



Educational institutions at a crossroads: Lessons from industries that reinvented and thrived

Institutions that embrace disruption will discover opportunities for substantial reinvention that can lead to financial viability and sustained innovation.



Leaning into disruption

Disruption is the mother of reinvention. Across every sector, upheavals in business models, technologies, regulations, societal norms, or customer expectations have always created opportunities for meaningful transformation. Today, the US education sector faces declining enrollment, policy shifts, rising costs, growing skepticism about the value of a four-year degree, and new workforce realities driven by artificial intelligence (AI). Together, these disruptions are threatening the viability of many institutions, but they're also creating significant opportunities for reinvention and renewal.

Such sector-wide disruption is certainly not without precedent. In 2008, for example, the financial sector faced its own existential crisis. The institutions that survived didn't try to weather the storm; they leaned into it. Their aggressive reforms not only strengthened their resilience, but they also fueled nearly two decades of sustained growth and innovation.

US educational institutions that embrace disruption to reexamine and adjust their current business and operating models, practices, processes, and technologies to align more effectively and efficiently with their mission have a similar opportunity for transformative success. Leaders need to decide between tinkering around the edges and reinventing themselves in the face of the current disruption.

In our report, *It's time for the new "New Education,"* we advised higher education institutions to think more like a business. We tempered that advice, however, with the

recognition that the mission, purpose, and promise of higher education are unique. While for-profit institutions have a place in the ecosystem, the broader mission of education to serve the greater good and advance society remains a cornerstone of civilization.

The hard truth, however, is that without secure financial viability, many institutions will not survive to preserve these ideals. Practicality and pragmatism are essential components to survival and open pathways to new and more prosperous futures. This is an opportunity for transformational thinking that allows both academic ideals and pragmatic realities to coexist.





Budget cuts alone are not enough

When institutions are faced with severe economic pressures, it's understandable that they may focus primarily on ways to reduce costs. Budget cuts may be inevitable. Spreading cuts out evenly like peanut butter may seem equitable, but it is also important to consider your processes and operations to verify that they are actually aligned with your strategic objectives, and to identify where to cut and where to invest.

Innovating your way out of financial disruption can often deliver better, longer-lasting results than simply slashing budgets. We're all familiar with the idea of spending money to save money—installing insulation to save on heating and cooling costs, for example. In our experience, there are many opportunities for educational institutions to develop or rethink strategic roadmaps and make investments that can unlock significant capital and capacity or greatly enhance operational performance.

The ideal is the perfect alignment of mission to performance and of strategy to operations. It's a continuous effort that requires a balanced approach to opportunity and risk, with prudence and demonstrable value creation at the heart of every initiative, whether they're opportunities for improved efficiency or cost optimization, or bold new strategies for growth.

Realizing sustainable efficiencies and growth opportunities depends entirely on effective data-driven decision-making. With the landscape shifting so rapidly, it's critical to know where to invest. Having the visibility, the processes, and the discipline to prioritize strategic options is never more important than when the margins are thin and the stakes are high.

The key lies in identifying specific inefficiencies, gaps, and potential solutions tailored to your organization and your mission. Involving your people, often an untapped asset, is an ideal way to help uncover these opportunities. By applying a people-centric lens to discovery and intentional innovation, organizations can move toward a more sustainable and efficient future state, enabling them to successfully do more with less.

Lessons from other industries that reinvented

While it's been nearly two decades, the 2008 financial crisis offers a blueprint for how an industry facing existential pressures can respond effectively to restore financial viability. While financial services (FS) and education are clearly different, educational institutions can still take a page or two from FS playbooks to improve their mission-driven decision-making. The value of innovating your way out of financial disruption instead of cutting costs alone may be the most important lesson.

After the 2008 financial crisis, many US financial institutions launched sweeping internal reforms to restore resilience and profitability, including cutting costs, modernizing operations, and investing heavily in technology. These were proactive, self-driven strategies rather than regulatory mandates, designed not only to shore up their viability in the moment, but also to improve their strategic agility to respond better to rapidly changing economic conditions in the future.



