



From the Back Office to the Classroom: Education Technology and AI Headwinds and Opportunities

Like many industries, the education landscape has undergone dramatic changes over the last few years. From early education to universities, a “new normal” has not yet surfaced as the sector continues to experience shocks to the system, with 2026 expected to be another year of transition. **The key headwinds facing the education sector fall into three key categories:**



While these constant disruptions have created challenges, they also present opportunities for educational institutions, service providers, and investors to pursue new paths to financial stability, value creation, and improved customer relationships.

The first in a series discussing how the education sector can transform headwinds into an advantage, this article will dive into two moves higher education businesses can make to address technological disruptions and to position themselves competitively:



Adopting a Technology Mindset

The introduction of new technologies has sparked conversations in higher education over the past few years. The COVID-19 pandemic forced all levels of education to grapple with a new wave of technology amidst the shift to remote learning.

At the same time, PE interest in higher education is seeing a resurgence, driven by the sector’s resilience and education technology opportunities. In 2023, global PE and venture capital investments in education amounted to \$4.6 billion. Though education deal activity decreased in 2024 and 2025, investor interest remains, and global education spending across all segments of the market is predicted to reach \$8 trillion in value by 2030.^{1,2} With PE investment comes a focus on value creation, automation, and AI.

Use cases for AI, learning analytics systems, and virtual reality tools, among other technologies, are all gaining focus, especially as the barriers to entry have lowered. However, many in the sector have been too busy trying to adapt to changes and challenges to explore how to effectively use technology and AI.

¹ Private equity investment in education services falls to 3-year low | S&P Global

² Private equity goes back to school in education sector play



Applying AI to Administrative Processes

Organizations that utilize technology emphasize the impact AI can have on business models to realize cost efficiencies and growth acceleration across the entire higher education value chain. Not only can it automate repetitive, administrative tasks, but technology-enabled tools can also help track academic progress and create one source of data.

There are many technology options for higher education institutions to consider when looking to modernize and automate back-office functions, such as enterprise resource planning systems and self-service tools. Shared services is a tried-and-true method to increase efficiency while reducing costs, and AI has been used to support shared services in other industries to great success.³

Portfolio companies have been a testing ground for AI, with PE funds investing in new tools and technology to automate back-office functions. Between 2020 and 2024, PE invested \$216.51 billion in funding to AI companies and \$63.97 billion in AI-related mergers and acquisitions.⁴ Finding areas AI can provide real value has been the goal of PE funds, and translation, outbound call centers, and financial business intelligence have all shown tangible return on investment from AI automation.

AI can be especially useful for customer relationships, offering improved digital marketing interactions and personalized education for both fundraising and enrollment purposes.⁵ Enhancing stakeholder engagement is important as universities face liquidity challenges from higher endowment taxes and falling enrollment.⁶ Customer relationship management (CRM) tools are one way in which universities can leverage technology to their benefit. With the right data, CRM tools can target the right people at the right time. AI can further enrich the customer journey by creating customized experiences for potential students without increasing costs.

Enhancing Learning and Student Readiness

Technology and AI have already found their place in various aspects of university research. Much like with back-office and fundraising processes, technology has proven to be a useful tool to reduce manual tasks, increasing efficiency in the process. AI is also a subject for research, with programs from healthcare to renewable energy investigating the ways this emerging technology can be used to improve the way people work.^{7,8}

The use of AI in the classroom, meanwhile, has been greatly debated. As more students use generative AI tools to complete assignments, universities have been divided on whether to allow AI. Some have even gone as far as to call for device-free environments and more in-class activities.⁹ In order to keep pace with the inexorable stream of new technology, teachers and administration shouldn't shy away from incorporating AI into their curriculums. Rather, they should use it to elevate education's return on investment and prepare students for the evolving work environment by embedding AI knowledge, skills, and ethics across disciplines. Though 89% of

³ AI in Shared Services: How Technology Can Create Value For PE-Owned Mid-sized Businesses | Alvarez & Marsal | Management Consulting | Professional Services

