

# The State of Higher Education in 2019

Eighth annual report



“Grant Thornton’s assistance added tremendous value as I assessed my new leadership team, structure, processes and systems. From their work, I had a blueprint to move forward that allowed me to be agile and effective in meeting ambitious financial reporting goals at the university.

“The Grant Thornton professionals were incredibly responsive. They listened and were immediately collaborative, bringing us an integrated team to serve the needs of our university and academic medical center.

“I appreciate their industry experience, and their ability and attentiveness in advising us on important organizational matters.”

**Jacqueline A. Travisano, Executive V.P. for Business and Finance, COO, University of Miami**



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# Introduction



In this, our eighth annual *State of Higher Education* report, we offer our practitioner-based viewpoints, approaches and solutions that will help institutions innovate in ways that will ensure long-term success.

Adopting such innovative strategies will be essential if institutions are to thrive in an increasingly complex and ever-changing operating environment.

This publication's purpose is to cover trends and issues that are emerging or that we expect to emerge in the coming year, and complements the ongoing webcasts, training and articles of interest that we issue throughout the year. As a leader in the higher education sector, we believe it is our responsibility to give back to this community we serve by providing these valuable insights.

Within these pages, you will find our guidance on important developments and challenges facing higher education leadership, including the benefits of data analytics, responding rapidly to a cyberbreach, accommodating students with mental health challenges, governing that ensures perspectives are heard from a broader and more diverse group of constituents, advances in the use of artificial intelligence to support operations, using nontraditional approaches to attract and retain talent, nurturing a positive culture through an effective ethics and compliance program, and developing relationships with like and unlike partners including for-profit companies. Our most forward-looking concept is that of a national university, which we assert is both inevitable and beneficial for reaching a dispersed student population with new needs.

The articles in this report stem from knowledge gained through direct interactions with our clients. Written by our client-serving professionals, this report is the result of the hands-on experience of more than 500 Grant Thornton LLP professionals who serve over 200 eminent public and private institutions. These insights are intended to be used by you — board members, executives, management, and other leaders and stakeholders in higher education.

This is a time of great potential for addressing management and competitive challenges, and taking advantage of opportunities afforded by new technologies and practices to effect substantial operational change. Innovative thinking will be vital to successfully moving into the future. We hope these articles will help institutional leaders to do just that.

Our Not-for-Profit and Higher Education practices are committed to helping “organizations that do good” fulfill their missions. We understand that enhancing quality, protecting reputation and maintaining operational sustainability are all essential to an institution's ability to achieve success and further its cause. Our higher education knowledge is deep, and we offer it to assist college and university leaders in achieving even greater success for their institutions.

On behalf of the partners and professionals of Grant Thornton's Not-for-Profit and Higher Education practices, I am pleased to present [\*The State of Higher Education in 2019\*](#). We hope that you find this to be a valuable resource. As always, we welcome your feedback, and we are available to assist management teams and boards in addressing the challenges discussed in this report, or any other issues you may be facing.

Sincerely,

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## FEATURED STORY

# Imagine a future with national universities

**Matt Unterman**, Principal, Advisory Services, Not-for-Profit and Higher Education Practices

### A bit of U.S. history

**Maybe we should have listened to George Washington.** In 1790, within what was effectively the United States' first State of the Union address, Washington proposed that a national university be created for "the promotion of Science and Literature" and to reinforce the value of civic education for the country. Given the current trajectory of the higher education sector, now is a good time to consider what appears to be a trend toward the eventual inevitability of national universities — institutions operating on a national scale.

George Washington's vision of a national university involved the federal government's creation of a nationally funded and run institution — challenging to imagine today, but it was a concept that had significant support at the time. Congressional legislation to establish such a university was proposed in the 1800s, and the discussion continued as to the value of a U.S.-sponsored educational program, especially for leaders in the young nation.

In a classic federal vs. state battle, in 1862, Abraham Lincoln signed the Morrill Act, which allowed the states to create land-grant institutions. This effectively put an end to substantive conversations about the establishment of a national university. The act enabled states to give over massive land tracts to state-funded higher education institutions, echoing the simultaneous focus on state-driven power (a Civil War-era reaction to federal powers/controls).

The result was a quasi-Tower of Babel — geographically distributed institutions, curricula and offerings. It gave rise to many of the defining qualities of the higher education sector that we hold so dear to this day, characteristics ranging from academic freedoms to faculty power to diversity of offerings and innovation. However, it also resulted in institutional inefficiencies (e.g., the lack of economies of scale and the siloed delivery on our collective educational mission).



### What would national universities look like today?

Clearly, we have moved beyond the need for a federal institution that teaches civic values, and the concept of what would constitute a national university has certainly changed over the years (as has the size of the Union). For example, in this day and age, it could be federally, state or privately funded. All of these are now possibilities, as opposed to the sole focus on a federal model in our nascent nation.

Today, a national university (or universities) need not look like what Washington sought to establish. Instead, national universities would “simply” serve the United States on a national scale. Admittedly, a natural question would be “But don’t our colleges and universities already operate on a national scale?” Individual institutions do in fact draw from a national (and international) pool in a way that was not possible given limited mobility in Washington’s or Lincoln’s day. Further, there has been significant growth in online education over recent years, indicating a trend toward national delivery. Still, the reality remains that most institutions continue to expect students to travel to them vs. providing geographically dispersed services in locations where their prospective students reside.

Most brick-and-mortar institutions just don’t have enough bricks or mortar to truly cover the country as a whole. This includes those that are opening “outposts” in select domestic/ international cities, a valiant but slow-to-scale exercise. While those institutions with online offerings and degrees in effect come to where their students are, they do little to offer complementary on-premises offerings in locations that are geographically proximate for those online students, which would significantly enhance their pedagogical utility.

### CREATING A NATIONAL UNIVERSITY MEANS



Operating on a national scale



Consistency across states



Serving constituents where they are located

So, a national university doesn’t necessarily need to be federally run or funded. And, it means more than serving the entire United States through a single physical location. But, what does a national university actually mean today? And what are the possibilities?

It means truly operating on a national scale, not just expecting people to log in from their homes for internet coursework or to fly across the country to a single physical location. It means operating across all the states in a consistent manner similar to what retail stores, financial services organizations, car rental companies and other national service providers already do today. It means serving geographically diverse constituents in the locations at which they want to be served.

## FEATURED STORY


### Other industries leading the way

There are many industries that have done this. In fact, higher education is actually one of the few remaining sectors that continue to predominantly operate in a brick-and-mortar, single-location setup (while online education and satellite campuses are growing, most higher education institutions remain limited in their true geographic reach). On the other hand, most consumer-oriented, commercial enterprises already operate on a national scale. Supermarkets, coffee shops, movie theaters, clothing stores, gas stations, banks, hardware stores, gyms and restaurants — the list goes on. As one of the last “local” industries standing, siloed campuses are artifacts of the past, on the road to consolidation and a very different future.

Why should higher education be the sole exception to this trend? Soon enough, higher education will go the way of the corner drugstore, once seen as a critical local institution, essential to a town’s identity, and a purveyor of local touch and culture. They, like other local establishments, have been replaced by national chains that benefit from economies of scale and consistent quality standards across all of their locations.

While Lincoln’s passage of the Morrill Act did much to enhance higher education, it also drove the sector into limited economies of scale. The point is to be of service where and when service is required and where the students are. While “access” has been a significant topic in higher education, institutions and offerings haven’t been truly scaled to provide education to America at a financially sustainable cost. (Even most state systems underleverage basic services across their institutions — arguably the point of such arrangements.) Given the challenges facing the higher education sector today, it’s time to consider this change in business model.

Does moving to national universities mean that all institutions will be the same? Absolutely not. There are different tiers of national chains, and clearly there could be different tiers of national universities. Also, as we see in other industries, there could be different models or structures to create national scale. Some will go it alone and cover the country themselves, and others will merge to create national coverage. A third model could be one where institutions will have common ownership but maintain different “brands” and pricing structures (such as Marriott’s ownership of Ritz-Carlton, Sheraton and others), while sharing key functions to improve cost of delivery/sustainability/mission achievement.



While “access” has been a significant topic in higher education, institutions and offerings haven’t been truly scaled to provide education to America at a financially sustainable cost.



### Addressing drawbacks and opposition

Along with the arguments for, there are reasonable arguments against national universities. For those who feel “This will never work,” some of the objections, as well as a few brief rebuttals, are offered for consideration.