We see five areas FS companies focused on that offer lessons for educational institutions:



01 Lean operations for cost efficiencies

FS institutions aggressively streamlined processes and reduced overhead. They carefully mapped the value stream to identify and remove non-value-adding activities. They adopted Lean Sigma or Six Sigma to optimize their business processes and focused on workforce and branch optimization or “shrinking to strength.” They embedded robotic process automation (RPA) and introduced self-service capabilities such as mobile check deposits.

Academic and administrative processes are ripe for value mapping and for the adoption of Lean Sigma practices to standardize and then optimize business processes. Policies and practices that differ by department can cause labor-intensive work-arounds. Addressing structural inefficiencies is crucial to improving employee potential and sustaining effectiveness. Rather than implementing sweeping, top-to-bottom reorganizations, targeted refinements to your organizational model can drive significant and long-term benefits. You must also identify high-impact areas for AI integration and augment your workforce through AI training and adoption strategies. Additionally, you can realize cost efficiencies by leveraging the growing expectations of students and other campus constituents for more self-service capabilities.





02 Technology investment and transformation

FS institutions were plagued with aging infrastructures. In response, they focused on modernizing the customer experience and core systems through aggressive implementation of mobile banking, cybersecurity, and cloud adoption. They automated reporting and adopted governance and risk platforms to manage compliance with evolving federal and state mandates. They developed strategic partnerships with financial technology firms, shifting from building custom software to buying “off-the-shelf” solutions.

Many educational institutions face similar challenges with legacy platforms. By integrating strategic governance, modern technology, advanced practices, and robust maintenance, you can replace aging technology infrastructures and business processes that may be hindering agility, creating costly inefficiencies, undermining student experience, and limiting strategic options for growth or revenue. You must focus on accelerating digital campus initiatives, leveraging AI for student services, and adopting scalable tech solutions.

03 Data-driven decision-making

You can’t manage what you can’t measure, and so FS institutions invested in enterprise data platforms to manage risk and uncover inefficiencies. They employed advanced analytics for stress testing and cost optimization.

Educational institutions similarly must develop advanced data-driven decision-making capabilities to identify risks and opportunities, including anticipating enrollment shifts, identifying demand for worker skills, optimizing budgets, and improving compliance reporting. Unlike the financial institutions of the 2000s, you now have incredibly powerful AI options to help drive strategic decision-making. But to harness this power responsibly and effectively, you must first establish a robust data governance framework, with processes to improve data accuracy, consistency, and compliance.

04 Shared services and managed services

The 2008 crisis exposed how fragmented operations, duplicative back-office functions, and inconsistent controls created both inefficiencies and systemic risk. As a result, FS organizations dramatically increased their use of shared services for back-office functions. Many also turned to managed services, outsourcing functions with repetitive activities and operations to third-party providers while ensuring quality through service level agreements.

Educational institutions have similar opportunities to increase the use of shared services or other consolidation strategies such as consortium, particularly for IT, finance, HR, legal, procurement, and other nonacademic functions. We already see progress in this area. For example, twenty-six institutions in a university system rely on a shared services center for HR and payroll and to monitor and manage compliance risk. Another consolidated six state universities into two to share enrollment management strategy and student support services.¹

In this same vein, managed services present an opportunity for educational institutions to lower costs and increase efficiency. Today’s managed services are no longer limited to non-mission-critical functions. In addition to functions such as IT and cybersecurity, they now include finance, risk and regulatory management, front-office transformation, marketing, and more. They go beyond technology—they’re tech-enabled but strategy-led. While they leverage automation, AI, and other advanced technologies, they’re backed by domain expertise, sector-specific experience, and proactive strategic collaboration. This is all packaged in a multiyear, “as-a-service” subscription with any-shore delivery and predictable costs yet adaptable and scalable on demand.

¹ “What Are Shared Services in Higher Education?,” Collegis Education, July 27, 2021.



05 Cultural transformation

FS institutions strengthened governance and accountability, focusing on outcomes instead of control, with the use of key performance indicators (KPIs) to provide clear goals and objective measures of performance. They adopted a “three lines of defense” (3LOD) risk model that divides responsibilities among three distinct groups, which separates risk ownership from risk oversight and provides an added layer of independent assurance.

