



Significant risks facing higher education

Volume 2: The COVID-19 “New Reality” and the call for an enterprise approach to risk management

Introduction

As the COVID-19 pandemic unfolded, the higher education sector found itself quickly confronting risks that had been previously identified as having significant impact but low to moderate likelihood of occurring. In fact, many would argue that the pandemic challenged the higher education community in more substantial and complex ways than any commercial or government sphere.¹ For institutions who were not prepared and positioned to understand and manage these risks, the disruption has been profound.

During the first phase of the crisis, immediate challenges with managing risks were covered acutely in the headlines. Institutions grappled with how to address the almost-overnight pivot to remote work, decisions around in person, hybrid, and on-line instruction; struggles with technology; and challenges with student, faculty, and staff compliance with COVID-19 protocols. The financial implications of partial or complete campus closures caused immediate evaporation of income from sporting events, conferences, catering events, and many other auxiliary enterprises. There was a potential for reputational harm from perceived over-reaction or under-reaction to the pandemic, exacerbating institutional brands that in some cases were already reeling from prior scandals or from

questions surrounding the high cost of an education.

As the pandemic continued, institutions struggled with developing plans around if, how, and when students and faculty would safely return to campus. Many institutions leveraged existing governance structures and techniques such as scenario planning to support difficult decision making needed, particularly those associated with returning students and staff to physical facilities designed for a pre-COVID world. Similarly, information technology teams grappled with the move to virtual instruction, just as major cyber threats exploded across the economy through ransomware and other attacks.

Many of the sector’s longer-term challenges were not brought on by the pandemic itself, rather the global crisis has acted as a massive accelerant. Questions and concerns around the value of education and the related educational experience coupled with increased stress/anxiety related to diminishing post-secondary employment have become central to conversation and accentuated risks around enrollment, delivery mix, and the declining public sentiment in higher education.

As institutional leaders and governing bodies begin to see past the “tyranny of the urgent” and focus on the post-pandemic future of their college or university, we felt it appropriate to revisit, re-explore, and renew our perspective on “Significant Risks Facing Higher Education”(2019).² In this update, we provide a perspective on the changes in the higher education risk landscape brought forth by COVID-19. This perspective continues to emphasize the need and benefits to an enterprise approach to risk management to support the overall success of a higher-education institution.

The sections below dive deeper into some of the most significant risks that were most acutely impacted by the pandemic and issues facing higher education institutions of varying sizes and levels of complexity. We acknowledge that this is not entirely comprehensive, but more a collection of risks that have been intensified by the pandemic. We have listed them in alphabetical order, as our focus was to highlight significant risks facing the industry and not rank or prioritize risks one over another.

¹ <https://www.timeshighereducation.com/hub/keystone-academic-solutions/p/impact-coronavirus-higher-education>

² <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/public-sector/us-top-risks-higher-education.pdf>

Brand Management



Colleges and universities often invest millions into marketing and public relations to promote their institutional brands. Pre-pandemic, institutions were already defending against potential reputation damage with communications departments fighting against the impression that institutions are opaque, not transparent, and untrustworthy. The public scrutiny has exacerbated these concerns and forced universities' public relations teams to respond with new, virtual strategies to connect with

stakeholders.³ An example of this is becoming particularly acute around how institutions are handling mask mandates and other safety protocols as students return to campus. Faculty are often at odds with the positions of state and local municipalities and have put presidents and other university leaders in a difficult position of whether they adhere to these orders. It has been reported in several media outlets that at a large public university in the southeast, the President has been very clear

that he cannot and will not mandate masks given the State's position on mask mandates. This takes place in an environment where he is also receiving medical advice recommending a mandate and apprehension to return to campus by his faculty. The ability to manage these types of dynamics that are partially out of the institution's control will be critical in maintaining and protecting the brand of the institution.

Being authentic, straightforward, and honest are key tenets to maintain the trust of the university community and how institutions outwardly message their positions will determine the impact to brand.