- Higher education is too capitally intensive to change course** — One should question whether capital-intensive, on-premises education is the future of the industry. Going forward, it’s more likely that education will be provided through a hybrid model, offering a mix of online coursework and localized/regionalized, on-premises concept reinforcement with the capital requirements of a hotel location, as compared with a massive multibuilding campus. Facility requirements would change to accommodate short-term stays and drop-in seminars at hotel-like setups or already established local points of commerce (seen in Georgia Tech’s recent announcement to create storefronts in local malls).
- Communities are committed to their local schools** — The same could have been said about corner drugstores and hardware stores. Eventually, we all ended up shopping at chain stores. The mom and pops went out of business even if we were committed to the idea of locally owned stores with their higher cost structures. Colleges and universities that offer a solid education but whose main point of differentiation is geography (vs. the specific courses they provide) will face the same challenges in the future. They are similarly prime targets to be gobbled up by a national entity with much more appropriate cost structures and economies of scale.
- Constituents will never accept this** — It’s a reasonable reaction. While members of our college/university communities (e.g., alumni, donors, politicians and employers) certainly would react poorly to certain changes — the removal of their college’s name, combining of sports teams and significant changes to on-campus culture — other shifts, such as combining back-office operations, are less visible and can enable sustainability. (See [“Synthetic merger: A fine elective for higher ed”](#) for more on this concept.) We have seen community members resist and dismantle proposed mergers/acquisitions only to see these institutions later take this same road due to declining economic realities, underscoring the importance of proactively determining a sustainable model and bringing the entire community along on this journey.
- Elite colleges/universities will always exist** — This will most likely be so. In the way that high-end clothiers still exist in the midst of chain stores, the elites have strong brands that will survive longer than most. But if they don’t choose to operate on a more national scale, they will expose themselves to risk when other elites make this move (or as demand shifts due to market disruption). Although there will always be a space for premium higher education brands, we shouldn’t expect more than a handful will remain relevant into the future.
- Faculty strength will never let it happen** — This is a true barrier to going national, but that’s an argument against existing universities’ own sustainability, not against a national university.

## FEATURED STORY



- **Antitrust regulations will halt the movement** — This is a limited critique, given all the different models for pursuing a national university (see below).
- **The higher education industry moves too slowly for this kind of massive change** — True enough. However, who's to say that it will be a higher education institution that creates a national university? (Again, more on this below.)
- **Culturally, we're not ready** — Whether or not one is ready does not slow the inexorable evolution of a sector or the pressures to change.

There is much — and there are many — invested in the current higher education business model, and a price would be paid if it were to change. However, we should ask what price our institutions will pay in resisting a trend that is already developing and will inevitably pick up steam.

### Potential paths to a national university

George Washington had something very specific (and a bit dated) in mind when he proposed creating a national university many moons ago. Today there are numerous possibilities, including the following:

- **Federal government** — It's hard to believe that the United States would open a multilocation university to compete with the states and their institutions. This is not a likely path or one to significantly consider.
- **States banding together** — It is reasonable to expect several states to seek economies of scale, much like Western Governors University did across several states for a consolidated online platform. In fact, in many ways, this may be the only way forward for state institutions in the face of falling state budgets.
- **Private institutions** — Private universities are already opening up satellite locations across state lines. While current moves have been a bit “placing a toe in the water,” this could accelerate to create a more sustainable model.
- **Online to on-premises** — Online providers already serve the nation. It's realistic to expect that they could open up low-cost locations across the United States to support a massive online presence and compete more readily with local, traditional providers. This could be through a single, nonprofit or for-profit institution (e.g., Strayer University, Purdue University Global, University of Maryland University College or Southern New Hampshire University) or through several partners in a joint exercise (e.g., the private university coalition of edX).

- **For-profit higher education** — National reach is already happening in for-profits and is bound to increase. As the for-profit industry sheds its ethical concerns, it is poised to expand rapidly on a national scale, creating massive competition among for-profits, as well as with nonprofits.
- **New entrant** — Existing higher education institutions might not be the creators of a national university. Amazon targeted several industries to newly enter and disrupt in 2018 and will do the same going forward — it or other entities could enter the higher education market. Alternatively, an organization already operating in the “education” space could upgrade into “higher education,” e.g., in 2000, Kaplan shifted from purely test prep into higher education; others (e.g., Kumon or Khan Academy) could certainly do the same.



There are many potential models for higher education going forward.

### The national university wave is here

Given significant questions regarding economic sustainability within higher education today — the difficulty in serving mission in an increasingly competitive environment with significant revenue challenges — one has to wonder how far single-location economics will take the sector. While there are many potential models for higher education going forward, a lack of sustainable differentiation and an optimized production function will lead to disintermediation by national players.

The difference between disruptors and the disrupted is the willingness to ride the wave. It’s time for higher education institutions to consider an alternate model — a national university — and determine if they will be on the winning or losing end of this developing trend.



# Effecting greater change through data analytics

**Claire Esten**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

**Natalie Wood**, Senior Manager, Audit Services, Not-for-Profit and Higher Education Practices

Colleges and universities have long focused on utilizing data analytics related to student success/retention and enrollment growth, two primary drivers of revenue. However, with the proliferation of data availability and emerging skills to analyze it, institutions are identifying new reasons and methods to optimize data for more informed decisions.

## Optimizing data for nontraditional uses

Program costing — an emerging area in higher education, given the recent confluence of pressures to contain costs and the availability of data — relies heavily on data analysis. The analysis allows for meaningful decision-making about future program development by, for example, providing information about classroom utilization and margins at the major and course level, leading to changes in the offering mix. (For more on resource optimization best practices, see [“Implementing cost/revenue modeling for meaningful decision-making.”](#))

With the increase in compliance requirements from regulators such as the U.S. Department of Education and the National Collegiate Athletic Association, data analytics can also be used to predict fraud and identify instances of noncompliance (e.g., analyzing professor grading to determine if student athletes are given preferential treatment). To detect fraud related to student financial aid, institutions can analyze patterns in online applications, withdrawal dates before student add/drop dates after the student’s refund is issued, and loan applications. Low course attendance metrics coupled with a high number of refund requests could be another indication of fraud.



New pedagogical technologies are at the forefront of educational analytics. Software that tracks pace of learning, identifies possible plagiarism, and highlights individual student difficulties in comprehension is bringing data analytics into the classroom and into academic planning in ways not previously possible.



### Data analytics

The process of inspecting, cleansing, transforming and modeling data with the goal of discovering useful information and supporting decision-making

There are additional opportunities in finance, facilities and fundraising to use data for enhanced decision-making. Student behaviors can be used as an input to identify accounts that are potentially uncollectible and that merit additional early attention. Examples include how often a student logs online or attends class, combined with the number of credit hours completed and demographic information, which could be used as an early warning indicator for potentially uncollectible accounts receivable.

Some institutions are analyzing data to predict future needs for capital investments. A synthesis of data from facilities, enrollment and programmatic projections can help in campus master planning that integrates student enrollment forecasting with occupancy needs to maximize productivity and minimize potential future investments in new facilities. For example, comparing the expected growth of online to on-campus students can inform the master plan by analyzing facilities usage to identify underutilized buildings, and operating and energy cost savings.

In fundraising, development officers can use data from alumni databases to identify individuals most likely to donate based on age, career and giving history, and those with a proclivity to increase their donations as they develop in their careers.

### Adjust roles for new needs

Using data analytics to quickly elevate the decision-making abilities of senior leadership requires expertise that needs to be developed or hired. “Just as in countless other fields,” noted a [Northeastern University blog](#), “data and analytics have the potential to completely change the way that higher education administration operates, and this change brings with it an increased demand for individuals with an analytics skill set.”

Instead of creating new roles or departments, many universities are evolving the role of their existing senior leadership members to be responsible for overseeing the data to ensure it is being interpreted correctly and to tell the story behind the data. Because data is often associated with financial activity, leadership often looks to the CFO to oversee the efforts involved. However, data analytics is much more than just a financial exercise, as issues of quality, satisfaction and effectiveness are addressed through such exercises. Given the institutional scope of such efforts, the provost must also play a key role when it comes to academic analytics.

### Issues to address

With the “tsunami” of data available, it’s imperative to be mindful of the source and validity of data being used to effect change. Drawing data from different systems to make decisions requires a rigorous normalization and cleansing process, which can be a significant roadblock for many institutions. Knowing what data will be most helpful and relevant, determining the best source for that data, having the technological ability to extract it, and ensuring its validity are critical.

### Set step-by-step goals

It’s important to resist inertia as a result of feeling overwhelmed by the complexity of the effort involved (“analysis paralysis”). Avoid being intimidated in taking on comprehensive projects. Conquer the learning curve by working in stages:

- **Start small** — Begin with information readily available and heavily reliant on financial data, which has generally been cleansed because of the high level of scrutiny for public reporting purposes. Analyzing procurement, accounts payable, purchasing cards or payroll can be a foundational step that builds a level of comfort around choosing data sources, interpretation and determining who should be involved in effecting change based on what the analysis indicates.

