

ENTERPR

The Path to

In my career as a faculty member and academic administrator, I have always focused on understanding, designing, and building knowledge organizations. I have been driven by a desire to understand the fundamental organizational forces—economic, political, and societal—within which academic institutions operate. My approach has been to act very much like an architect and, in many ways, a general contractor for new intellectual enterprises. I deliberately speak of academic institutions in terms of “enterprise” because, since becoming the president of Arizona State University (ASU) in July 2002, I have been leading an effort to reconceptualize a large public university as an enterprise—agile, competitive, adaptable, and responsive to the changing needs of both our constituencies and global society alike.

MICHAEL M. CROW is president of Arizona State University.

ISE :

Transformation for Emerging Public Universities

By Michael M. Crow



Photo courtesy of ASU

Like other public institutions, ASU has historically derived much of its core investment from the state (approximately 28 percent for 2006). This has led the university in the past to conceive of itself as an agency of state government, with all associated inherent limits and constraints. As a means of overcoming such constraint, I have sought to instill into institutional culture a sense of enterprise—an academic enterprise with the state of Arizona being its primary investor. With this new identity, we have become entrepreneurial in raising funds, both public (from multiple sources, including more than \$350 million in capital from municipal government partners) and private (including more than \$900 million in public/private partnerships).

The speed with which we now make and implement decisions and establish collaborative relationships with other academic institutions and with business and industry is characteristic of private enterprise. As an enterprise, we acknowledge and embrace the fact that that we operate in a competitive arena. We are competing not only for research dollars and private investment but also for the best students, faculty, and administrators, and above all, for the best ideas.

Defining the New American University

Enterprise is a concept sometimes wholly lacking from discussions about higher education and the American research university. Enterprise and the entrepreneurial academic culture that such an orientation instills encourage creativity and innovation with intellectual capital—the primary asset of every college and university. Generally associated with the private sector, the spirit of enterprise is nonetheless highly relevant to the advancement of all of our

nation's colleges and universities, but it is with research universities in mind—institutions dedicated to both teaching and discovery—that I make most of the following recommendations.

Instilling the spirit of enterprise into the institutional culture of a public university is only one of my objectives as the president of an emerging research institution. At ASU, I am leading an effort both to reconceptualize a public metropolitan research university *and* to redefine public higher education by creating a prototype solution-focused institution that combines the highest level of academic excellence, maximum societal impact, and inclusiveness to as broad a demographic as possible. Predicated on excellence, access, and impact, the paradigm is conceptually framed as the “New American University” (www.asu.edu/president/newamericanuniversity) and I believe that it has relevance for public and private colleges and universities nationwide.

At the end of the day, universities are teaching and discovery organizations. There are few organizations assigned such complex functions as their core objective. And the core culture of American research universities comprises various markers or parameters. Chief among these is the notion of free and open discourse—argument and debate advancing logic to arrive at solutions and foster new knowledge. Other parameters include the system of tenure; the traditional organizational structure of universities and colleges, with academic departments as the basic unit; and of course, that most sacrosanct of academic practices, scientific method. All of these parameters serve to advance the central element of the university: teaching.

Public Universities and Their Self-imposed Paralysis

Given the apparent soundness of this robust genetic code, what could possibly threaten our public universities? I would argue that our institutions are under serious attack by what I have designated “the virus of the



agency.” Bureaucracies, or agencies, are admirable social constructs that accomplish much, delivering goods and services. I do not enlist the concept in any pejorative sense, but the principle mission of universities lies beyond the “service” they deliver, that is, the basic task of educating undergraduates. But universities have begun to act like service agencies, focused only on providing efficient educational service. In organizational or ecological parlance, universities have varied their routines and adjusted their behavior and allowed something harmful to infect their organizational structure, something that runs contrary to their genetic heritage.

The primary symptom of the virus is a fixation with efficiency and “make-do logic”: “We have only so much to work with, so let us make do. Let us be sensible and not dare to dream of that which we could attain only with great struggle.” Such make-do logic leads to a self-imposed lack of vision and initiative and encourages preoccupations with

efficiency. Most of the processes and outcomes that define greatness in academic culture are by their very nature contrary to standardization and efficiency. Scholars and researchers cannot be efficient when following a path that has not already been marked. The hierarchical relationship that allows agencies like the local division of motor vehicles to perform repetitive tasks in a standardized and relatively efficient manner is ill-suited to the famously circuitous pursuit of discovery. I can say with absolute certainty that efficiency is not the means by which one determines the origin of the universe.

