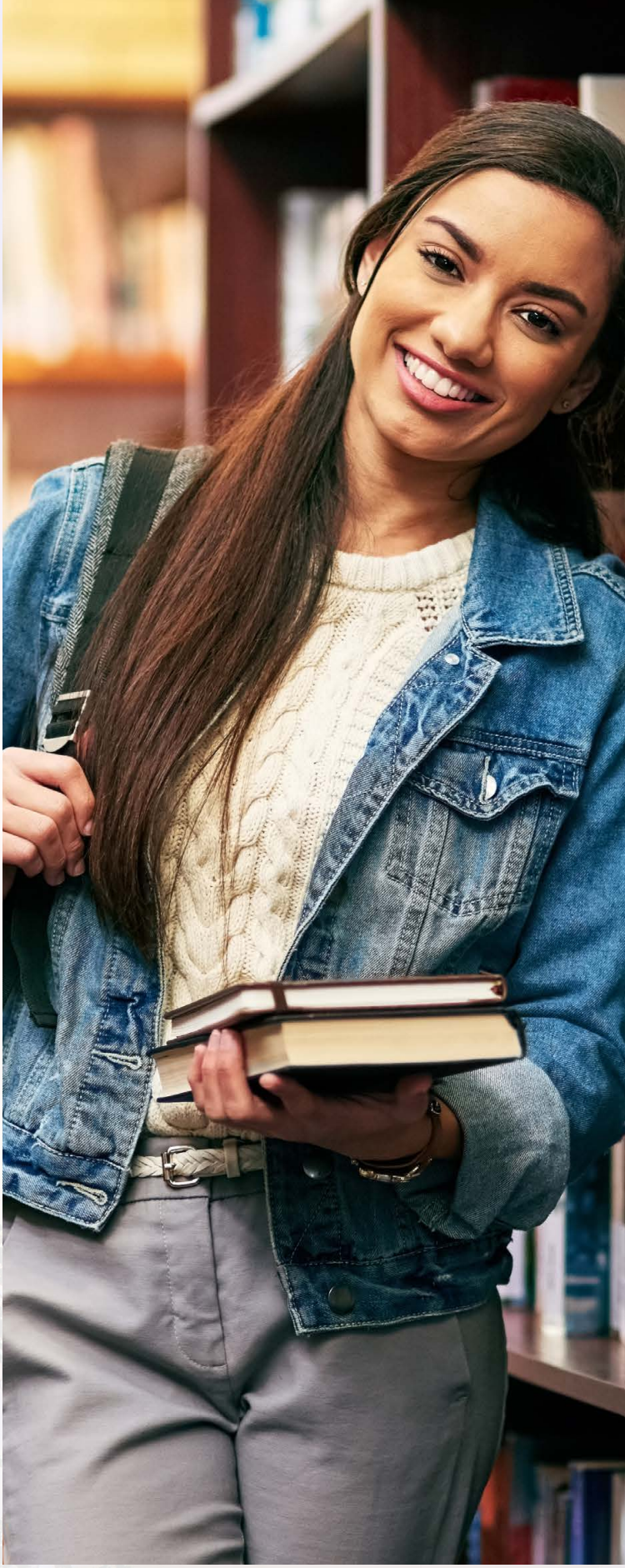
Charles Kilfoye, who helped develop a model for experiential learning and industry partnerships at Northeastern, observed, "Employers today expect recent college graduates to demonstrate the equivalent of two years' worth of work experience in their domain before they'll consider hiring them. That's why it's important to build experiential opportunity right into our academic programs, so learners apply classroom skills to solve real-world problems for real workplace sponsors."[41]

Colleges and universities are also developing apprenticeship programs, which combine rigorous academic preparation with practical, hands-on training with a mentor. The US Department of Labor is actively encouraging educational institutions to collaborate with industry to develop these programs, with grants, tax credits, and technical assistance. Harper College, for example, has successfully maintained its program for nearly a decade, offering apprenticeships in multiple fields including banking and finance, insurance, IT, marketing and sales, and supply chain management. In addition to its academic courses, it helps companies identify talent and supports apprentices from start through hire with a range of services including intensive student counseling.[42]

This best-of-both-worlds approach can help to increase the relevance of the institution's offering while also continuing to develop the soft skills employers are demanding, such as problem solving, multitasking, prioritization, collaboration, entrepreneurship, and leadership.