- **Focus on one topic at a time** — Instead of tackling a large-scale objective such as program costing for the entire university as an initial project, concentrate on certain building blocks, such as linking facilities and timetable/schedule data sets to analyze classroom utilization.
- **Consider opportunities outside of finance** — Once comfort has been achieved in the financial realm, expand the analytic exercise into nonfinancial areas of the institution. Consider reaching out to the departments in charge of facilities, student enrollment and academics, as discussed in the examples above.

Data analytics is transforming the way we approach critical thinking and is ever-evolving. Opportunities continue to open up for universities to turn data into the basis for decision-making that is cost-efficient, relevant and responsive. With the explosion of good data available internally and publicly accessible, there are tremendous opportunities to expand the uses of this data to further operational changes in administrative and academic areas that enhance institutional mission. (For more on improved decision-making capacity through use of artificial intelligence, see “Using artificial intelligence to transform operations” on page 29 in this report.)



There are opportunities in finance, facilities and fundraising to use data for enhanced decision-making.



# Plan your response to the inevitable data breach

**Hassan Khan**, Senior Manager, Advisory Services, Not-for-Profit and Higher Education Practices

Lack of response plans is magnifying the harm that data breaches cause to higher education institutions, their employees and students. The impacts of inadequate breach responses are significant. Nearly three-quarters (73%) of higher education respondents to a 2018 EfficientIP report admitted that it took three or more days to create and apply a patch after notification of an attack. In circumstances such as these, when minutes count, response times measured in days can be extraordinarily costly in terms of data loss, remediation activities, potential fines, reputational damage, etc. For example, the median cost for breached networks rose in the education sector by 68% to \$690,000 in 2017.

The single most important step to mitigate the fallout of a malicious intrusion is a comprehensive and strategically designed cybersecurity incident response plan. Once the plan is developed, it is essential that all relevant personnel know that the plan exists, where and how to access it, and their specific roles in executing it. Further damage beyond an initial breach is inflicted when time is lost in scrambling to respond. A state of uncertainty serves to fracture student, faculty and employee trust, and loses precious time — dramatically increasing the severity of the intrusion. Recognizing that an incident is inevitable, the plan must be in place and familiar to all appropriate personnel before it's needed.





## VICTIM AND VICTOR

Throughout the summer of 2018, the FBI took note of a cyberscheme becoming prevalent within the higher education sector. Scammers were focusing on institutions that use self-service platforms for employees to view their pay, W-2 and direct deposit information. A scammer pretending to be from the HR department would send a phishing email asking the employee to click on a provided link to log in to his or her self-service account. By clicking on the link and entering credentials, the employee gave login information that allowed the scammer to go into the account and change the direct deposit instruction. In order to prevent the victim from discovering the breach, the scammer changed the email address the self-service platform used to send alerts about changes. Having captured personally identifiable information, the goal was to use it to launch attacks, making employees vulnerable to fraudulent tax filings, credit card applications, loan applications and much more.

One college that fell prey to the scheme and suffered severe ramifications didn't have an adequately formalized, approved and updated incident response plan. The paychecks of 17 employees were disseminated to an unidentifiable source. It took upward of four business days to identify designated personnel, determine the root cause, and contain and eradicate the breach. Full recovery took another two weeks, with the institution losing an estimated \$340,000 (in addition to the potential identity theft harm done to the employees affected) as a result of this incident.

Another university with an adequately documented incident response plan sprang into action and prevented funds from being transferred. Designated management personnel mobilized to quickly investigate and contain the nefarious activity within six hours. Neither students nor the university suffered monetary losses. Having appropriate resources in place projected competence and control in the midst of the attack, protecting the institution's reputation.

## How to build a robust incident response plan

Simply put, an incident response plan will describe how your institution responds to a data breach or cyberattack. The plan's aims will be restricting damage and protecting sensitive information, reducing recovery time, limiting remediation costs, ensuring a swift resumption of normal operations and providing a solid foundation for future security efforts.

As detailed below, response plan ideation and development requires collaboration across your institution, defined responsibilities and thorough testing. After the plan is finalized, it must be communicated to all staff.

The following are the best practices for designing, testing and implementing such a plan.

- **Secure participation of key stakeholders** — Effectiveness necessitates buy-in from functional stakeholders. A security breach affects many groups within an institution. Because of this, cross-departmental support is needed throughout plan ideation and development. HR leaders, compliance officers, legal representatives, academic leadership (the provost, deans, department heads and others), external vendors such as technology providers and public relations firms, and management liaisons all need a seat at the table.

- **Delineate roles** — Specific responsibilities must be assigned (e.g., HR leaders on point for internal communications and the PR team for external communications, legal representatives ready to address regulatory implications and IT experts prepared for back-end work). Designating these roles in advance of a breach prevents the confusion and delays that have resulted from trying on the fly to determine who should be responsible for what in widespread and highly visible incidents.
  - **Run tabletop exercises** — As your institution fleshes out its incident response plan, the true litmus test for effectiveness is a breach simulation, similar to the type of exercises conducted to test disaster recovery and business continuity plans. The best way to conduct this exercise is with a third party, to eliminate the possibility of bias in designing the mock attack. The goal should be to validate that your plan includes all necessary activities. It can also determine whether each function understands and is ready to perform its role.
  - **Communicate proactively** — Distribute the final plan to all constituents, making it readily accessible and providing training. A cybersecurity incident creates chaos. It is imperative to have laid the groundwork so that those involved know whom to contact and what actions, if any, to take themselves.
  - **Update regularly** — Revisit your plan often. Your plan has to be updated based on changes in your operating environment (e.g., in personnel, organizational responsibilities and technology infrastructure), as well as on lessons learned when incidents do occur. Schedule reviews to adjust responses, confirm responsibilities and run simulations, and revise and redistribute your communications plan.
- As the saying goes, “The time to learn where the fire exits are is not when you smell smoke.” When cyberbreaches occur, having a robust incident response plan in place will help you to control the extent of damage, and project competence and control in a time of crisis, thereby protecting your constituents and preserving the reputation of your institution.

The single most important step to mitigate the fallout of a malicious intrusion is a comprehensive and strategically designed cybersecurity incident response plan.





# Supporting students with mental health challenges

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Among the myriad challenges in higher education, the need for expanded mental health resources has arisen as a top concern of many administrators. Not long ago, students suffering from disorders such as anxiety, depression and traumatic stress couldn't stay enrolled or even attend most institutions. Now, thanks to an increase in acceptance and treatment options, many more with mental health challenges are part of the student population. Aside from the altruistic drive to help students address their concerns, studies show that retention and graduation rates improve when students are healthier. For these reasons, it is of paramount importance that institutions secure appropriate resources for students with mental health challenges.

The need is increasing. In just seven years, 2009–2015, counselor visits increased by about 30%, though enrollment increased by less than 6%, according to [Time](#). In spring 2017, nearly 40% of students reported having difficulty functioning in the previous year because of depression. During that same time, 61% of students said they had “felt overwhelming anxiety.”

Traditionally, colleges and universities have underinvested in this area, providing mental health services primarily through the use of an inadequate number of clinicians. The [International Association of Counseling Services](#) recommends colleges and universities have one counselor for every 1,000 to 1,500 students. However, reported *Time*, the average institution has one counselor for every 1,737 students, with budget constraints as the primary reason for the difference.

## Recommendation



1 counselor  
for 1,000–1,500 students

## Reality



1 counselor  
for 1,737 students



This has caused many institutions to look for innovative pre-emptive approaches in addressing mental health issues on campus. Examples include:

- UCLA's free screenings of incoming students to identify those who may be the most at risk because of distressing issues or personal beliefs
- The State University of New York system's pilot of a telecounseling program funded by the state
- The Ohio State University's mobile application for making appointments with counselors and for receiving coaching on coping techniques during stressful times

Some institutions, such as the University of Pennsylvania, have recognized the importance of mental health issues on campus and have created programs such as [LCARE](#), which is a "gatekeeper training for students, faculty, and staff that builds a caring community with the skills and resources to intervene with student stress, distress, and crisis." Wisely, UPenn has centered alumni fundraising around this topic in an effort to provide more trainings to help free up clinical resources for students in the greatest need of services.

### Responding through trigger warnings and safe spaces

Trigger warnings and safe spaces are other pre-emptive techniques that offer students ways to respond to or avoid mental health pressures.

Trigger warnings are a means of cautioning students about potentially distressing topics (e.g., a professor alerting students on a syllabus that a particular lecture will contain content that some may find offensive or hurtful, and allowing students to be excused from that lecture or assignment).

Safe spaces are designated areas on campus where students can retreat to avoid feeling uncomfortable, overwhelmed, pressured or even threatened. Safe spaces can come in the form of immediate access to counselors, peers, mentors or others who might help students taking refuge to feel safe and supported.