A secondary symptom, closely related, is an obsession with the external political environment. When universities behave like units of government, they obsessively focus on factors largely irrelevant to their success as academic institutions. The task of university leaders is to focus on the learning environment and to advance discovery. Administrators instead hobble their aspirations and vision to navigate the perceived intricacies and uncertainties of the external legislative environment.

A third symptom is operation in “conservator mode.” In a 1967 study of the politics of bureaucracy, policy scholar Anthony Downs examined how bureaucrats run “agencies.”¹ The agency virus has infected so many universities that they have shifted into what Downs would call the conservator mode, becoming risk averse, lacking innovative and adaptive capacity, and failing to develop and implement a clear strategy for advancing their mission.

The intellectual agenda of each institution must be self-determined, but in their weakened state, universities have fallen prey to attempts at outside influence. At the national level, the

U.S. Congress issues instructions to agencies, but great universities must operate with autonomy from centralized control. Such inappropriate control reduces the inherent autonomy of the institution, which is critical to its mission, and diminishes the significance of faculty governance. Self-governance is further undermined by exclusive reliance on a single source of revenue, such as annual state appropriations, because with that revenue comes constraint, sometimes including expectations regarding who should be admitted and what is permissible in the curriculum.

A Treatment for the Virus

The treatment for the virus is to *reconceptualize the university as an enterprise*. Accepting the status of an agency is a matter of mindset and more profound than a mere assessment of funding sources. Such complacency leads to lack of initiative and anticipatory self-censorship that is contrary to the genetic code of an institution predicated on freedom of thought. Constraints are everywhere and inevitable and some may be insurmountable, but reconceptualization as an enterprise fosters a sense of autonomy and independence that allows institutions to leverage every possible advantage. An enterprise is responsible for its own future.

Treating this virus entails taking several steps:

1. Recapture the identity of the university. First, strive to establish a unique identity for the institution. Why does this particular university exist in the first place and what is it attempting to achieve? What are its principles and values that supersede all else? Answers to some of these questions are contained in the genetic code, and some are unique to given universities in their particular locations with their own faculty assemblages,

institutional cultures, and student bodies.

2. Encourage innovation, adaptation, and differentiation. The logic and rhetoric for the New American University model that we discuss at ASU is all about differentiation. We have taken the genetic code of the academy and are commingling that historic tradition with eight new design parameters—areas of aspirational design differentiation—with which we hope to produce a unique genetic code. Because we are not in medieval Europe or 19th-century New England, we embrace our setting in 21st-century Arizona to address the needs of our region as well as the global society.

We are competing not only for research dollars and private investment but also for the best students, faculty, and administrators, and above all, for the best ideas.

Generic public universities that behave like government agencies operate efficiently in a manner just like all the other generic public universities, with standard-issue, cookie-cutter departments replicated on models that have gone unquestioned for years. All of these departments tend to look the same, act the same, and think the same. When problems are encountered, such institutions just look to see what others have done when encountering the same problem. This is the path to mediocrity.

Differentiation is the process by which nature prospers, allowing species to evolve and offering new prospects for evolution to organisms. Institutional differentiation could take the form of new schools bringing together scholars from diverse disciplines to tackle large-scale obstacles that confront us. In this manner, universities realize more optimal adaptation to the environment.

The environment in which universities navigate has shifted. Residents of many states confronting population growth and competing demands for resources balk at funding higher education at past levels. The \$15 per \$1,000 of personal income that were available in Arizona in 1974 to fund the state universities, for example, has now been reduced to a mere \$6. This represents an environmental shift of great magnitude—similar to a 60 percent reduction in rainfall—and an institution will face problems if it has not varied its routines. Any organization confronted by a comparable level of environmental change without any change in its own routine would suffer.

Most organizations believe that they change their routines through coping mechanisms. They cope with resource decline as a cactus copes with drought, but a cactus is a life form suitable only for a narrowband environment, as opposed to an adaptive, changing life form like the coyotes I often see in my driveway. The coyote is an adaptive life form that can vary its routine and prosper in spite of environmental change.