³ <https://www.insidehighered.com/blogs/call-action-marketing-and-communications-higher-education/higher-ed-has-credibility-problem>

Business Continuity and Crisis Management

Colleges and universities are often communities unto themselves, where in some cases thousands of people live and work in close proximity. With the current challenges faced amid a pandemic, institutions are also vulnerable to other crises such as a natural disaster or a cyber breach. Institutions are at elevated risk given the concentration of people and physical assets, such as facilities and IT systems that are vulnerable. While many institutions may have been prepared for the previously listed challenges, a pandemic may have been low on the list of priority concerns. The current environment has demonstrated that these events can happen at any time and often with little warning, requiring increasingly higher levels of crisis planning and preparedness to help mitigate the consequences.



Campus Safety

Among the many challenges that universities are faced with, keeping students, faculty, and staff safe during the pandemic is paramount. As cases levels persist at significant levels, stakeholders continue to scrutinize universities’ responses to the pandemic and measures taken to ensure the health and safety of their campus communities.⁴

An inability to act effectively in a timely manner can expose a university to heightened risks, outrage, and backlash. In the coming months, institutions will be forced to continue to make potentially controversial decisions. They will consider whether to mandate vaccines, upgrade and invest in sophisticated air filtration systems,

continue unpopular social distancing and mask mandates, etc. Universities should consider the significant impacts these decisions will have on the student body as well as faculty and be transparent in the decision-making process to guard against backlash.

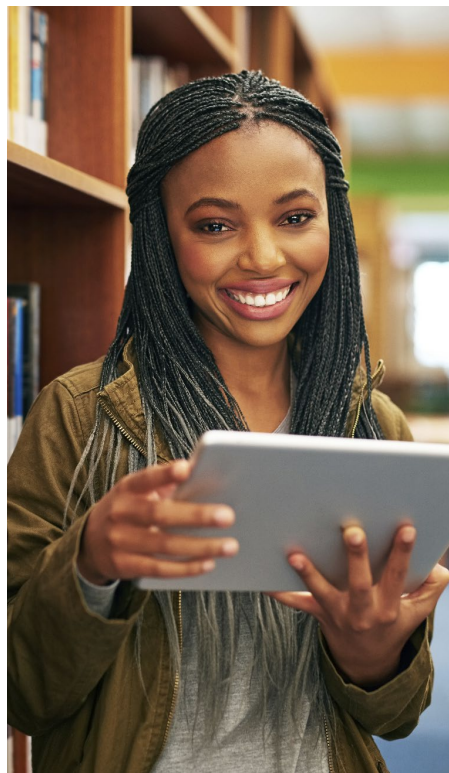


⁴ <https://www.ajc.com/education/get-schooled-blog/opinion-regents-campus-policies-on-covid-dont-stand-up-to-scrutiny/2EMFI4PAR5FZND5NXQVZP75T6M>

Compliance with COVID-19 Policies and “Return to Normal”

With an uncertain timeline for the vaccination of students, faculty, and staff, it remains critical for higher education institutions to maintain an effective COVID-19 policy and proactively monitor for new guidance. Institutions face a variety of conflicting challenges in operating and opening safely during the pandemic, including maintaining the most appropriate balance in ensuring student health and their compliance with applicable policies, while credibly ensuring the safety of faculty and administrators. To increase the complexity, many university leaders are struggling with striking the right balance between adherence to “hygiene theater” and the chilling effect those restrictions have on the value proposition of residential higher education. An example of this can be found at universities

with major football programs and the recent return to maximum capacity within their stadiums. The decision is wildly popular with students and the fanbase, but they are also drawing massive opprobrium from those who believe these events should be cancelled or at a minimum include mask mandates. While finding the right balance is unique to each institution, it is incumbent upon the college or university to make its COVID-19 policy clear and easy to understand, with very clear consequences for any noncompliance.⁵ Ensuring that the policies designed to reduce or prevent the spread of COVID-19 on campuses are actually followed, is a crucial factor in remaining open and providing a safe and successful in-person experience.