⁴ Venture capital seeks AI winners as private equity makes infrastructure play | S&P Global

⁵ AI in Higher Education: How AI Is Reshaping Higher Education | USAHS

⁶ U.S. colleges face enrollment drop, fewer high school seniors : NPR

⁷ UPenn Launches Observer Dataset For Real-Time Healthcare AI Training

⁸ WindSTAR Receives NSF Grant To Power AI Research Projects - News Center | The University of Texas at Dallas

⁹ Colleges should go 'medieval' on students to beat AI cheating, NYU official says | Fortune



organizations rank AI and GenAI as a top-three priority, only 6% have upskilled their workforce and 59% of the workforce need to upskill or reskill to meet demands of evolving job market by 2030.¹⁰ This positions higher education to provide skilled labor with the technology-related knowledge employers need.

Certain universities have leveraged AI to support human intelligence, for instance by using it to grade the quality of in-class discussions as an input into students' grades.¹¹ Arizona State University recently partnered with Grammarly to incorporate a new agentic AI tool, a type of autonomous and dynamic AI that operates with little human input, into courses. The partnership aims to not only enhance student learning, but to also provide a model for how higher education providers can implement AI effectively.¹²

Others have embraced AI more holistically, integrating it into the entire curriculum. This can range from using AI for more intelligence curriculum design and personalization to learning analytics and intervention tools. American University's Kogod School of Business offers a master's degree in business analytics and AI.¹³ These new AI-oriented programs aim to give students the skills they'll need in the modern market and improve their outcomes after graduation.

Actions to Consider

Educational organizations should investigate potential partnerships with PE-funded companies to apply technology in new ways that create value and minimize costs. AI cannot be the silver bullet for higher education challenges, but it should have a role in a well-thought-out strategy. From back-office operations to the classroom, AI can enhance both efficiency and innovation, and investors with proven abilities to deploy technology in specific settings can help fund new opportunities.

Some key applications may include:



Streamlining back-office operations: As higher education institutions face near-constant disruption, the costs continue to climb, forcing them to adapt to new challenges. Technology may not be able to solve every problem, but it can bolster the back office when the right tools are implemented correctly.

As demonstrated by PE-owned portfolio companies, technology, and AI have proven uses in the back office and for CRM. Enterprise resource planning systems, self-service tools, and AI-supported shared services all present opportunities to enhance efficiency and decrease costs. Not only do they provide automation and efficiency, but they can also personalize digital marketing and enrich the customer journey.



Enhancing the classroom experience: Technology also has a place in the classroom, with some universities already leveraging AI to support human intelligence and grading. Others have embraced AI in all aspects of learning, integrating it throughout the curriculum. This can range from using it to design curriculum and learning analytics to offering degrees that prepare students for the modern, technology-enabled job market.

¹⁰ A&M Research, Harvard Business School, World Economic Forum, Economist Impact

¹¹ Using Artificial Intelligence to Evaluate Classroom Discussion Quality - University of Pittsburgh School of Education

¹² Arizona State University and Grammarly Launch First Higher Education Use of Superhuman Go

¹³ [Master's in Business Analytics & Artificial Intelligence](#)



Conclusion

While AI isn't a solution on its own, it can be a useful tool to enable growth and embrace change. When implemented correctly, it can prove to be attractive to investors. In addition to financial due diligence, operational due diligence and commercial due diligence, many PE funds and other investors are adding AI-specific sell-side diligence reports.

With constant changes and challenges set to continue into 2026 and beyond, education organizations need to act now to remain competitive and respond to consumer needs.



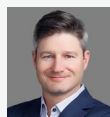
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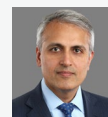
A&M provides end-to-end services across the investment cycle, such as due diligence and pre-acquisition support, performance improvement and advisory services, and exit support.

From private equity firms looking to include education assets in their portfolios to public universities seeking to improve operations, our teams are positioned to help a range of clients with ever-changing challenges.

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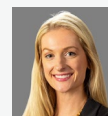
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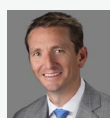
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