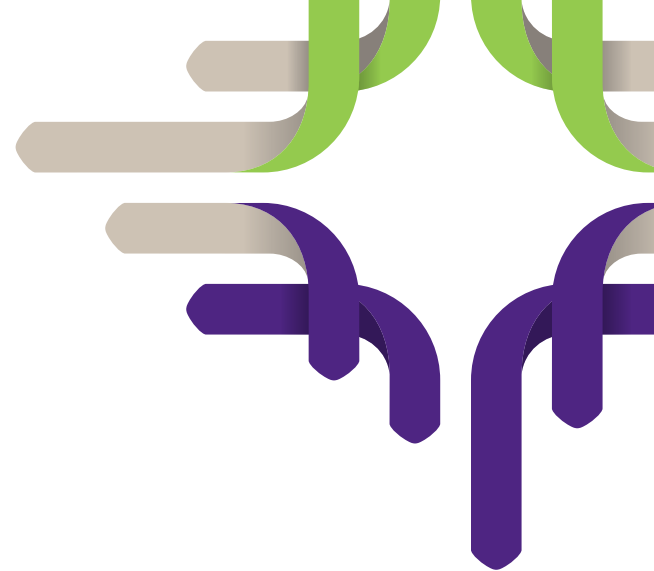
Several schools — including James Madison University, the University of South Carolina and Kent State University — have successfully developed programs that guide students, faculty and administrators in discussing troublesome or controversial topics in a judgment-free environment. Additionally, a number of institutions have dedicated resources to the development of safe spaces centered around common interests. They include the University of California, Irvine's Black Scholars Hall; Stanford University's Power2ACT, a safe space for students with disabilities and their advocates; Columbia University and New York University using Safe Zone, a three-hour training session to support LGBTQ communities on campus; and the Ithaca College Center for LGBT Education, Outreach & Services.

### Benefits of trigger warnings and safe spaces

Proponents of trigger warnings claim that these approaches avoid censorship of material and presenters, and instead offer students the opportunity to opt out if certain material would have an unacceptably negative effect on their mental well-being and ability to learn. These approaches can also forestall attempts to limit controversial speakers or course content by allowing those who object to opt out while permitting the majority to engage in consideration of provocative issues. Consequently, proponents argue that institutions of higher education are creating an environment where every student can feel appropriately challenged, stimulated and safe to express his or her views and ideas.

Safe spaces represent an institutional commitment to provide a sense of security and community that allows students to retreat from intolerable stress. Providing therapists or counselors in safe spaces can be cost-justified when considering the potential for increased student retention. A study performed by [Kognito](#) showed that treating 100 students can prevent six student dropouts per academic year, the equivalent of nearly \$200,000 of lost revenue.

Trigger warnings are a means of cautioning students about potentially distressing topics.



### Counterpoint to trigger warnings and safe spaces

The opposing viewpoint about trigger warnings and safe spaces is centered on the idea that schools are coddling students and creating unrealistic “bubbles” that shield them from the type of challenges they will face when they enter the job market. Opponents of trigger warnings also say that schools will be unable to prepare leaders, or critical thinkers, if students are not exposed to some level of controversy. They express the belief that safe spaces may have the unintended consequence of further dividing and segregating the student body into communities that discourage an inclusive environment and where the root causes for the need for such spaces are left unaddressed.

Several schools have taken a strong stance on this topic because they feel that trigger warnings and safe spaces undermine the foundation of academia. [University of Chicago](#) Dean of Students John Ellison wrote a letter to all incoming freshmen, noting, “Our commitment to academic freedom means that we do not support so-called ‘trigger warnings,’ we do not cancel invited speakers because their topics might prove controversial, and we do not condone the creation of intellectual ‘safe spaces’ where individuals can retreat from ideas and perspectives at odds with their own.” Opponents like Ellison argue that some of history’s best political and business minds might not have developed into successful leaders and industry disrupters if they had not been exposed to controversy.

Safe spaces are designated areas on campus where students can retreat to avoid feeling uncomfortable, overwhelmed, pressured or even threatened.

### A dichotomy for colleges and universities

Are trigger warnings and safe spaces a threat to free speech and thinking on campus? What is the appropriate balance to promote a challenging and rewarding environment for students, while also creating a culture that fully pays heed to overall student needs? There is not a one-size-fits-all answer to these questions.

It is becoming increasingly clear, however, that addressing mental health challenges through innovative solutions that demonstrate compassion for individuals and exercise pragmatism in competing for, attracting and retaining student enrollment can be a real differentiator.



# Interrelated entities: Form following function?

**Larry Ladd**, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices

A growing number of colleges and universities are experimenting with corporate structures that include both not-for-profit and for-profit components. These experiments are one way to respond to the increasing complexity of programs, infrastructure and compliance requirements. When the path to effective execution is blocked by traditional not-for-profit structures or cultural norms, a for-profit structure could be the way to go.

Partnering between for-profit and not-for-profit entities has occurred often, mostly when a not-for-profit institution outsources a function such as internal auditing or food service. But new structures are emerging; now, the relationship often includes some form of actual ownership or shared decision-making.



## Trepidation on the not-for-profit side

In leadership discussions about structuring their East Coast research institution's tech transfer function, a trustee suggested creating a for-profit corporation to handle that function. The idea was initially rejected out of hand, but after looking into it (he was a trustee, after all), that became the adopted structure. It worked, but the CFO had to frequently defend the decision within the institution and to CFO colleagues. In the not-for-profit world, a gut reaction to for-profit activity is often negative.

While the for-profit sector of higher education has good actors and bad actors, as do all industries, the bad actors have gained the most attention and hurt the overall perception of the sector. As a side note, there have been many good for-profit institutions that understand that profit is more likely to be sustained by providing excellent education within a high ethical standard.

When the path to effective execution is blocked by traditional not-for-profit structures or cultural norms, a for-profit structure could be the way to go.

### Experiments in corporate structures

Forays into this new arena are blurring the stark lines between the not-for-profit and for-profit sectors. These four are the most-often-discussed examples:

- **A not-for-profit acquisition of a for-profit** — Not-for-profit Purdue University acquired [for-profit Kaplan University](#) — and converted it to not-for-profit status — to establish itself quickly in the online space and expand its reach nationally. Purdue is a successful land-based university that hadn't developed a significant online presence. The university believed its long-term success depended on adding that presence. It could have built its programs from scratch, as had Southern New Hampshire University, or it could have acquired an already developed program, which is a common for-profit approach. But to enter the space quickly, Purdue decided on a for-profit acquisition. By doing so, Purdue quickly became one of the largest online providers in the country.
- **Creating an LLC to spur development of an innovation center** — [Harvard](#) created an LLC (limited liability company) to oversee the planning and development of the university's Enterprise Research Campus on a new site that will also house its Engineering School and an innovation center. The goal is to attract and support research-oriented companies, social ventures, and businesses and startups, along with green space, residences, and a hotel and conference center. Harvard will be the sole owner, and a key feature is that an LLC structure protects it from any liabilities beyond its own contribution to the enterprise.
- **A for-profit splitting off a not-for-profit** — For-profit [Grand Canyon University](#) has split itself into two components — one a not-for-profit university delivering core mission activities of teaching and research (including the physical plant), and a second for-profit entity that provides support services in exchange for a percentage of tuition. The boards of the two entities have many common members.
- **Assigning management of online programs** — [Online program managers](#) (OPMs such as Pearson and U2) are being asked to manage online academic offerings. They market (an administrative function), but they also design courses and perform other academic functions traditionally the preserve of faculty. The advantage of OPMs is that a university can get into the online market quickly and benefit from what their for-profit partner has learned about how to successfully navigate that market. ([Maryville University](#) is a good example of a nonprofit embracing such an approach). But there is some discomfort about their usual practice of revenue-sharing (rather than flat fees) and long-term contracts, neither of which is consistent with practices that most other outsourcing services universities have traditionally used. The number of OPMs is [growing rapidly](#), and the competition among them may create incentives to overcome their most troublesome disadvantages.

### Benefits in a for-profit status

Creating a for-profit entity can have several advantages:

- 1 Easier capital-raising.** Capital can be generated by issuing shares without having to raise funds or go to the debt markets. The for-profit education sector uses this funding mechanism all the time. Of course, those that provide such capital expect a monetary return.
- 2 Fewer stakeholders, less-complex governance.** Decision-making is simplified, but there's still accountability to the owner and regulators.
- 3 Ability to move quickly.** This is because of the simpler governance, and the lack of encumbrance of a complex pre-existing bureaucracy and compliance requirements of the not-for-profit sector.
- 4 Incentive to grow revenue.** For a for-profit entity, net revenue is a key motivator of behavior, and thus that revenue is more likely to materialize, whereas revenue enhancement is more alien within a not-for-profit culture.

