EXECUTIVE PERSPECTIVES ON TOP RISKS

2024 & 2034

Tech evolution, talent and resistance to change among the top risks for higher education institutions

By Eric Groen and Tonya Baez

The combined analysis of risk insights from global executives for both 2024 and a decade out reveals several interrelated challenges that may result in significant events with the potential to test an institution's business agility and resilience.

Changes in the profile of top risks from the prior year disclose a number of shifting conditions that may disrupt markets, including events triggered by intensifying geopolitical conditions. Many of those events are expected to have long-lasting impacts on business models and the competitive balance in a nuanced educational marketplace. Board members and C-suite leaders who recognize these shifting realities and address them through robust, enterprisewide risk analyses that are aligned with business strategy possess a differentiating skill that positions their organization's readiness and ability to adjust and pivot in the face of inevitable disruptive change as well as or better than their competitors.

In this 12th annual survey, Protiviti and NC State University's ERM Initiative report on the top risks currently on the minds of board members and executives worldwide. The results of this global survey reflect their views on the extent to which a broad collection of risks is likely to affect their organizations over the next year – 2024 – and a decade later – 2034. Our respondent group, which includes 1,143 board members and C-suite executives from around the world, provided their perspectives about the potential impact over the next 12 months and next decade of 36 risk issues across these three dimensions:[1]

- **Macroeconomic risks** likely to affect their organization's growth opportunities

- **Strategic risks** the organization faces that may affect the validity of its strategy for pursuing growth opportunities

- **Operational risks** that might affect key operations of the organization in executing its strategy

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[1] Each respondent rated 36 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization. For each of the 38 risk issues, we computed the average score reported by all respondents.

Commentary – Higher Education Industry Group

In an era defined by dynamic technological advancements and evolving societal paradigms, higher education institutions face a myriad of challenges. The latest Top Risks Survey sheds light on the critical vulnerabilities confronting these institutions in 2024 and beyond.

The assessment identified 10 risks for directors and educational executives both now and 10 years in the future, encapsulating a spectrum of concerns that range from technological vulnerabilities to economic uncertainties and organizational adaptability. In this year's report, nine out of 10 executives identify "cyber threats" as a long-term top five risk, for example, and 58% of leaders noted "economic conditions" as top risks. Adding to the confluence of challenges are recent geopolitical events in the Middle East. The response to these events across U.S. college campuses has cast higher education institutions under a spotlight of scrutiny and intensified pressure.

Our survey results suggest that higher education institutions find themselves at a crossroads, compelled to fortify their foundations and embrace transformative strategies to thrive amid the multifaceted landscape of challenges.

Overview of top risks for higher education in 2024

The top risks that higher education leaders see in 2024 can be grouped into four buckets:

1. Cybersecurity, privacy and technological competence

With the pace of technology changes and growing digital risk, it is no surprise that the top concern for higher education leaders encompasses cyber threats, legacy IT infrastructure, and identity protection and privacy.

Cyber threats such as cybersecurity breaches pose significant financial, reputational and safety risks, and are highly expensive for institutions. Preventing them requires competent staff, routine monitoring and mature systems, among other assets and activities. Higher education leaders should develop a comprehensive cybersecurity strategy that defines how the organization views the risk of breach, data compromise and ransomware attacks, among other threats. They should invest in robust cybersecurity measures, including personnel training, routine system monitoring, and specialized insurance that includes cyber coverage and limits commensurate with risk levels. They also should test the institution's cybersecurity defense capabilities through scheduled penetration tests, ransomware tabletop exercises, external quality assessments and disaster recovery scenarios. With the growing dependency on systems and data, along with increasingly complex technology environments, cybersecurity should be prioritized as just as essential as any other core business function.

Higher education leaders should develop a comprehensive cybersecurity strategy that defines how the organization views the risk of breach, data compromise and ransomware attacks, among other threats.

The risk of **existing operations and legacy IT infrastructure being unable to meet performance expectations as well as "born digital" competitors** is a challenging one. Addressing this in the higher education sector necessitates strategic, long-term investments in technology infrastructure aligned with the institution's vision. At the same time, some level of technical debt will always be present given aging ERP systems and must be managed; it's a balance of cost compromises and investments in essential IT infrastructure to remain competitive. Higher education institutions should develop a comprehensive IT asset management program to track aging technical infrastructure. They also should employ a risk-based approach to assess aging technology. Investments in technology infrastructure and modernization projects should be correlated to

accomplishing strategic business objectives and tracked closely to ensure both completion and return on investment.