For sustainable mission-driven decision-making, higher education institutions must embed risk awareness and integrity into academic governance to align incentives with long-term institutional health. A “three lines of *academic* defense” model could adopt the following structure:

First line: Academic units and faculty

The frontline responsibility for quality and compliance lies with academic departments, program directors, and faculty. Their focus should be to:

- Ensure curriculum meets accreditation standards and learning outcomes
- Monitor enrollment trends and adapt course offerings proactively
- Embed ethical practices in teaching, grading, and research.

Second line: Independent oversight

Independent functions such as Academic Affairs, Registrar, and Compliance Offices provide governance and monitoring. Their focus should be to:

- Implement tech-enabled compliance frameworks for evolving regulations (Title IV, accreditation, data privacy)
- Standardize policies for admissions, financial aid, and reporting
- Conduct audits of academic programs and faculty credentials.

Third line: Internal audit and external assurance

These are the individuals responsible for testing and auditing the controls set by the second line and compliance with them. They would:

- Validate that academic and compliance controls are effective
- Review institutional risk posture (e.g., enrollment volatility, funding gaps)
- Recommend corrective actions and strategic improvements.



In summary

The disruptions affecting the education sector have reached critical levels, yet some institutions will continue their current path, addressing the challenges of the moment with ad hoc solutions that can create more complexity than they resolve. As the gap widens between what the institution is designed to deliver and what the world expects of it, brand impact and effectiveness may decline.

Other institutions will seize the opportunities created by these disruptions. They will envision new possibilities, explore new avenues, and reshape capabilities to embrace change. They will develop a clear and holistic vision for the future, with solutions aligned to that vision.

How KPMG can help

Our mission is to help educational institutions thrive in the face of change, continue to effectively serve the needs of society, strengthen their financial viability, enhance their brand, and improve the student, parent, faculty, and staff experience. We do this by helping institutions implement holistic, forward-looking strategies with the necessary people, process, and technology transformations to help them achieve new levels of excellence.

Our team of subject matter professionals with their cross-functional knowledge can perform an ecosystem assessment of your landscape to help you identify opportunities across the institutional functions. We can help shape your strategy, recommend initiatives to deliver the strategy, build a robust roadmap, implement the prioritized recommendations, provide managed services, and more. Our capabilities scale across academic, administrative, technology, and infrastructure functions. Our approach can help enable institutions to achieve effective enrollment, student success, faculty and staff experience, research excellence, alumni engagement, donor value creation, operational excellence, and revenue generation.





Why KPMG

KPMG LLP has the experience, resources, methodologies, and commitment required to help address the most complex challenges facing educational institutions today.

We're experienced, nimble, and flexible. We understand the unique issues, pressures, and challenges educational institutions face on their transformational journey. We'll meet you where you are on that journey and help advance your progress with no agenda other than to see you succeed. We'll help you leverage the investments you've already made to help maximize their value.

We offer clarity and insight. As a trusted adviser we can help you make sense of everything going on in the highly dynamic world of education that can impact your mission, from regulatory mandates and governance to AI and other emerging technologies. We can help align your efforts with leading practices from the private and public sectors, moving you forward quickly with confidence and conviction.

We see the big picture. We can help you anticipate and adapt to the wide-ranging impacts disruptions can have on your organization, including budgets and financial controls, business processes and operating models, and employee growth and retention. We can help you understand your data, including where it comes from, what controls are required, how to maximize value locked in it, and how to share that value across organizations. We can help you harness the power of AI ethically and responsibly with trusted AI principles and governance models for managing risk.



We can help you from strategy through implementation and managed services. We're a multidisciplinary organization with education, business, technology, data and AI, risk, audit, and change management professionals working together as one team. Our deep understanding of the US education sector, combined with the breadth and depth of our cross-sector and cross-disciplinary capabilities, enable us to provide robust methodologies to address your institution's most pressing needs and drive sustainable growth.

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