COVID-19 Relief Funding

Colleges and universities will face scrutiny in the ways they spent relief funding allocated through Coronavirus Aid, Relief and Economic Security (CARES Act) and Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) via programs including the Higher Education Emergency Relief Fund (HEERF) and Governor’s Emergency

Education Relief Fund (GEERF). The Department of Education has established audit task forces to investigate and prosecute issues related to these distributions, though institutions are given significant discretion in determining how to best allocate available relief funding.⁶ In the face of the uncertainty of frequently evolving

guidance and reporting requirements under the CARES Act and CRRSAA, institutions are encouraged to consult Uniform Guidance (2 CFR § 200) for leading grants management practices.

⁵ <https://www.insidehighered.com/news/2020/08/24/college-covid-strategies-dont-adequately-address-typical-student-behavior>

⁶ <https://www2.ed.gov/about/offices/list/oig/disasterrecovery.html>

Cyber Security and Privacy

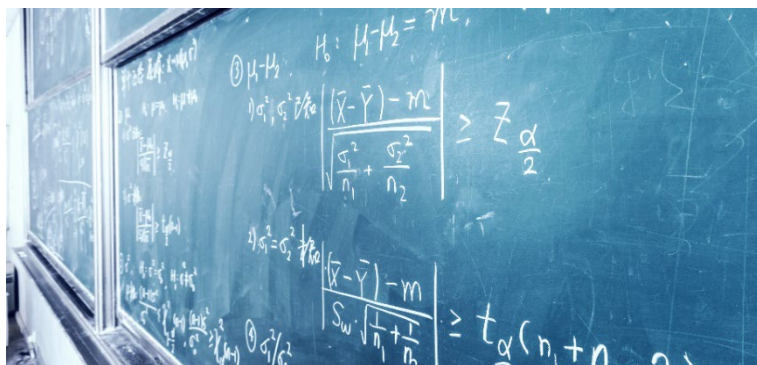
As universities explore the addition of hybrid, virtual environments, exposure to cybersecurity breaches naturally increases. Cyber risks have been well publicized over the last several years, bringing information security to the forefront of institutional priorities. Higher education institutions possess substantial amounts of personally identifiable information (PII), payment information, and medical records that can be lucrative targets for hackers. As their learning and human resource models become more distributed and cloud-based, administrators must think differently about security. They must encourage individual users to identify phishing attacks and keep good digital hygiene and build new digital systems that can handle expanded entry points. For research

universities, the FBI has recommended additional security controls to protect proprietary information – particularly coveted COVID-19 research.⁷ Without the commensurate information security controls, institutions are more vulnerable to a breach. Schools should not expect to mitigate all cyber risks; the costs would be prohibitive. But many are increasingly thinking more holistically about identity and access management, data protection, application security, and cyber incident response capabilities to stay prepared and resilient in the face of today’s cyber threats. In most cases, investing in preventative measures are cost effective due to the cost of insurance to cover a cyber event becoming increasingly expensive.⁸ In addition to security, privacy is

increasingly top of mind among students, parents, faculty, and staff. Institutions are required to comply with the Gramm Leach Bliley Act (GLBA), a law that includes privacy and security provisions designed to protect consumer financial information. This law applies to how higher education institutions collect, store, and use student financial records (e.g., records regarding tuition payments and/or financial aid) containing personally identifiable information. GLBA regulations include both a Privacy Rule (16 CFR 313) and a Safeguards Rule (16 CFR 314), both of which are enforced by the Federal Trade Commission (FTC) for higher education institutions.

Declining Public Sentiment

Since 2015, public confidence in colleges and universities has fallen significantly.⁹ In 2019, only half of Americans felt that higher education institutions had a positive effect on the country while 38% said they were having a negative impact – up from 26% in 2012.¹⁰ This decline has largely been driven by the perception that college is unaffordable and does not properly prepare students for a career.