### Risks in a fairly radical change

A not-for-profit institution must consider the serious risks in creating or joining with a for-profit entity:

- The stigma could hurt the reputation of the nonprofit or may be an obstacle to winning over current stakeholders or new customers/students. Some of the opposition to Purdue's initiative and Grand Canyon's restructuring were based on the stigma of the for-profit sector, rather than the merits of the changes. Similarly, Thunderbird School of Global Management's acquisition by Laureate Education was scuttled because alumni felt the stigma of a for-profit institution would "cheapen" the brand of their MBA.
- With any separate but interrelated entity, the risk of fraud, abuse or the appearance of impropriety can be higher than in a conventional not-for-profit structure. The complexity of these arrangements makes it easier to hide bad behavior.
- There is the risk that accreditors, accustomed to not-for-profit models, will be an obstacle to the kind of structural innovations described here. However, while accreditors have raised concerns, asked serious questions and insisted on various changes, they have generally been willing to approve the arrangements.

#### ADVANTAGES OF CREATING A FOR-PROFIT ENTITY



Easier  
capital-raising



Fewer stakeholders,  
less-complex  
governance



Ability to  
move quickly



Incentive to  
grow revenue

### Considerations in a model change

With new opportunities to serve new constituencies in new ways, new structures might provide the resources and flexibility not otherwise possible, given limited traditional sources of revenue. These examples, benefits and risks provide lessons for institutional leadership when contemplating a new business model in response to challenges. What might seem insurmountable could be possible in different governance models. However, any new structure — ownership, shared decision-making or another arrangement — requires overcoming natural and often unexamined biases, and these biases must be considered when determining how best to achieve your strategic objectives.

Success in today's complex environment will take creativity in considering alternatives and not getting stuck in one model. Realize you have many options in an expanded range of corporate structures available.

“Are you organized for yesterday rather than today? Are you organized for the kind of small, cozy family operation you were, and now you’ve grown from a four-bedroom boardinghouse into a six-hundred-room hotel without any change? Your organization structure and your reality aren’t congruent anymore. You need a change in your structure.”

**Peter F. Drucker, *Managing the Non-Profit Organization***





# Administrative alchemy for superior outcomes

## Synthesizing perspectives in decision-making

**Dennis Morrone**, National Partner-in-Charge, Audit Services, Not-for-Profit and Higher Education Practices

**Marla Hummel**, Managing Director, Audit Services, Not-for-Profit and Higher Education Practices

Two critical measures of a management team's effectiveness are its understanding of the institution's constituents and a decision-making process that balances and reflects constituent interests and sensitivities. Nowhere is successful achievement of these measures harder than in higher education. Institutional leadership is tasked with trying to satisfy the many stakeholders who have become empowered by institutional culture to closely monitor and scrutinize every decision. Such stakeholders include students and prospective students, faculty, alumni, rating agencies and accreditation bodies, among others.

Weighing constituent interests in accomplishing strategic imperatives is a delicate and complicated task. It is difficult to know when to override parochial interests and mandate policy for the good of the institution, and when to accede to the will of the campus community. We think of this decision-making process, and the transformative impact it can have on an institution, as the alchemy of administration.

### Consequences of ignored concerns

Higher education is no stranger to dissension and diversity of thought. In fact, many believe it must be nurtured and encouraged across U.S. campuses. To prevent it, to suppress it, would run counter to our foundational education principles and our country's core beliefs.



### Alchemy

A transformational process

In considering significant campus protests, numerous instances come to mind where administrations initially did not listen to the concerns of stakeholders. Two examples include New York University's labor-abuse issues at their campus in Abu Dhabi, and the attempt by the governor to quietly change the mission of the University of Wisconsin. In each of these instances, there was a predisposition — a lack of transparency, a resistance to counterperspectives — deeply rooted in the historically closed structure of institutional leadership. Innumerable similar clashes have occurred on a smaller scale over the years. They accomplished various objectives, including voicing deep discontent or combating stark political or emotional differences. In all cases, the dissent was a manifestation of continued constituent frustration.

### Progress through welcoming perspectives

Today's best institutional leaders represent a different breed. They think and behave differently; decisions are no longer made in an autocratic manner. Input and perspective are sought from a broader and more diverse group, as they must be. Leaders encourage constituents to challenge decisions, engage in discourse, and promote and espouse whatever views they like. In today's world of disputing social norms and practices, these leaders recognize that constituents feel entitled and confident to participate in decision-making and voice discontent, or support, with an expectation of either ratifying or undoing decisions.

In recent years, some institutions have addressed the concerns of stakeholders in a number of collaborative, innovative or courageous ways:

- Vassar College sought to increase diversity of thought and student engagement by creating an entire infrastructure to support student and residential life, and civic engagement, with an emphasis on diversity and inclusion. This environment is supported through resource centers, opportunities for leadership development, cross-cultural dialogues, mentoring and other programs. Vassar's president has her own web page to share news and insights, but also to keep stakeholders informed about incidents, upcoming community-engagement events and other campus-related matters. Vassar has also started The Engaged Pluralism Initiative, co-sponsored by the Mellon Foundation, as a forum where members of the campus and the broader community can discuss and reimagine what it means to live, work and learn together.
- The University of Maryland, College Park president, after meeting with the student government association, department chairs and other campus leadership, reversed a board of regents' decision and fired a key staff member. Despite a significant financial impact to the university, the president addressed the serious concerns expressed by the majority of stakeholders.
- The University of San Francisco uses a collaborative approach to security — integrating campus safety, IT and other functions throughout the campus. This approach allows for teams to focus on their areas of expertise, while also sharing information to improve security responsiveness and effectiveness. The input from multiple stakeholders, and the consideration of their perspectives, resulted in a combination of physical security, high-tech solutions and a safer campus community.



Today's leaders seek input and perspective from a broader and more diverse group.

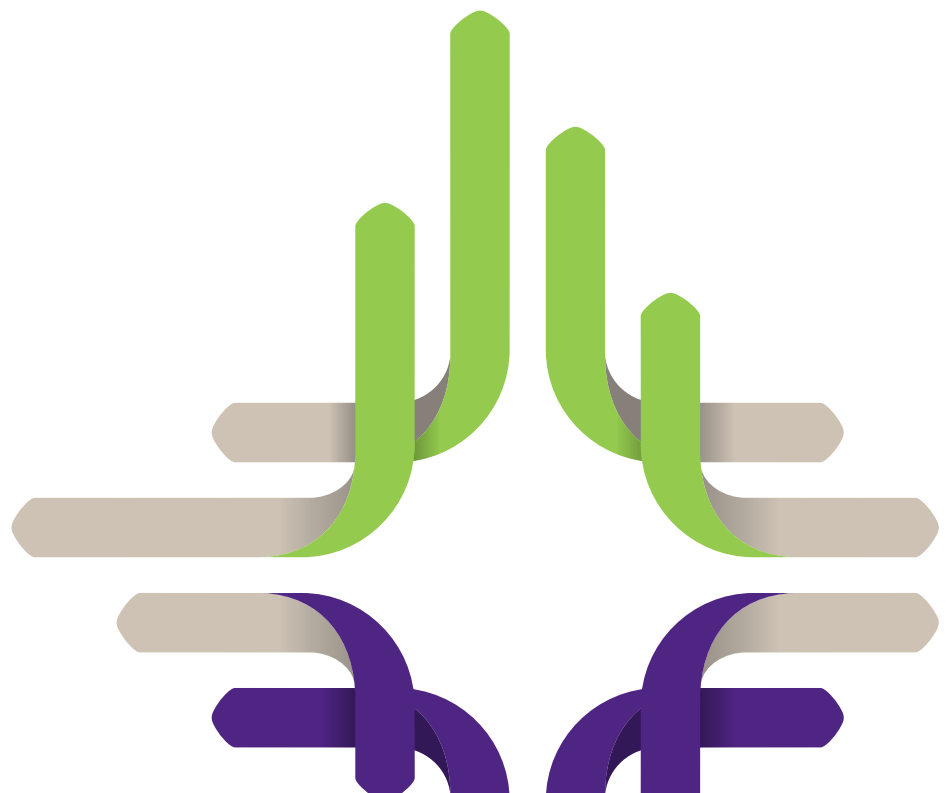
### The path forward

While the decision-making process cannot, and should not, look the same at every institution, there are best practices in this area that should be considered by institutional leadership:

- The universe of stakeholders must be identified, with means of representation established for each interest group, whether it be an individual, an existing group or a newly formed committee.
- These representatives should be sounding boards for key decisions to ensure all relevant perspectives are taken into account. This process allows for assistance with evaluation of options and solicitation of feedback, as well as estimation of likely impact and reactions of the broader interest group. When used in this way, these representatives ultimately evolve from providing input to the decision-making process to becoming supporters of the new agenda and change agents within the broader community.

- The information gathered must include data points from each group, with a means of synthesizing and weighing the information.
- Communication of the ultimate decision should be timely and include a summary of the process, those involved, the weighting of factors and the anticipated benefits to be achieved.