At KPMG, we're working on similar collaborations with institutions of higher education, including the University of North Carolina at Chapel Hill. *Launch, powered by KPMG*, is an AI-enabled, next-generation accelerator program that redefines how start-ups transition from ideation to commercialization. It's part of UNC's Launch Chapel Hill program, a network of founders, mentors, coaches, advisors, partners, alumni, and community members who help start-ups at the minimum viable product (MVP) stage identify an initial pilot or customer.

Beyond incubating new workforce skills, programs such as these can help unlock alternative sources of research and development funding. They can help build local economies, retain alumni networks locally, and help educational institutions move at the pace of industry.



[41] "Education vs. Experience: Which Do Employers Value More?", Shayna Joubert, Northeastern University Graduate programs, August 13, 2024.
[42] ApprenticeshipUSA, US Department of Labor.

A call to action: Embrace agility and future-focused strategy

As higher education institutions face an era of unprecedented change, the imperative is clear: embrace agility and cultivate a future-focused strategy. This journey demands an acknowledgment of the unknown—a recognition that no one has all the answers. What we see now is that there will be a set of future-focused winners and a set of those that do nothing that will struggle moving forward with action. The winners are the institutions that have recognized that this point in time is different.

These future-focused educational institutions are mission-driven yet think and operate like a business. To effectively preserve their mission and ensure their work is viable for decades to come, they are taking this opportunity to go through the analysis to redefine and articulate who they are, what their value proposition is and make investments in the future.

Today, most colleges and universities are looking at ways to optimize costs, create productivity, and dabble with AI. Future-focused winners are bold and are doubling down on enterprise-level investments, truly pursuing the strategy that will pave the future for them in the decades to come. The winners are assembling workstreams, allocating scarce resources, developing a cadence, defining an investment model, and instituting rigor to achieve strategic outcomes that make a meaningful difference in the institution's future. These winners will see their institutions thrive in the future, with strong metrics including student enrollment, higher number of applications, industry partnerships and recruiting programs, strong credit ratings and robust alumni engagement, and development/philanthropic giving programs.

Collaborative efforts—with trusted partners—are pivotal in navigating the unknown. Defining and embracing your community, including board members, industry experts, and nontraditional stakeholders, can infuse enterprise strategic planning with fresh perspectives. These voices help broaden horizons and challenge conventional thinking, so that diverse ideas fuel transformation. Entering new territories becomes invigorating and transformative when enveloped in a strong network of support.

Navigating the seismic shifts wrought by AI and innovative practices requires institutions to remain grounded in their core mission, fostering the greater good while exploring new horizons. While pushing forward, institutions must remain anchored in their history and mission. Integrating strategic shifts that celebrate heritage while empowering future directions creates a renewed sense of purpose. This balance fosters community involvement and reconnects stakeholders with the institution's foundational values and vision.

