AGB BOARD OF DIRECTORS' STATEMENT ON

INNOVATION
IN HIGHER EDUCATION

AGB ASSOCIATION OF
GOVERNING BOARDS
OF UNIVERSITIES AND COLLEGES

The Board of Directors of the Association of Governing Boards of Universities and Colleges (AGB) periodically releases formal statements offering guidance for institution and system governing boards and other institutional leaders. This *Statement on Innovation in Higher Education*—approved by the Board of Directors on August 3, 2017—is focused on a topic that is increasingly important to a sector facing significant challenges and disruption in its business model and the delivery of academic programs.

Innovation often involves risk. This AGB Board Statement offers guidelines to those who hold the fiduciary authority to consider an institution's risk tolerance in facing the future, and sets forth six principles to guide governing boards and institution leadership in fostering a culture of innovation—one that supports bold responses and creative solutions, and welcomes stakeholder engagement.

As with all AGB Board Statements, this publication is not limited to any one sector of higher education or type of institution, and it is not intended to be prescriptive. Rather, it presents principles for boards and institutional leaders to consider and to adapt to their own unique institutional circumstances.

In addition to the statement, the association has developed a dedicated web page, agb.org/innovation, that features case studies and practical resources to promote a culture of innovation. As AGB's engagement on this important topic continues, this site will be expanded, with input from our members.

AGB and its Board of Directors are grateful to the many people who have added their insights to the development of this statement. The association convened a special task force, chaired by AGB board member Angel Mendez (Lafayette College), to lead the effort that resulted in this statement. We are grateful to its members (listed below) whose leadership has added great value and insight to our work.

We also acknowledge Julianne Basinger for her contribution to the drafting of this statement, and AGB Senior Fellow Artis Hampshire-Cowan for her work with the task force. AGB Executive Vice President and Chief Operating Officer Susan Whealler Johnston and Policy and Program Associate Lynn Sommerville were instrumental in the development of a final draft of the statement. We extend our appreciation to the many AGB members who provided additional comments to strengthen the statement and reinforce the importance of this issue.

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Introduction

Throughout its history, American higher education has been shaped by innovation. The variety of institutional types—research universities, liberal arts colleges, community colleges, religiously affiliated institutions, historically black colleges, women's colleges—clearly demonstrates the innovation with which the country historically has approached post-secondary education. The growth of online classes, the initial dramatic impact of MOOCs, and the emergence of competency-based certificate programs are among the more recent innovations in providing higher education to a changed and expanding student population. Collectively, these and other examples demonstrate how higher education has both led and responded to external demands and internal realities.

However, external demands and internal disruptions have intensified in recent years, and innovation is needed now more than ever. Innovation is no longer optional but required for institutions trying to advance their mission, to ensure their future viability and success, or to achieve their aspirational goals. Private colleges and universities face enrollment challenges and increasing tuition discounting while public institutions face declining state support and increasing tuition dependence. The public is concerned that college costs too much and not enough students graduate with marketable degrees. Business leaders are demanding more and better college-educated workers who can step into the jobs of the 21st century, and institutions struggle to communicate the quality they add to a student's knowledge, skills, and attitudes.

In fact, the very nature of who attends college has changed radically, with roughly 40 percent of college and university students older than 22, and nearly 50 percent coming from racial and ethnic minorities. Many are the first in their families to attend college. Barely half of all students who start a bachelor's program graduate with a degree within six years, and only 40 percent of community college students complete a program within that same six-year time frame. Students' paths toward degrees also are increasingly nonlinear, according to the National Student Clearinghouse, with more than a third transferring at least once during their college years; still others will drop out and then return in later years. Given these nontraditional students and nontraditional pathways, institutions must innovate to provide a transformed experience to a changing student population.

Volatility and uncertainty characterize higher education's working environment. Beyond higher education, technology has fundamentally changed how we work, entertain ourselves, gather information, solve problems, and connect to others. The technology revolution has only begun, with artificial intelligence and virtual and augmented reality beginning to sketch out a future that is very different from our lives today. Higher education is not insulated from this transformation. Clearly, innovation must be a critical part of the equation for colleges and universities seeking to meet their students' needs and expectations, and to address the challenges of the 21st century.

WHY BOARDS SHOULD CARE ABOUT INNOVATION

As fiduciaries, boards are accountable for the current as well as the future health of their institutions. While the "fierce urgency of now" can feel all-consuming—for instance, if enrollment numbers come in below budget or the governor requires a mid-year budget cut—governing boards of colleges and universities or public systems need to ensure that their institutions develop ideas and make decisions that position them for the long-term future, not just address today's needs. An institutional focus on innovation can be the answer to both needs.

Innovation in higher education typically focuses on areas such as educational delivery methods, academic initiatives, internal processes for business or service, business model needs, new markets or existing markets served in new ways, and establishment of partnerships with corporations and other institutions. Innovative institutions are attentive to changing consumer demands (from students, their parents, employers, and others), and they use data to help drive decisions and set directions. Technology, instead of being treated simply as a utility, is an enabler and driver of innovation. Innovative institutions are not racing to keep up with technology trends, but proactively aligning technology innovations to institutional priorities.