Survey respondents also identified the risk of **ensuring privacy and compliance with growing identity protection expectations** as a significant concern. Safeguarding personal data is paramount, as breaches erode trust and pose a severe threat to both higher education institutions and the students and individuals they serve, especially considering the large amount of personal data that these institutions retain and manage. Similar to cybersecurity, privacy must be regarded as a core business function. Failure to meet privacy expectations can lead to a loss of trust and potentially drive students, faculty and staff to seek alternatives, including but not limited to transfers to other colleges and universities. Higher education institutions must understand their privacy compliance requirements (state and local, FERPA, etc.) and ensure their policies, procedures and internal controls framework address the requirements properly. They also should:

- Conduct discovery work to ensure the organization knows where all of its data is housed and how the group responsible for hosting it is protecting it from compromise;

- Perform periodic data privacy and data protection assessments to ensure the technology environment is tested against the latest risks; and

- Implement records retention policy and guidance to manage and limit the volume of data accumulated by the institution.

2. Talent management and managing through change

Understandably, the **ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges** ranks near the top of the list of risks for the industry. Higher education institutions require skilled personnel to maintain quality educational programs and effectively serve students. Recruiting and retaining these workers has become a greater challenge than ever as the competition for talent becomes fiercer, with fewer skilled professionals walking the streets, private-sector companies offering higher compensation packages, and a baby boomer generation of employees moving into retirement in the coming years.

Other challenges include managing labor shifts, addressing succession planning, and navigating conflicting federal and state regulations. It is vital for higher education leaders to create a work environment and culture that are attractive to qualified candidates – especially hard-to-find technology professionals – and connect people to the mission of higher education. Other opportunities to enhance talent management and retention include flexible work arrangements and innovation initiatives that can engage the imagination and creativity of employees.

The business model in higher education is changing – or at least is broadening to encompass new approaches.

Also identified as a risk is the **resistance to change that restricts organizations from adjusting their business model and core operations**. The business model in higher education is changing – or at least is broadening to encompass new approaches. Cost reductions have become a necessity to remain price-competitive; thus, many institutions are merging departments or functions and increasing the use of non-tenured part-time faculty to reduce administrative costs and save on salary expenses.

Enrollment fluctuations continue, with some institutions having record-breaking years and others struggling to increase enrollment. Demographics are changing, with more students coming from nontraditional backgrounds –

for example, a growing number of students are older and employed. In this environment, embracing change is needed. Institutions that introduce flexibility to cater to these students will likely benefit from this growing market. They also should evaluate the potential for more two-year programs that are linked directly to job needs, implement programs in high schools that give students a head start on earning college credits and develop programs that may offer alternative pathways other than pursuing a traditional bachelor's degree.

3. Regulatory and economic challenges

There will always be regulations and the realities of the economy to deal with, but higher education leaders are especially wary of increased regulatory scrutiny and economic pressures over the coming year.

The risk of **heightened regulatory changes and scrutiny** is tied to several topics, including Title IX and Title IV, student loan forgiveness, accreditation issues and challenges to change accreditors, future online program management regulation, and more. Higher education institutions may need to reimagine their compliance function and increase board oversight to stay on top of these changes. Other actions to consider include ensuring the risk function employs consistent methodologies and emphasizes a values-based culture, and putting in place sound internal controls and robust monitoring to identify non-compliance early.

There is also the risk of **economic conditions, including inflationary pressures**. Despite funding increases, many institutions struggle to match rising labor costs, resulting in tuition hikes. Persistent high interest rates amid inflation impact private contributions, encouraging students to seek alternative paths to education.

4. Embracing innovation and analytics

As technology continues to evolve, higher education leaders have identified the importance of embracing innovation and analytics to reduce risk in 2024.

In higher education, the **rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces** necessitates a cultural shift. Evaluating emerging trends such as artificial intelligence (AI) and automation will become vital to staying competitive. Distance education expansion offers wider accessibility and brings promise for many institutions to expand their student base but requires investments in technology infrastructure. Higher education institutions need to have a good understanding of the innovative trends occurring in the market, such as generative AI. They should explore opportunities to employ distance education technologies and links with other colleges across the world to make education more accessible.

