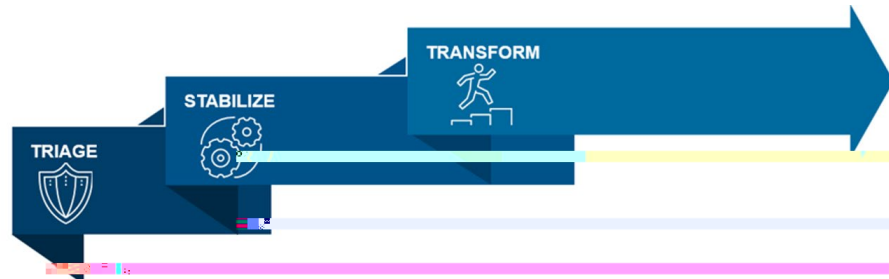


FROM PANDEMIC TO TRANSFORMATION: HIGHER EDUCATION LEADERSHIP DURING COVID-19

Several weeks ago, most would have found unfathomable the realities now facing American higher education from an unprecedented generational threat referred to as the novel coronavirus, a term previously unknown to all but a limited number of research scientists and clinicians. Beginning in the province of Wuhan, China, the World Health Organization (WHO) declared COVID-19, the disease that results from the virus, a pandemic on March 11.

In response, U.S. higher education institutions have transitioned to an almost-universal distance learning model, shifted to remote work for most employees and cancelled collegiate athletics events. Other remarkable developments include the suspension of clinical rotations, the transition to “pass/fail” grading, the waiver of standardized testing for admission requirements, the systematic closure of residence halls (including the repurposing of some for COVID infection and mortality rates, provide an uncertain forecast for colleges and universities.

- A **transformation period**, in which leaders use a more informed lens as to how the environment has unfolded to develop and implement their visions for mission-driven institutional change that will ensure the long-term success, and in some cases survival, of their institutions. Strategic planning, margin improvement and mergers and acquisitions (M&A) will be the hallmark activities of this period.



Rather than distinct stages, however, most institutions — particularly those that will emerge stronger and more resilient — will engage in overlapping efforts across the three phrases. Specific areas of concentration will vary by institutional type; academic health centers will have different needs across the educational, research and clinical missions than liberal arts institutions that are primarily focused on teaching and learning. State appropriation-dependent public institutions will differ from private institutions, and research institutions will have experiences that contrast with comprehensive colleges and universities. Yet most will encounter the core challenges, opportunities and needs within this paradigm — to triage, stabilize and transform their institutions.

Triage Period

For the last several weeks, senior leaders at hundreds of institutions have been mired in the triage phase, faced with a crescendo of questions that require immediate resolution. A high percentage of executive time has shifted from common strategic and operational activities to these pandemic-related issues and the associated communications. The activation of emergency operations centers, frequent meetings and after-hours conference calls, and the careful generation and transmission of related communications has become the daily norm. Given the novel challenges COVID-19 is creating, as well as the potential substantive impacts on institutions, executives have primarily focused on agile decision making to support two broad goals: the health and safety of campus populations and the continuation, as much as practical, of core mission activities.

Leaders have had an appropriate, even if tacit, ethical mandate to focus their initial energy on the health and safety of students, faculty and staff. Since late February, campus communications have increased in volume and frequency. From international and domestic travel restrictions to the online delivery of course content, cancellation of campus activities, the domestic return of students studying abroad, and development and enactment of human resources policies to support telework and flexible leave, most institutions have acted decisively and in general alignment with other institutions. The particular emphasis has been on the well-being of campus populations, as well as the responsibility that universities have to support public health needs. These needs will continue — and perhaps adjust from a corporate to individual approach — as the realities of infected relatives and friends, along with the economics of students' lost jobs, intensify in the coming weeks.

Even as institutions have focused on triaging and managing these critical needs, few have shuttered their operations entirely. Most have remained focused on sustaining the delivery of core missions, albeit in altered forms. The majority have rather immediately shifted to remote instruction often with an extension of spring break to help instructors and support staff — functional and technical — prepare for remote delivery of their education mission. Many have also shifted courses to a “pass/fail” grading scheme, with some also eliminating final examinations. Universities with substantial research portfolios have begun to halt some research projects, particularly those that are not essential for the health of humans and research subjects. Lab access has been restricted, and institutional review boards are continuously reviewing modifications. Given that the current issues are health-related, academic health centers have also begun to triage their operations. Reducing

ambulatory clinic sessions, discouraging elective procedures and determining how to increase hospital bed capacity — particularly in the ICU — in the context of supply and equipment shortages have been their primary focus, though some institutions have also reported a reluctance of some faculty physicians to interact with patients who might be infected with COVID-19.