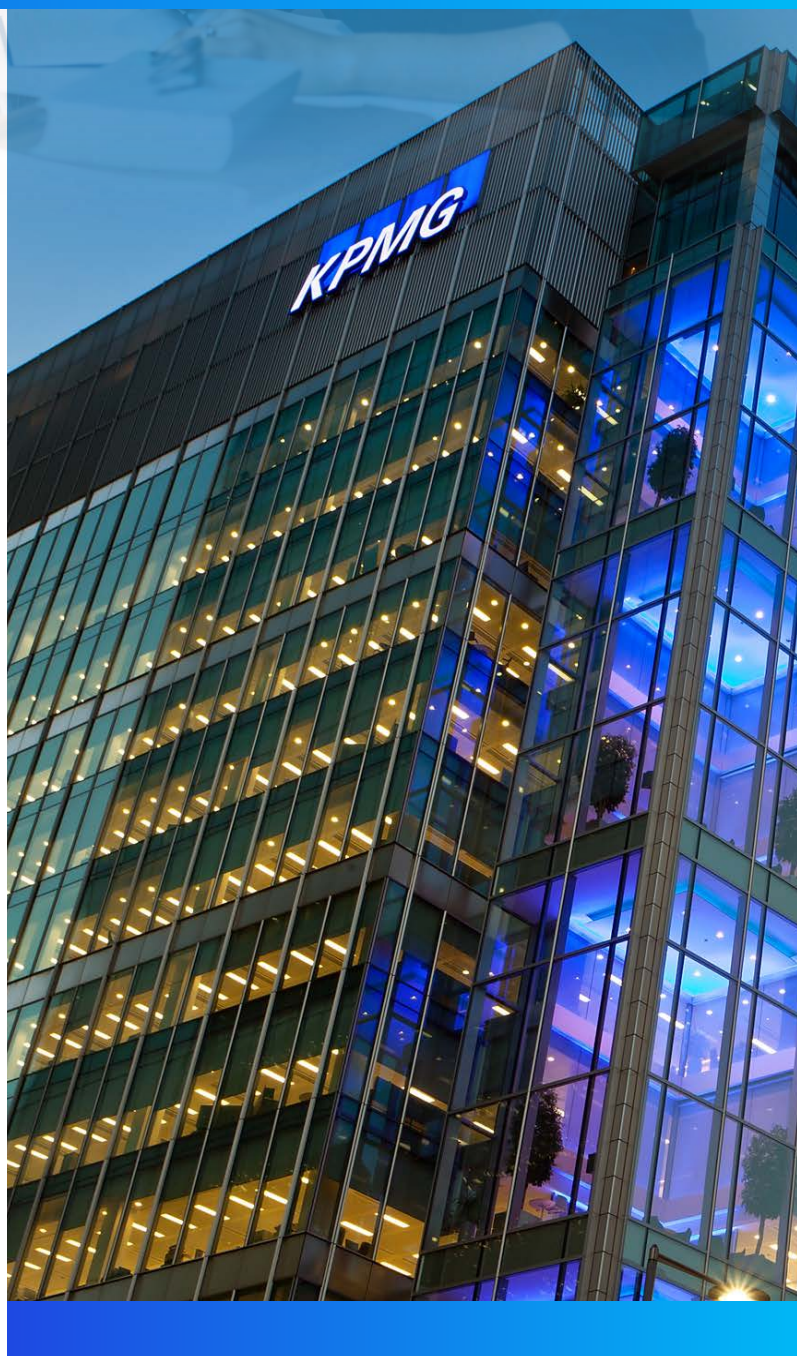
By embracing these principles, institutions of higher education not only pave the way for adaptation and innovation but also ensure they continue to thrive while upholding their ever-important missions. It's this fusion of agility, collaboration, and purpose that will help institutions flourish in the face of change.

How KPMG can help

The disruptions affecting higher education have reached critical levels. Yet some institutions will continue on their current path, addressing the challenges of the moment with ad hoc solutions that can create more complexity than they resolve. As the gap widens between what the institution is designed to deliver and what the world expects of it, the ability of its brand to remain effective will decline.

Others will seize the opportunities created by these disruptions. They will envision new possibilities, explore new avenues, and reshape capabilities to embrace change. They will develop a clear and holistic vision for the future, with solutions aligned to that vision.

Our mission is to help colleges and universities thrive in the face of change, to continue to effectively serve the needs of society, strengthen their financial viability, enhance their brand, and improve the student, parent, faculty, and staff experience. We do this by helping institutions implement holistic, forward-looking strategies with the necessary people, process, and technology transformations to help them achieve new levels of excellence.



Why KPMG

KPMG has the deep industry knowledge and experience, resources, technologies, and the commitment required to help address the most complex challenges facing colleges and universities today. With our track record of success, we are the firm of choice for higher education institutions seeking to achieve their strategic objectives, make a lasting impact, and thrive in the face of change.

Experience

We know higher education.