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Lastly, the **inability to utilize rigorous data analytics to achieve market intelligence and increase productivity and efficiency** is a new risk identified for 2024. Data-driven insights into student behaviors and needs are pivotal for improving the student experience. Enhancing employee productivity and efficiency through data analytics demands the removal of barriers hindering successful implementation.

Risk category	Top 10 2024 risk issues	Rating
Operational	1. Cyber threats	7.26
Operational	2. Ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges	7.17
Operational	3. Resistance to change restricting organization from adjusting business model and core operations	6.29
Operational	4. Existing operations and legacy IT infrastructure unable to meet performance expectations as well as "born digital" competitors	6.26
Strategic	5. Heightened regulatory changes and scrutiny	6.26
Strategic	6. Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces	6.06
Macroeconomic	7. Increases in labor costs	6.03
Operational	8. Ensuring privacy and compliance with growing identity protection expectations	6.03
Macroeconomic	9. Economic conditions, including inflationary pressures	5.97
Operational	10. Inability to utilize rigorous data analytics to achieve market intelligence and increase productivity and efficiency	5.89

Overview of top risks for higher education in 2034

For the third consecutive year, survey respondents gave 10-year outlook scores that are higher than those of the previous year for all risks noted. Many of the top 10 risks for 2034 are the same as the identified risks in 2024; however, there are some shifts that may reflect the evolution of the priorities of higher education institutions in the coming years.

Cyber threats and **talent challenges** remain the top two risks for higher education in 2034, but resistance to change in the organization fell off the top 10 completely. The **rapid speed of disruptive innovations** jumped up on the list for 2034, showing that leaders likely see the rise of new technologies continuing to advance in the coming years and becoming an even bigger priority.

Privacy will remain a critical concern as higher education institutions manage growing levels of data combined with a growing number of regulations intended to protect this information.

Heightened regulatory changes and scrutiny as well as **ensuring privacy and compliance with growing identity protection expectations** are also slightly higher in the decade-out view, which trues up to the increased pace of technological evolution and its potential effects on these areas. Privacy will remain a critical concern as higher education institutions manage growing levels of data combined with a growing number of regulations intended to protect this information.

Existing operations and legacy IT infrastructure being unable to meet performance expectations fell slightly for 2034, which, similar to the other changes in the top 10 list from 2024 to 2034, suggests that higher education leaders are feeling more optimistic that their organizations are making advances in upgrading their technology and infrastructure, with more progress anticipated over the next 10 years.

Notably, there were two additions to the 2034 risk rankings that were not identified as top risks for 2024:

- Challenges in sustaining culture due to changes in overall work environment

- Meeting expectations around protecting health and safety of employees (including their well-being and mental health), customers, suppliers and our communities

It's clear that higher education leaders are thinking ahead when it comes to talent and seeking ways to adjust to the shifting workforce and economic landscape.

Risk category	Top 10 2034 risk issues	Rating
Operational	1. Cyber threats	5.84
Operational	2. Ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges	5.72
Strategic	3. Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces	5.71
Strategic	4. Heightened regulatory changes and scrutiny	5.66
Operational	5. Ensuring privacy and compliance with growing identity protection expectations	5.60
Operational	6. Existing operations and legacy IT infrastructure unable to meet performance expectations as well as "born digital" competitors	5.59
Macroeconomic	7. Increases in labor costs	5.59
Operational	8. Inability to utilize rigorous data analytics to achieve market intelligence and increase productivity and efficiency	5.59
Operational	9. Challenges in sustaining culture due to changes in overall work environment	5.57
Operational	10. Meeting expectations around protecting health and safety of employees (including their well-being and mental health), customers, suppliers and our communities	5.55

About the Executive Perspectives on Top Risks Survey

We surveyed 1,143 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 36 unique risks on their organization over the next 12 months and over the next decade. Our survey was conducted in September and October 2023. Respondents rated the impact of each risk on their organization using a 10-point scale, where 1 reflects "No Impact at All" and 10 reflects "Extensive Impact." For each of the 36 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

Read our *Executive Perspectives on Top Risks Survey* executive summary and full report at www.protiviti.com/toprisks or http://erm.ncsu.edu.

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