⁷ <https://universitybusiness.com/college-university-covid-cybersecurity-cisoc-chief-information-officer-phishing>

⁸ <https://www.govtech.com/security/is-cybersecurity-insurance-out-of-reach-for-government>

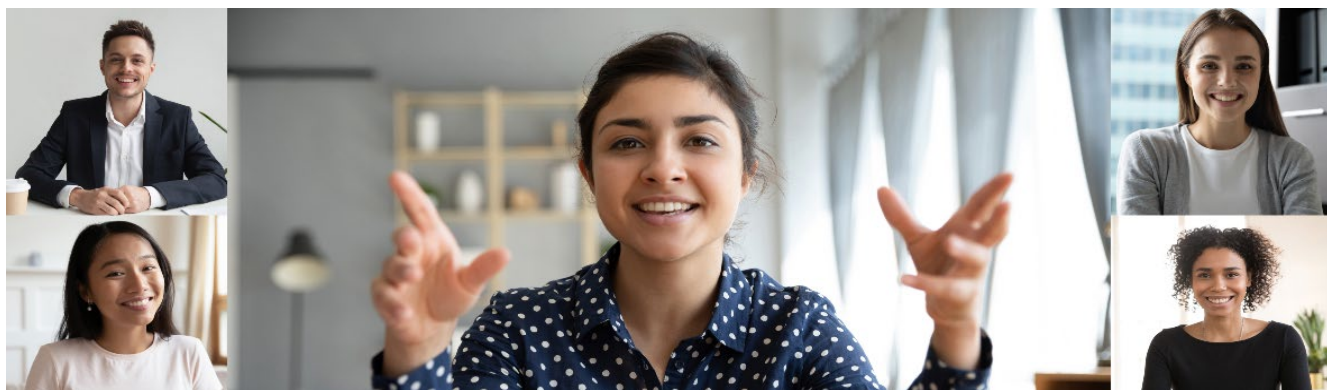
⁹ <https://news.gallup.com/opinion/gallup/242441/confidence-higher-education-down-2015.aspx>

¹⁰ <https://www.pewresearch.org/fact-tank/2019/07/29/americans-have-become-much-less-positive-about-tech-companies-impact-on-the-u-s>

Education Delivery Mix and Academic Program Array

The pandemic has accelerated the trend of virtual learning that had been increasing over the last decade,¹¹ although the demand picture for residential vs. online is mixed. More than 1,400 colleges and universities shifted to online delivery during the pandemic and 27% of students say they are more likely to consider an online program in the future – though only 28% say they would

choose an online-only program.^{12,13,14} Other colleges have been forced to outsource the administration of online courses to for-profit companies.¹⁵ If colleges don’t act swiftly to build their capacity for non-traditional instruction, they risk decreased enrollment, missed opportunities, or offering subpar virtual classes that damage their reputation.



Facilities and Asset Management

Higher education institutions manage a large portfolio of physical facilities and assets within them – from dormitories, classrooms, offices, student centers, and athletic facilities, to expensive equipment used in research labs. With the pandemic preventing most students from attending in-person, university Chief Financial Officers (CFOs) should balance the need to adequately fund ongoing operations with the need to allocate resources to maintenance costs. Changes in spending largely affected administrative expenses, such

as institutional support and operations and maintenance of facilities. Several other institutions across the country have turned to occupancy monitoring of buildings to ensure that staff, faculty, and students remain safe and comfortable during the COVID-19 pandemic. Many colleges and universities are not only able to alert anyone on campus about potential clustering of people through a real-time app but also look at potentially opening spaces previously thought to be off limits, such as library and dining hall areas.¹⁶

¹¹ http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1222015

¹² <https://www.niche.com/about/enrollment-insights/impact-of-coronavirus-on-students-academic-progress-and-college-plans/#collegefeedback>

¹³ http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1222015

¹⁴ <https://www.insidehighered.com/quicktakes/2020/08/27/moodys-coronavirus-drives-new-business-models-disruption-higher-ed>

¹⁵ https://www.washingtonpost.com/local/education/colleges-outsourcing-services/2021/01/07/c3f2ac6a-5135-11eb-bda4-615aaefd0555_story.html

¹⁶ <https://universitybusiness.com/how-sensors-are-helping-colleges-monitor-occupancy>