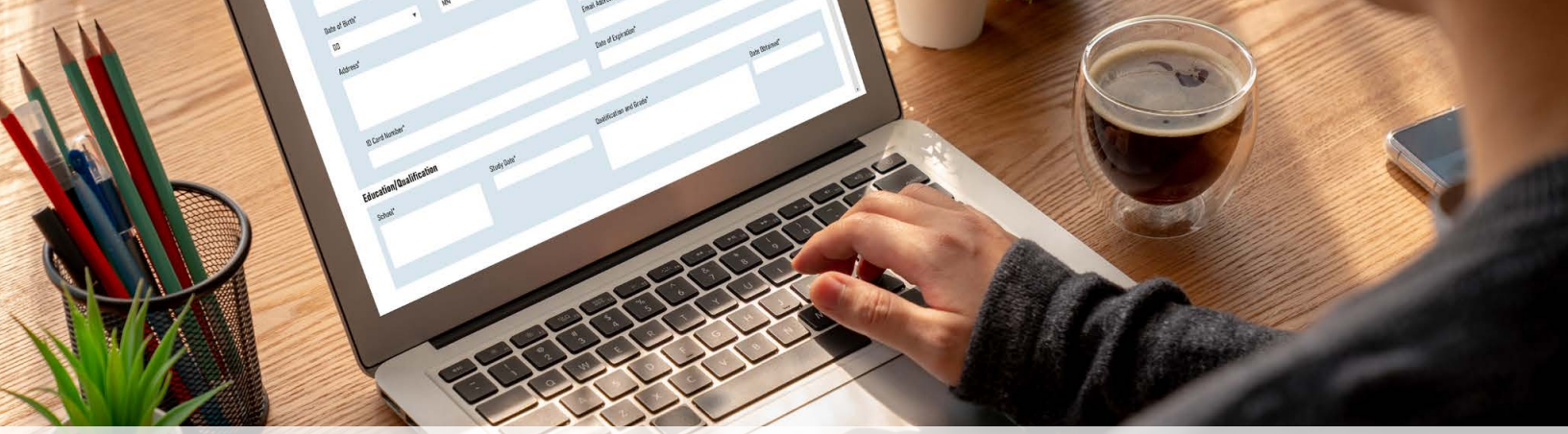
KPMG was one of the first major professional services firms to develop a "Higher Education, Research, and Other Not-for-Profit" practice. We've worked with more than 1,450 colleges and universities globally and over 300 institutions in the US, as well as 200 research and other not-for-profit entities.

When you work with KPMG, you get a team of experienced, curious, and dedicated education operations professionals who are passionate about education. Many have direct experience in higher education and related services, including former university leaders, deans, university professional services and corporate services leads, chief executive officers (CEOs) of education start-ups, and providers, educators, education software and solution vendors, and board chairs and members. These professionals have firsthand knowledge of the challenges and opportunities facing colleges and universities. Their experience spans many areas including campus technology modernization, student experience, alumni and community engagement, enrollment management, academic program development, and campus operations.

Our exceptional delivery of work has earned us recognition from leading industry organizations. We rank second globally in the Top 25 Education Consultants and Leaders by The Consulting Report,[43] received a gold rating in public and social sector advisory by the Financial Times,[44] and are the only Big Four consulting firm to be recognized as a leader in Customer Experience Strategy Consulting Practices by Forrester Wave.[45]

We rank globally in the Top 25 Education Consultants and Leaders by The Consulting Report[43]

[43] "The Top 25 Education Consultants and Leaders of 2023," The Consulting Report, August 1, 2023.
[44] "Leading Management Consultants 2025," Financial Times, February 4, 2025.
[45] "The Forrester Wave: Customer Experience Strategy Consulting Services, Q4 2024", Forrester Research.



Resources

We have the resources to help achieve your vision.

We're a multidisciplinary organization with business, technology, data and AI, risk, audit, and change management professionals working together as one team. Our deep understanding of higher education, combined with the breadth and depth our cross-sector and cross-disciplinary capabilities, enable us to provide robust solutions to address your institution's most pressing needs and drive sustainable growth.

Our **15,000+ technology professionals** include software architects, engineers, and developers with a broad range of competencies and capabilities, including AI, cybersecurity, intelligent automation, technology architecture and infrastructure design, cloud implementation and migration, and more. They can help you harness the power of technology to transform the student experience, streamline operations, and drive innovation.