3. Accept total responsibility.

A third aspect of the treatment for the agency virus is for the institution to accept total responsibility for its destiny and future. Period. When operating in this manner, all other organizations become potential partners with which you may choose to interact, and from

which you may strive to obtain resources and other valuable assets. Other organizations may wish to become allies, but the fate of your institution is sealed only by its status as either an agency or an enterprise.

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accelerate
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4. Shift to an investment model. Under an investment model, we make the case that if either the private sector or the public is willing to lend us financial or political support, we promise to work to deliver a specified return on investment. Here is the simple argument for investment of taxpayer dollars in a public university: “If the appropriations committee of the state legislature invests specified resources, the university promises a given return. Without such an investment, there can be no return on investment. Here is the impact of that non-return on the overall enterprise (the state). . . .” The same argument can be made for investment from the federal government, business and industry, and foundations and individuals.

When we made requests for tuition adjustments, we presented them as an argument for investment. This past year, we published a 60-page white paper on the return on investment to

a family making investments in tuition for their children, or students making investments in themselves, and we calculated the annual rate of return to the individual over their lifetime at 12 percent. A college education is the most significant investment that anyone can make over that timeframe.

When we made a request to the City of Phoenix for \$233 million to establish an ASU campus downtown, we made it on an investment basis. We went to the city with our vision of what we want the university to become, and said, “If you make this investment in us, we will be able to start a campus on 22 acres of land in downtown Phoenix with three renovated and three brand new facilities. Here is what we will commit and what our schools will be able to achieve with these new facilities. . . .” It is difficult to argue with such sound logic.

5. Recognize the need for speed. An academic wristwatch moves slowly because it is marked in increments of semesters. We must accelerate the pace of our academic culture to move in sync with the needs of the world. If you think and move at the pace of semesters, new competitive institutions will outpace you. With the advent of new information technologies as enablers of universal customized learning, new institutions for learning are springing up in unpredictable places, and the monopoly on higher learning once held by universities is vanishing. For-profit institutions like the University of Phoenix offer new styles of engagement, new styles of pedagogy, and new ways of learning. Worldwide, China has set out to build 100 new universities from scratch, and Singapore is encouraging foreign institutions to build campuses in that nation.

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Universities operating in con-server mode slow everything down to avoid all risk, to analyze the complexities of the political environment, and to wait for the perfect moment in time to advance. Institutions with this mindset will not be able to adapt in a manner that allows them to successfully compete for new resources or to serve the changing needs of their constituencies.

University as Enterprise

Not every university that is here today is going to make it over the next hundred years. Those that do make it will be the ones that attack and defeat the virus of the agency by reconceptualizing themselves as enterprises: taking control of their identities; focusing on innovation, adaptation, and differentiation; assuming responsibility for their destinies; operating at an accelerated pace; and shifting to an investment model.

Returning to a public university following a decade at a private institution offered me some perspective. Private universities cannot rely on state legislatures as sources of funding, thus lending to such institutions an intrinsic sense of enterprise sometimes lacking in public institutions excessively reliant on taxpayer dollars. A successful institution will diversify its revenue sources, seeking long-term investment in the enterprise by multiple sources, generally with no single long-term dominant source.

Yet for public institutions, state funding provides bedrock support comparable to an endowment. A comparison of legislative appropriations with returns from endowments plotted against the stock market reveals that both perform about the same. If we treat legislative appropriations as if drawn from an endowment, the rate of return will move up sometimes and down at other times, but the movement is negligible over the long run.

There are many perspectives from which to parse institutional progress, and the enterprise model is not a panacea for all institutional ills. For public institutions, much undeniably depends on a supportive legislative environment. Enterprise will advance an institution, but differentiation is key. Conventional wisdom suggests that all great universities must function both as centers for humanist scholarship and world-class science, engineering, and medical research. But each institution simply cannot accomplish all of these objectives, and must seek differentiation. Each must adapt to be of the greatest value to its constituents. Differentiation rather than replication enhances both individual institutions and systems of higher education, allowing us to transcend arbitrary hierarchies. With new and multifaceted metrics, each institution must account for its contributions—economically, culturally, environmentally, and socially. The question is whether our universities can adapt and change fast enough to meet the challenges of the global economy in the 21st century. ■

Note:

1. Downs, A. (1967). *Inside bureaucracy*, A RAND Corporation Research Study. Boston: Little Brown, 96–101.

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