International Student Enrollment

The United States hosts the largest number of international students worldwide.¹⁷ However, new international student enrollment in the United States and online outside the United States has decreased by 43 percent in Fall 2020.¹⁸ The combination of increasing wait times for visas, closed embassies, and high American caseloads due to the pandemic are likely discouraging international students from attending American universities.¹⁹ Additionally, remote learning presents challenges for non-native English speakers who may struggle to understand content or important social cues when instruction is delivered onscreen.²⁰ Rather than face those challenges, students may stay in their home country due to travel restrictions, avoid impacts associated with the spread of COVID-19, or decrease their tuition burden.



Recruiting & Strategic Enrollment Management

The pandemic has drastically changed how colleges and universities recruit students – moving the traditional campus recruiting events to virtual settings, minimizing summer melt among admitted students, and dealing with students’ shifting financial needs.²¹ Even before the pandemic, the 2020 recruitment cycle was ramping up to be increasingly competitive and chaotic due to changes by the National Association for College Admission Counseling on guidelines for student recruitment.

According to a recent survey, 69% of high school students said they will rely more on college search sites, student reviews, and social media for their college search and decision making.²² Addressing these challenges will require unprecedented levels of communication and personalized digital outreach. Universities should consider long-term strategies to work with transfer students and prepare to invest in updated, equitable recruitment practices.

¹⁷ <https://www.theatlantic.com/education/archive/2015/11/globalization-american-higher-ed/416502/>

¹⁸ <https://www.iie.org/Research-and-Insights/Open-Doors/Fall-International-Enrollments-Snapshot-Reports>

¹⁹ <https://www.nature.com/articles/d41586-020-03168-6>

²⁰ <https://www.timeshighereducation.com/student/blogs/how-are-international-students-coping-covid-19-pandemic>

²¹ <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/public-sector/us-gps-covid-university-enrollment.pdf>

²² <https://www.niche.com/about/enrollment-insights/impact-of-coronavirus-on-students-academic-progress-and-college-plans/#collegefeedback>

Student Activism and the Culture Wars

Student activism has surged in the last decade, with young activists calling on leadership both on and off-campus to address structural inequalities, climate change, and systemic racism.²³ Institutions’ uneven management of COVID-19, combined with the recent social unrest, brought about an upswing in demands for student activists in 2020.²⁴ Recent examples include demands to rename buildings named after historical figures deemed racist by elements of the campus community. Several universities have commissioned task-forces to decide how to handle the renaming of campus buildings whose namesakes were former university

leaders that promoted racist ideology.²⁵ These groups released detailed historical reports, but still faced backlash and were accused of being lenient on the schools’ racist histories. And in several cases students voted to usurp the task force’s recommendations and remove the controversial names.²⁶ As institutions become ground-zero in the culture wars, schools may continue to face intense pressure from students to address social justice concerns. They should be prepared to be transparent, proactively communicate with stakeholders, and be willing to accept pushback without becoming defensive.

Talent Management

Retaining and attracting top talent is fundamental to a university’s ability to not only operate but compete in an increasingly crowded market. An institution’s ability to maintain top talent is essential to maintaining a respected reputation, producing valuable intellectual property, sustaining enrollment, and reducing turnover. Due to the pandemic, college leaders will likely no longer have to focus on transforming their institutions and instead will work to transform the entire community. Campuses will need to demonstrate that they are community-based and student-centered, whether that is virtually or in-person, and to have a culture of teaching and learning in which faculty leadership, engagement, and respect are fully realized. An underappreciated aspect of this pandemic is the impact on faculty and what they have endured since the onset of the pandemic. They were forced to quickly pivot from the comforts of teaching and working the way they had their entire careers. In addition to their traditional responsibilities, they were often called upon to take on the role of counselor for matters well outside the bounds of the traditional academic setting. This—in turn—has brought on increased stress, higher rates of burnout, and is causing many to rethink whether this is sustainable.²⁷ The advent of college employees evaluating the way work fits into their lives is a substantial shift for an industry that has long been characterized as a stable employer with sufficient benefits. Considering and promptly addressing these dynamics will be a large factor in faculty retention and dictate the extent to which this becomes a systemic issue at institutions.