Our **data scientists and AI professionals** can aid you in harnessing the power of AI and release insights trapped in your data. They can enhance the understanding of your data—where it comes from, what controls are required, how to help maximize value from it, and how to smoothly and efficiently share that value across your organization, securely, ethically, and responsibly. They can help you gain a more thorough understanding of student needs, preferences, and behaviors, personalize the learning experience, and improve student outcomes.

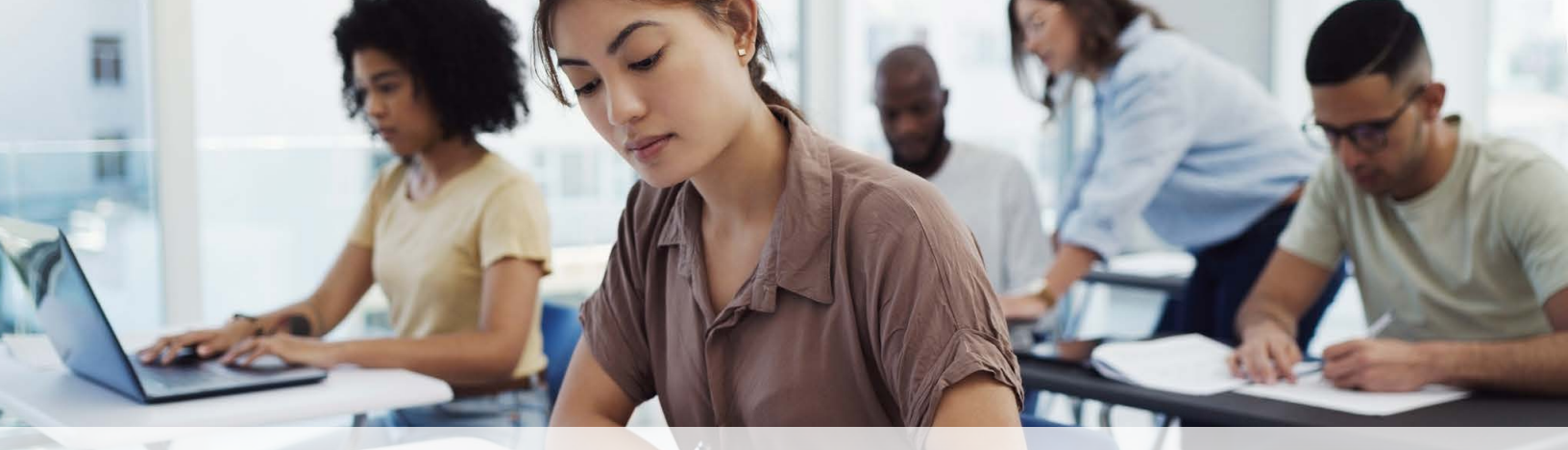
KPMG **risk professionals** help address financial, reputational, regulatory, and operational risks with a range of risk management services, including regulatory and compliance risk, technology risk, third-party risk, risk governance, and operational resilience. They can help you leverage powerful risk analytics, modeling, and real-time risk reporting solutions to make risk management a streamlined part of everyday operations.

Our **audit professionals** bring a wealth of experience in serving higher education institutions, providing assurance services to help you maintain financial integrity, comply with regulatory requirements, and instill confidence in your stakeholders. With experience auditing nearly one-third of the top national universities ranked by US News & World Report, they can help you navigate the complex financial reporting landscape, identify areas for improvement in your internal controls, and provide insights to help you make informed decisions.

KPMG **tax professionals** work with 22 percent of the top national universities. They have extensive knowledge of the tax issues facing higher education institutions, including tax-exempt status, unrelated business income tax (UBIT), and compliance with federal and state tax regulations. They can help you optimize your tax strategy with 990 Trackers and K-1 Aggregator software, support bond services, minimize tax liabilities, and comply with applicable tax laws and regulations.

Our **change management professionals** can help you anticipate and adapt to the wide-ranging impacts any change can have on your organization and people, including business processes and operating models, budgets and financial controls, governance, risk and compliance, change management, and employee growth and retention.