Stabilization Period

The rapidly evolving situation has required agile decision making, often without time to validate relevant data or appropriately forecast campus impacts. Yet the outcomes of these decisions will stretch far beyond the spring 2020 semester.

Even as social distancing and, in some cases, stay-at-home mandates continue, some institutions might be tempted to envision a return to their former status quo. But the evolving higher education marketplace — across educational, research and clinical missions — will demand a substantive, fundamental transformation, and university leadership will be held accountable for identifying and assessing the consequences of their choices during the stabilization period.

Not only will they need to understand these impacts, but many will also need to make adjustments to stabilize their institutions to prepare for and initiate the fall semester, a term that could once again be characterized by social distancing and remote learning/working environments. During this stabilization period, boards and executive leadership should largely focus on financial stability, academic quality, student support services and overall reduction of risk in preparation for a successful start to the fall semester.

Maintaining Financial Health

Quantifying and addressing the fiscal impacts of COVID-19 response measures will be a primary focus for leaders during this phase. While Moody's and Fitch Ratings both characterized the industry as "stable" as recently as December 2019, that optimistic perspective has quickly eroded; as of March 20, Moody's, Fitch and S&P Global have assigned a negative outlook to the sector. As qualification for their outlooks, the agencies specifically note likely COVID-19 impacts that will exacerbate existing challenges (i.e., enrollment shortfalls) and introduce new stressors to institutions, including increased expenses due to emergency management and online pedagogy investments, potential reductions in state appropriations, negative endowment performance trends, loss of athletics revenue, tuition losses from decreased domestic international student enrollments, the potential for privatized housing debt default and reductions in auxiliary revenue (which comprise approximately 10% of total revenues at many universities).

Though the Office of Budget and Management has released guidance for proposal submission and post-award management flexibility, the longer-term impact on federal research funding is difficult to predict. Institutions with substantive clinical missions also face challenges (despite hospital beds likely being filled to capacity) with reduced ambulatory clinic and elective procedure revenues, increased supply expenses due to scarcity and rising labor costs attributed to healthcare worker quarantine and illness. Liquidity will be a key focus, and institutions with existing weak operating margins and minimal cash flow will face particular operational challenges. These challenges are not (t)2 (t)2 (rL17 (es)15.3 (ut)2 (i)-(s)TJ)TJ-0.0usou[quar]3.6 (a)-3 (i)12.7

public-private partnerships. In the face of uncertainty, universities might elect to defer, reduce or cancel construction and other capital projects to shore up liquidity. Some universities will also need to shift planned near-term investments to cover margin losses or to redirect resources to areas of immediate strategic importance.

Ensuring Academic Quality and Student Success

Attentiveness to financial needs will be critical, but enhancing academic quality in this new context will also become a critical element of stabilization. Many institutions' relatively small distance learning and instructional design capabilities have been overwhelmed during this transition, and some students and parents have begun to raise concerns about the quality of the education that universities are capable of delivering remotely. Responding deliberately to these issues through increased support resources, training and strategic hires will be essential to maintain institutional brands, market share and consumer confidence. Online program management companies are also likely to emerge as partners for additional institutions.

Regional accrediting bodies are also likely to intervene to ensure that institutions are satisfying contact hours as well as learning outcome/institutional effectiveness and state authorization requirements. Other important considerations will include restarting select study abroad progr

margin improvement activities and substantial M&A activity.

Strategic Planning

Strategic planning can be a challenging exercise, and many universities often encounter a disconnect between strategy and innovation — they assume that their current business model can extend into the future with only incremental improvements, or they remain uncommitted to a variety of visions for the future, many of which are impractical.⁴

To address these potential disconnects, institutions should focus both on the near-term optimization of current services, as well as the long-term development of new business models to expand offerings to current audiences or increase their reach to new audiences. Scott Anthony and Mark Johnson of Innosight, Huron's strategy and innovation business, have termed this approach dual transformation.⁵ The near-term emphasis focuses on strengthening and repositioning the current core and relevant mission activities of institutions in the face of disruption, including aggressive implementation of innovations to support these goals. The future-oriented strategy emphasizes the identification of novel opportunities for new and constrained markets, as well as the removal of consumption barriers that prevent the successful delivery of new solutions to these markets. Shared skills and resources across the two efforts provide a bridge between the present and the future, though

geographic areas and populations, the transformation period will encourage innovation for both existing and new audiences.

Margin Improvement

Universities will also focus on larger-scale margin improvement activities, a second element of the transformation period, by generating funds to invest in mission-aligned strategic opportunities that maintain institutional brands.

Some will be aggressive in their attempts to maintain or bolster existing enrollment levels and their associated revenues, including-