The alchemy of administration is an evolving understanding and appreciation for soliciting the perspectives of a broad cohort of engaged constituents, and incorporating them in the decision-making process. It is the rallying of affected constituents in an effort to shuttle institutional decisions through a labyrinth of buy-ins and approvals that will aid in acceptance and, ultimately, effectiveness. In accordance with today's emphasis on collaboration, this is the way to get important work done.



# Using artificial intelligence to transform operations

**Rick Wentzel**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

**Raisa Reyes**, Manager, Advisory Services, Not-for-Profit and Higher Education Practices

As artificial intelligence (AI) becomes increasingly mainstream, leading higher education institutions are beginning to utilize its different forms to transform business operations. These institutions should realize improved service quality in the form of increased accuracy, consistency and speed; greater constituent satisfaction; cost savings; and improved decision-making — outcomes due to analytics capabilities, as well as shifting human focus from mechanics to analysis.

AI and its related term, machine learning, can conjure visions of Skynet's group mind system in *The Terminator* movies or the high-functioning NS-5 units in *I, Robot* — a future in which machines run the world, independent of humans. But today's AI comprises software that can analyze data, run scenarios, contemplate possible outcomes and take action — with or without human involvement.

Higher education is moving into the realm of AI, leveraging its various forms, including robotic process automation (RPA), data analysis and customer service through chatbots and automated workflow.

## INSTITUTIONS ARE USING AI TO:



Increase accuracy, consistency and speed



Enhance constituent satisfaction



Improve decision-making



Shift humans from mechanics to analysis



Realize cost savings

As AI becomes increasingly mainstream, leading higher education institutions are beginning to utilize its different forms to transform business operations.



Robotic process automation is being used to review admissions applications and to process and audit transactions, monitor compliance and produce analytics — freeing staff to focus on critical evaluations and analysis.

#### Leveraging RPA

RPA is AI that takes information and manipulates it in a repeatable or predictive manner to automate repetitive, time-consuming work. RPA relieves employees of boring, tedious work and allows them to focus on more value-added activities.

Colleges and universities are beginning to use RPA in their admissions process, with electronically submitted applications as the main data input. RPA tools can quickly review an applicant's documents, determine if any information is missing, compare transcripts to entrance requirements and use predetermined algorithms to perform a first pass through essays. It can also check for instances of plagiarism or multiple submissions. Applications are reviewed in a consistent manner, but the primary benefit is that admissions officers spend less time reviewing applications, freeing them for more critical candidate-evaluation activities.

RPA can have a significant impact on the business office, as well. AI-based RPA can automatically process transactions (matching invoices to payments/shipping labels), monitor compliance (flagging unusual approvals), produce meaningful analytics, and audit transactions and processes. Such automation allows staff to focus on data analysis, leaving the reviews to the machines.

#### Enhanced data analysis

AI can assist in decision-making by delivering insights through data analytics to enhance the outcome of a process or job. Both faculty and administration can benefit from this AI capability.

On the academic side, AI algorithms can be used to identify teaching and learning patterns in order to adapt instruction to the style and learning pace of individual students. At Deakin University in Australia, AI applications are responding to student questions, such as the due date for an assignment, upcoming events or assistance in referencing a source for a paper. At Cornell University, professors are using AI to analyze incorrect answers on exams and how students might have arrived at their conclusions. Because algorithms can identify student behavior patterns that may not be immediately apparent to instructors, AI analysis enables instructors to either revisit topics with which students are struggling or modify their teaching style to achieve improved student learning. Institutions using these tools have seen an increase in student satisfaction and performance as their learning styles are better accommodated. Anticipated benefits with this emerging use of AI include higher retention and graduation rates, as well as alumni who graduate feeling better about their academic experience.

On the administrative side, AI is being used to analyze and centralize energy usage data (e.g., water, electricity and HVAC usage) across campus, eliminating the need for employees to collect and parse such information manually. As a result, administrative employees can spend their time addressing issues AI can't help with, such as overseeing repairs and establishing appropriate energy-use terms across the campus. (For more on new reasons and methods to optimize data, see "Effecting greater change through data analytics" in this report.)

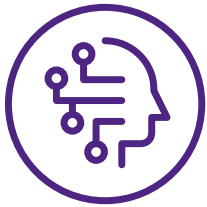


### Customer service via chatbot

Leading institutions are making use of chatbots to provide help line-type services in admissions, development, the registrar's office and student services. Chatbots are programmed with answers to frequently asked questions, and answers are triggered based on keywords or phrases in the submitted questions, thus reducing the need for staffing a call center. Human support is summoned when, per the keyword algorithm, the chatbot deems the question "unique" and/or in response to a request for a customer service representative. Staff can then instruct chatbots to add these questions to their list of standard questions, reducing the need for future employee escalation.

Chatbots increase the quality, accuracy and consistency of information provided to the constituents — as well as speed and accessibility, with responses available 24/7. Georgia State University, for example, is utilizing chatbots to communicate with students and address commonly asked questions in both the admissions and the financial aid processes.

Institutions using AI tools have seen an increase in student satisfaction and performance as their learning styles are better accommodated.



For AI to achieve optimal success, employees must serve as content experts and strategic agents.

#### Workflow impact

Adoption of AI includes impact to workflows, including automating routine approvals, and notifying employees when their action is required, allowing them to eliminate monitoring efforts and engage in the process only when action is needed.

#### Benefits to staff

Even with the growth of AI, employees will be essential. The nature of their jobs will change, however, as AI addresses more of the routine, repetitive tasks, such as standard approvals. Employees can be retrained for higher-level work. Critical decision-making, such as final admissions determination, will remain the province of humans, who will have more time to make better-informed decisions.

Without proper — human — guidance for AI activities, the efficiencies of implementing AI may be missed. For AI to achieve optimal success, employees must serve as content experts and strategic agents, ensuring information delivered by AI is accurate and deciding in which situations AI will be utilized. Employees remain vital to the AI process in tailored feedback and human interactions. While cost savings in the form of headcount reductions may not be the principal driver in the adoption of AI, the result often is fewer employees — and those remaining employees are refocused on value-added activities.

Institutions should leverage AI as a tool while retaining and retraining employees for monitoring and guiding its use. In this way, staff can focus primary attention on high-touch needs such as candidate evaluations, executive decision-making and individualized customer service.

# The evolving role of ethics and compliance

**Maurice Crescenzi**, Managing Director, Advisory Services, Ethics and Compliance Practice Leader

**Matt Lerner**, Director, Advisory Services, Not-for-Profit and Higher Education Practices

Higher education operates in an increasingly demanding compliance environment, one that involves a complex regulatory landscape, heightened expectations from stakeholders and stepped-up enforcement activities. Remaining compliant with an increasing number of rules and regulations takes more effort than ever before, and institutions now have greater responsibilities to promote an institution-wide culture of ethical conduct and regulatory compliance across all functional areas, academic/administrative departments, and campuses. It has become critical for colleges and universities to design an ethics and compliance governance structure that's strong from top to bottom.

## Expansion of risk exposure

As a result of recent headlines about various institutions, there is increased focus on anti-harassment, athletic recruiting compliance, anti-hazing, anti-bribery and anti-corruption (especially at institutions that are expanding globally). Yet compliance in these areas, even if well-intended, is far from easy to achieve. As an indication of regulatory complexity, the Higher Education Compliance Alliance identified approximately 260 federal laws and regulations relevant to higher education. Ethical and related reputational risks are evolving as well. Institutions are faced with the challenge of heightened expectations and accountability for the effectiveness of their ethics and compliance functions.

Recent infractions have been well-illustrated in high-profile allegations of ethical and compliance breakdowns, including how institutions have investigated and responded to allegations of sexual, academic or reporting misconduct. Misdeeds, and even mere allegations, can have a tremendous impact on an institution's reputation. The seriousness with which they are taken by stakeholders and the public can be magnified by social media. An effective ethics and compliance function is becoming increasingly important to help protect institutions from inappropriate actions that can lead to potential penalties, litigation and negative reputational impacts.

What does all of this mean for governing bodies, ethics and compliance functions, and institutional culture?

Challenged to keep up with regulatory complexity, and ethical and related reputational risks, institutions face heightened expectations and accountability for effective ethics and compliance.



### The board's role in supporting ethics and compliance

The central role that boards play in oversight has expanded, including increased focus on governing the institution's ethics and compliance program. This duty of care and oversight is articulated in a wide variety of ethics and compliance program "drivers." For instance, the [United States Federal Sentencing Guidelines](#) state, "[An] organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program. ..." Guidance from the U.S. Department of Justice and other authorities is similar.