²³ <https://eab.com/insights/infographic/student-affairs/student-activism-trends-2015-2020/>

²⁴ <https://www.nature.com/articles/d41586-020-03168-6>

²⁵ <https://www.nytimes.com/2019/05/23/us/task-force-university-racism.html>

²⁶ <https://www.insidehighered.com/quicktakes/2018/08/09/madison-remove-alumni-names-due-kkk-tie>

²⁷ <https://www.chronicle.com/article/the-great-disillusionment>

Conclusion

Previous sections outlined some of the most significant new risks that have been most impacted over the course of the pandemic. These risks will continue to evolve, threatening the success of higher education institutions. In this era of uncertainty and complex challenges, institutions should rethink the way they will manage risk in order to thrive. Relying on risk assessments conducted by each operating unit—in the past considered sufficient to manage risks for most institutions—will no longer work. The pandemic has highlighted the insufficiency of a siloed risk assessment as a risk management approach, leading many management teams and trustees to begin to develop and adopt an enterprise risk management (ERM) program.

The benefits of ERM to higher education institutions are the same as those commercial and government organizations have seen: providing management teams and trustees a complete picture of risks, including how they interrelate; the ability to assess and prioritize risks for action; risk mitigation and response plans that align academic and support efforts; and a proactive institution-wide approach to managing risks rather than a reactive and siloed “issues-based” approach. The pandemic has led some higher education institution administrators to put in place key elements of an ERM approach; here are some examples of what we’ve seen and potential next steps to consider:

Enterprise risk registers Institutions combining their siloed operating unit registers into a single enterprise register that shows a more complete picture of risk exposure; next steps include assessing those risks to understand prevalence, interrelationships, and cascading effects across the institution along with the impact on strategic objectives.	Scenario-based contingency planning Risk leaders began using COVID-19 scenarios to understand risks, indicators of those risks, and coordinated responses as they grappled with outbreaks and return-to-campus situations; next steps include expanding the application of this useful tool to understand other risks, including those associated with cyber-attacks and reputational risks from scandals or other drivers.
Monitoring risks As an outgrowth of COVID-19 scenario-based contingency planning, some management teams developed dashboards with risk indicators to understand the likelihood of a risk occurring as well as the severity of that risk; next steps include expanding this practice to other high priority risks using key risk indicators so the higher education leaders and trustees can proactively, rather than reactively, manage risks.	Risk committees as part of governance system As institutions grappled with major risks during the pandemic, governance bodies took an active role in making decisions and providing oversight; next steps include governance bodies such as enterprise risk committees, making decisions on prioritization of risks, and directing the development of integrated response plans while resourcing those plans with leadership attention and any needed funding.

Throughout the pandemic, we have seen a marked increase in the number of institutions developing ERM programs or using ERM techniques to guide risk-based decision making. Continuation and expansion of this approach can enable better cultural adoption of strong enterprise risk management principles, making institution leaders and staff more risk aware. While it is clear that institutions will not be able to avoid all risks or take advantage of all opportunities; if institutions strive to take an enterprise-level approach to risk management, they may be better prepared for, and better able to manage, the next set of challenges that will inevitably present themselves.

Contact us

Cynthia Vitters
Managing Director | Deloitte & Touche LLP
Risk & Financial Advisory | Higher Education
cvitters@deloitte.com | +1 571 858 0857

Jennifer Ahn
Partner | Deloitte & Touche LLP
Risk & Financial Advisory Leader | Higher Education
jenniferahn@deloitte.com | +1 571 447 3725

Cole Clark
Managing Director | Deloitte Services LP
Client Services | Higher Education
coleclark@deloitte.com | +1 703 626 4755

Jake Braunsdorf
Manager | Deloitte Transactions & Business Analytics LLP
Risk & Financial Advisory | Higher Education
jbraunsdorf@deloitte.com | +1 202 304 8059



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