KPMG **Ignition Center** futurists and innovation strategists, technologists, and product and experience designers can help you navigate through disruption and the unknown to unlock new forms of value by reframing complex challenges into future opportunities. They can help you envision the future of higher education and develop innovative solutions that address the evolving needs of students, faculty, and staff.

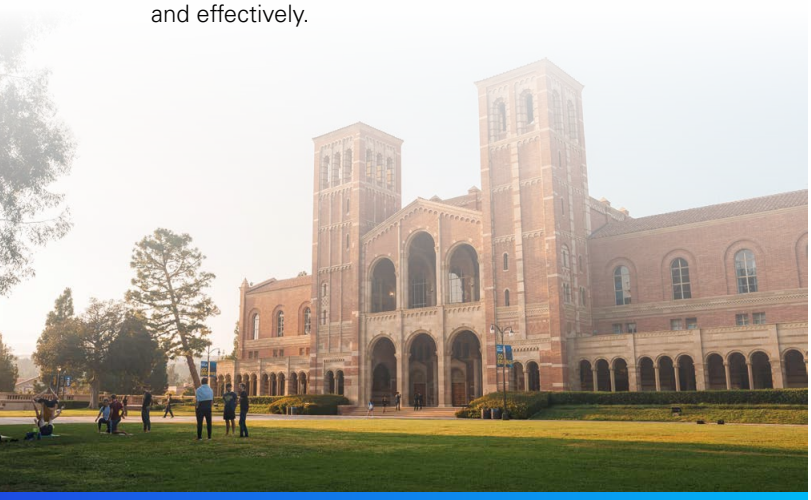


Solutions

We come armed with accelerators and solutions designed specifically for higher education.

KPMG Powered Enterprise for Higher Education is our robust suite of accelerators and solutions designed to enhance the student experience from application to graduation. It provides a target operating model blueprint, including 120 leading practices, 11 maturity models, 37 job profiles, 11 service management templates, 72 key performance indicators, and 72 reports and dashboards. It offers a pragmatic framework showcasing the future of student management and predefined, easily adaptable assets that seamlessly integrate with technology platforms such as Ellucian, Microsoft, Salesforce, and Workday.

With Powered Enterprise for Higher Education, you can take advantage of preconfigured leading practice guidance and use technology to methodically assess student-related capabilities, services, and processes. You can quickly identify opportunities to implement sustainable operational changes. You can lower costs, help optimize workflows, implement leading practices, improve the student experience, and achieve your student success goals more efficiently and effectively.



Commitment

Our commitment to the higher education sector is ingrained in our history and practice.

We are dedicated to building long-term relationships with our clients based on trust, transparency, and a shared vision for the future of higher education. Our professionals share your values and are dedicated to delivering innovative, tailored solutions that address your unique needs.

We understand that your mission and values are at the very core of your identity and purpose. These guiding principles shape every aspect of your operations—from the programs you offer and the research you conduct to the student experience you deliver and the community impact you strive to achieve. At KPMG, we are committed to helping you preserve and uphold these values.

Our own values—**integrity, courage, excellence, together, for better**—form the foundation upon which we build our relationships with clients and approach our work. These guiding principles inform our daily behaviors and decisions and help us stay true to our promise of supporting you in achieving your goals.

We continually invest in our ability to provide tailored solutions for complex challenges, from strategic direction adjustments and digital transformations to data-driven decision-making and compliance navigation.

We set ourselves apart through our passion and pride, our inclusive culture, and our focus on developing the leaders of tomorrow. Our involvement in initiatives such as the PhD Project, which has supported over 1,700 PhD candidates, underscores our commitment to academia and leadership development. This values-driven approach extends to our dedication to lifelong learning through programs such as KPMG Family for Literacy and Junior Achievement. In FY23, 65 KPMG offices participated in this milestone program by distributing 80,000 books and more than 65,000 booklights to educators across the country. Additionally, 96 percent of KPMG US Foundation giving supports lifelong learning.

Contact

Quimby Kaizer
Principal, Advisory
KPMG LLP
571-544-5224
qkaizer@KPMG.com

---

read.kpmg.us/modgov

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us: **kpmg.com**