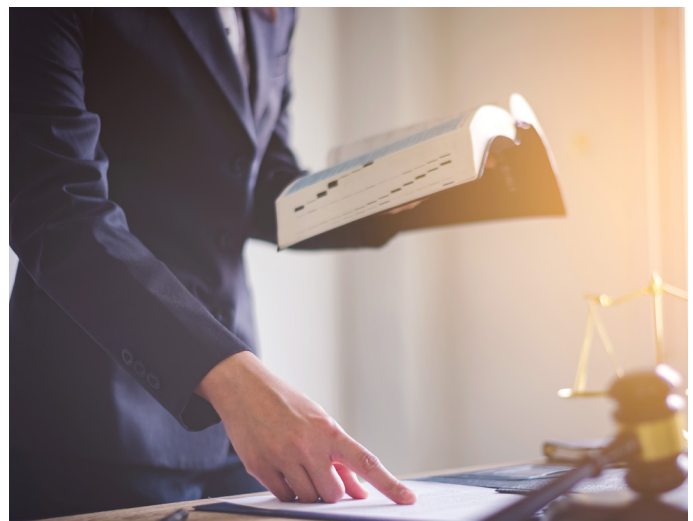
To support boards in fulfilling their fiduciary duty of care and oversight, ethics and compliance leaders need direct and autonomous access to their boards. They must provide trustees with periodic updates on key risk areas (e.g., campus safety, data security, hazing, bullying and recruiting) and all elements of the ethics and compliance program. Beyond simply monitoring whistleblower hotline activity and ongoing investigations, the board must provide reasonable oversight to promote effectiveness of the ethics and compliance program. For more on effective stewardship, see Grant Thornton's [Higher Education Board Guidebook](#).



The board must provide reasonable oversight to promote effectiveness of the ethics and compliance program.

### Evolving a formalized ethics and compliance function

Historically, while some institutions employed a formal compliance function — either centralized or decentralized — many took an ad hoc approach to compliance. In the latter category, there was generally an absence of formal programs, policies and processes to address key risks and investigate potential incidents — or worse, inherent conflicts of interest within the investigation processes themselves. In one case, an [ESPN Outside the Lines](#) investigation reported that complaints involving student athletes were routinely investigated not by independent individuals, but by athletic department officials and even coaches.



Today, colleges and universities recognize that adopting more formal governance structures and programs, whether centralized or decentralized, is essential to avoid issues (or detect and mitigate issues that can't be avoided) that could harm their reputation or incur risks of penalties and litigation. This often requires a greater financial investment and more dedicated resources, but these steps are necessary to help ensure the appropriate level of accountability, credibility and transparency. To this end, a number of institutions have enhanced their compliance organizations. These three made significant changes in 2018:

- Michigan State University established the Office of Enterprise Risk Management, Ethics and Compliance to help ensure adherence to university policies, and legal and regulatory requirements, and created the position of chief compliance officer, who is responsible for the development of an ethics and compliance program framework.
- The University of Southern California created the Office of Professionalism and Ethics, tasked with monitoring concerns and investigations regarding misconduct across campuses, and led by a vice president of professionalism and ethics.
- Northern Illinois University created the Ethics and Compliance Office, which reports directly to the president, an organizational change that consolidates responsibility for functions previously held across various departments.

## Coordination with and involvement of leaders across the institution are key to the effectiveness of the ethics and compliance program.

The regulatory environment is broad in scope. Legislation such as Title IX, the Clery Act, and the Family Educational Rights and Privacy Act touch almost every area of an institution and often require functional expertise, involvement and/or monitoring across a variety of areas. In many instances, responsibilities for compliance are cross-functional, necessitating collaboration with various departments, including finance, legal, HR, student affairs and athletics. Accordingly, coordination with and involvement of leaders across the institution are key to the effectiveness of the ethics and compliance program.

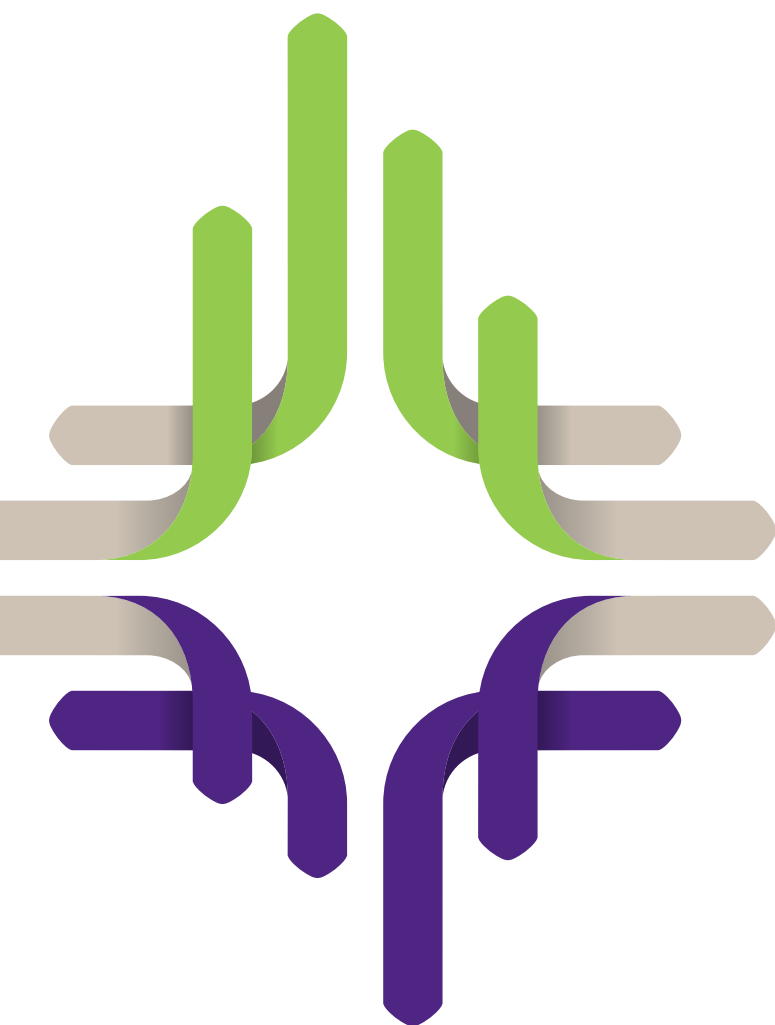
### Assessing and promoting an ethical and compliant culture

A strong culture that reinforces ethical conduct is the foundation of an effective ethics and compliance program. For this reason, ethics and compliance leaders have a responsibility to take proactive steps to promote a culture of ethics and compliance, as well as to strive to ensure its viability through evaluation and monitoring. Culture assessments and program design assessments are steps that leading institutions are taking.

Assessing the institution-wide culture of ethics and compliance evaluates indicators such as the transparency and openness of leadership, trust, shared values and competency. Such assessments are multifaceted efforts, involving an evaluation of practices — both formal (e.g., whistleblower, code of ethics and HR policies) and informal (e.g., tone at the top, shared values, and collaboration across functions and departments). A typical culture assessment begins with a risk assessment that identifies and prioritizes substantive areas of legal, regulatory and reputational risk, and typically ends with recommendations to enhance the compliance culture via efforts to break down silos, and improvement or clarification of organizational structure, etc. Internal audit functions are increasingly being deployed to assist with such assessments.

In addition, leading institutions are beginning to perform program design assessments to ensure effectiveness. These evaluations typically address all aspects of the ethics and compliance program itself, including but not limited to governance, organization, policies and practices, training and education, monitoring and investigations.

Strengthening your ethics and compliance culture relies on assessments and adjustments to governance and organization, but also on promotion and collaboration throughout the institution. Guided by well-communicated cultural expectations, involved leadership, an informed board, formalization of the governance structure of the ethics and compliance program, and periodic internal audit assessments, ethical conduct and regulatory compliance will be improved throughout your institution.



# Employ nontraditional approaches to fill talent gaps

**Jennifer Hoffman**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

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With unemployment remarkably low and competition for talent notably high, many colleges and universities are faced with current or projected staffing shortages. Succession planning and talent sourcing continue to be challenging due to lower candidate availability and because of candidates' new expectations regarding technology-enabled flexibility in work schedules and physical work presence. Higher education institutions are finding that traditional search methods and traditional benefit offerings for traditional candidates are no longer the way to successful staffing. A workforce that is more diverse and has different wants and needs requires a radical change in talent planning. Nontraditional talent planning — thinking outside the box when it comes to approaches and geographical boundaries — will expand the pool of applicants who can readily fill your employee gaps.



## Ramp up culture, revamp benefit offerings

Sustainability of the institution and its mission depends on a skilled staff and continuity of experience. Constant hiring, training and rehiring are disruptive and expensive. A hindrance to attracting and retaining qualified talent, as reported by [NonProfit HR](#), is an attitude among nonprofits that adequate pay, professional development, and schedule and location flexibility are low in priority, with mission achievement satisfaction being enough incentive. But, as NonProfit HR noted, “Missions don’t get achieved without people.” In short, while it might not be necessary to offer salaries that are competitive with commercial entities or investment banks, they should be commensurate with similar-sized nonprofit institutions. “We can’t afford it” is not acceptable to today’s workforce.

Likewise, many skilled Generation X (ages 40s through 50s) and millennial (ages mid-20s through 30s) professionals expect development opportunities to enrich their experience and provide opportunities to engage in being an active participant in advancing mission and providing clear pathways to the next step in their career. Offering chances for each employee to attend relevant seminars can prove beneficial. Employees could also be provided with professional development opportunities in areas such as fundraising, technology, finance and budgeting.

In addition, job descriptions (i.e., expectations) have generally been for on-site work, with in-the-office “face time” assumed, on a set schedule. They have not been updated to reflect the realities of demographic and workforce changes. But today’s candidates seek flexible work and job-sharing arrangements for work-life integration. Fostering flexible and remote work options, creating a culture that is supportive of those options and integrating additional benefits (e.g., breast milk storage/shipping for returning working mothers) can promote an inviting and thriving culture. With a healthy culture built around trust and output — aided by up-to-date technology — teams can be productive no matter the ZIP code the employee is working in and the hours of the day he or she is working.

Two best practices are:

- Measuring performance based on results and output instead of input or number of hours and physical presence in the office
- Creating a cultural and operational shift to allow for flex time to include compressed workweeks, job sharing, global workforce, flexible hours or flexible time off to include reduced schedules, and flexible work locations (e.g., telework and remote work options)

[Bloomberg](#) reported, “When workers have control over their own schedules, it results in lower levels of stress, psychological distress, burnout, and higher job satisfaction.”

### Conduct today’s nontraditional talent searches

To advance the talent search further, institutions can broaden the search and consider candidates from all geographies, including international applicants. While initially this may seem difficult, with technology, operational and culture obstacles to overcome, the advantages can outweigh the challenges. Institutions can increase search success through tips offered by industry best practices and by [Forbes](#):

- Removing requirements for candidates to be based/located in specific geography and proactively indicating that remote work is available
- Ensuring inclusive wording in job descriptions (e.g., “working knowledge of” or “any combination of these skills”)
- Removing from job descriptions words associated with masculine traits such as “competitive” or feminine traits such as “supportive”
- Designating a diverse talent acquisition team to screen applicants
- Using a blind-résumé-screening tool

Traditional search methods and traditional benefit offerings for traditional candidates are no longer the way to successful staffing.



With most institutions employing Web conferencing, Skype calling and virtual teaming, embracing alternative geographies provides a potential for a greater candidate pool from which to draw, as well as a 24-hour workday, increasing productivity and worker availability. Allowing for remote work — including a hybrid of face time and technological connection from the employee's locale — is appealing to many candidates and can serve as a differentiator to allow you to compete on factors other than salary. Providing greater opportunities to attract diverse candidates may have an additional benefit to the institution in helping to achieve diversity and inclusion goals.

The picture of an ideal candidate can no longer be limited to someone like those historically employed at your institution. In the competition for talent, thinking beyond traditional search methods and benefit offerings will enhance your institution's ability to fully staff with capable and diverse employees.



#### SUCCESSES IN WIDENING THE EXECUTIVE SEARCH

Higher education institutions could broaden their candidate pool by following two recent examples.

Struggling with the same quandary as many other nonprofits in the expensive Bay Area — attracting and retaining top-notch executives willing to work for a salary lower than in the corporate world — was a challenge for a Grant Thornton client. The perfect financial controller was secured following a long search but was lured away by a corporate employer after a short time on the job. The talent search was revised to consider international candidates. This was the first time a high-level finance role was moved away from finance, let alone out of the country. In order to make the venture successful, management collaborated strategically, engaging board members and international management to ensure the new structure had the appropriate support and oversight. The search produced an India-based controller who has been mindful about leveraging technology, building a strong team of local and remote finance professionals, and taking advantage of webcasts and other convenient training methods. The controller travels to the Bay Area several times a year for the year-end audit and other important meetings. After a productive first year with their new foreign-based controller, our client has seen their innovative solution turn into a significant success story.

An executive search in New York City, with the same salary challenge, was widened to the entire country. It resulted in the hiring of a candidate in a different city and time zone who has been effectively integrated into the leadership team. The integration was orchestrated seamlessly due to regular virtual team meetings supplemented with monthly in-person leadership meetings and frequent cross-team Skype and phone communications.

# About Grant Thornton's services to higher education

Grant Thornton LLP has a well-earned reputation for understanding the needs of colleges and universities, providing them with in-depth knowledge to improve their operations, seize opportunities, address challenges and mitigate risks. When we assist them to become more effective at what they do, the benefits cascade through all the communities they serve.

More than 500 industry professionals serve the audit, tax and advisory needs of 200 public and private higher education institutions — community colleges, liberal arts colleges, universities, research institutions, graduate schools and multicampus state systems. While we take pride in the number of clients we serve, what is more important is the prestige of our higher education clientele; we serve a noteworthy 32% of the top 25 ranked institutions listed in *U.S. News and World Report's* "[National University Rankings](#)" for 2019.

The higher education sector is a strategic industry segment for our firm. Our commitment to this sector is reflected not only in the number of clients we serve, but also in our active support of and leadership in key industry associations and conferences aimed at strengthening higher education institutional effectiveness and execution. We also demonstrate our industry leadership through our dedication to giving back to this community, and by sharing our best-practice experience via forward-looking thought leadership, including publications, articles, presentations, webcasts and training.



## KEEPING YOU INFORMED ABOUT INDUSTRY TRENDS

We are committed to helping you stay up to date on industry developments. Visit [grantthornton.com/bei](https://grantthornton.com/bei) to join our Board and Executive Institute and regularly receive invitations to our latest educational forums and speaking engagements, articles and webcasts on current and emerging issues of interest to higher education leaders. Explore [grantthornton.com/nfp](https://grantthornton.com/nfp) to access our industry resources and thought leadership.

Our clients rely on us, and we respond to that trust by making continuous investments in our people so that we can provide our college and university clients with the highest level of service. We are proud to have fully dedicated professionals — from staff to partners — who work exclusively with higher education and not-for-profit clients. Our higher education professionals provide our college and university clients with information about relevant industry trends; accounting and regulatory pronouncements; practical insights and value-added recommendations; personal attention with timely, authoritative feedback and quick responses; and high-quality service with measurable results. When we support our clients to deliver on their missions, we deliver on ours.

## Some of the ways we serve the higher education sector



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- Financial statement audits
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- Uniform Guidance compliance audits
- Agreed-upon procedures



### TAX SERVICES

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- Corporate restructuring and related planning
- Executive compensation, benefit plans and employment tax planning
- Federal Forms 990, 990-T, 990-PF, and related state and local tax compliance for not-for-profit affiliates
- Federal Forms 1120 and 1065, and related state and local tax compliance for for-profit affiliates
- Federal, state and local tax risk assessment and planning
- Governance and maintenance of tax exemption assessment and planning
- International tax planning
- Private foundation services
- Unrelated business income tax planning



### ADVISORY SERVICES

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- Strategy and governance
- Higher education optimization and performance improvement
- Operations improvement
- Information technology
- Data analytics
- Business risk (including enterprise risk management, internal audit and construction audits)
- Human capital services
- Restructuring and turnaround
- Transaction support (including due diligence and merger integration)
- Forensic and valuation (including investigations, litigation and dispute consulting)

# Not-for-profit and higher education 2019 webcast series

Each year, leaders from Grant Thornton LLP's Not-for-Profit and Higher Education Practices provide learning opportunities through our webcast series. These sessions cover a wide variety of trending topics and regulatory updates relevant to higher education management and trustees.

We welcome you to visit [grantthornton.com/nfp](https://grantthornton.com/nfp) for more information about upcoming webcasts or to access past webcasts, which are archived for one year.



JAN 16

[Leveraging cost & revenue analytics to drive enhanced decisions](#)



JUL 24

[Nonprofit accounting, regulatory and Uniform Guidance update](#)



MAR 27

[State of the not-for-profit and higher education sectors](#)



SEP 25

[Applying lean practices in the nonprofit/higher education sectors](#)



MAY 15

[Enhancing diversity and inclusion in your workplace](#)



NOV 20

[Technology's impact on fraud schemes: What you need to know](#)

All webcasts are 2-3:30 p.m. ET.







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#### About Grant Thornton LLP

Founded in Chicago in 1924, Grant Thornton LLP (Grant Thornton) is the U.S. member firm of Grant Thornton International Ltd, one of the world's leading organizations of independent audit, tax and advisory firms. Grant Thornton, which has revenues in excess of \$1.6 billion and operates 60 offices, works with a broad range of dynamic publicly and privately held companies, government agencies, financial institutions, and civic and religious organizations.



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