Examples of innovation in higher education that secure the present as well as the future are plentiful. Consider the following:

- Institutions are serving a small on-campus population with traditional educational programs and faculty, but are also enrolling tens of thousands of students through online programs.

- Colleges and universities are creating public-private partnerships to advance scientific research while also supporting internships and other educational experiences for students.

- Public university systems are centralizing purchasing, facilities, and energy management across their campuses to reduce cost and price.

- Competency-based education programs, a flexible model where progress is achieved by measuring learning rather than time, are allowing institutions to attract and serve older students who are already in the workforce.

- Co-located colleges and universities have joined forces through collaboration to maximize resources and expertise.

- Big data is being used to enhance student learning and improve time to graduation.

- Institutions are creating flexible faculty reward systems to enable greater effectiveness at the department level.

- Institutions are adopting customer service models from business to streamline student experiences in registration, advising, and tutoring.

- Cohort models are being used to deepen learning, develop interpersonal skills, and drive up completion rates.

- Some colleges are significantly cutting tuition ("resetting" it), balancing decreased revenue by decreasing fixed costs and increasing enrollment.

- Excess capacity (space as well as staffing) is being leveraged to launch new educational programs serving the needs of new markets on weekends, at night, and online.

- Institutions are using process mapping to better understand the student experience and are making changes to better serve students from recruitment to graduation—and continuing into alumni relations.

- Curricular development that includes advisory councils from business and industry is ensuring that graduates have the knowledge and skills necessary for success in the workplace.

- Colleges and universities are partnering to share successful innovations and guide their implementation on each other's campuses.

- Faculty and administrators are coming together to design new approaches to experiential learning strategies that more comprehensively address educational quality, student retention, and workforce preparation.

- Even intercollegiate athletics are innovating, with some institutions reimagining the student-athlete experience from the pre-collegiate years through the years following graduation, while others are tapping into the interests of a new market of students by creating leagues for esports.

As these innovations demonstrate, colleges and universities are exploring new ways to deliver their missions, ensure a stronger market position, and establish a more robust business model. At the heart of this innovation is the ability to attract, retain, serve, and educate students—that is, to fully realize the institution's mission. As fiduciaries, governing boards are accountable for the mission of their institutions. In addition, they should set aspirational and transformative goals for the colleges and universities they serve.

Whether defined as innovation or institutional change, governing boards should engage in the process by asking important questions and encouraging a culture that both acknowledges current circumstances and drives toward new initiatives that are tied to mission. Governing boards play an instrumental role in recognizing and supporting visionary and innovative ideas, protecting them from becoming mediocre ones, and sharpening these good ideas through discussion and engagement. By recognizing the added value of these responsibilities, governing board members can appropriately engage with institutional leaders and encourage an institutional culture that allows innovation to flourish.

A CULTURE OF INNOVATION

In his 1985 book, *Organizational Culture and Leadership*, MIT professor Edgar Schein insisted that "culture determines and limits strategy." Or, as business management consultant Peter Drucker stated, "Culture eats strategy for breakfast." Though articulated differently, the point is clear: For an institution to be innovative, it must have a thriving culture of innovation. The culture of an organization is determined by the values, beliefs, habits, and principles of its members. A culture of innovation at a college or university begins with an understanding that the status quo is not sufficient for continued success or viability. While the institution's mission may still have value, the new environment for higher education requires fresh approaches for delivering that mission.

In this new setting, a culture of innovation prizes and rewards creative thinking. It empowers constituents—staff, faculty, administration, students, and community members—to think creatively about solutions and to implement them. It also embraces risk and failure as integral aspects of innovation. It even rewards failures following good attempts—"shots on goal"—to motivate the continued effort to develop new ideas. Many institutional innovations begin at the grassroots level as compelling ideas that gain traction and are then scaled to create sustainable innovation throughout the institution. In a culture of innovation, governing boards and presidents recognize the power of these grassroots ideas and seek to support the good work on innovation that is occurring in all areas of the campus community. They also look externally for connections in the local community or region to leverage these innovations.

A culture of innovation requires boards and chief executives to work and think together about opportunities and risks. The governing board, as the ultimate fiduciary in any institution or system, must demonstrate leadership by conveying trust in its institution's leaders despite the inherent risks associated with innovation. The board should show a willingness to be nimble, add value to both strategy and supportive policies, offer recognition, and ensure appropriate investments—both large and small—in support of change.
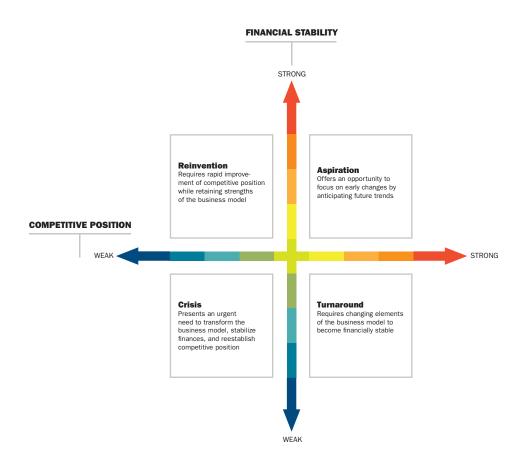
COMMITTING TO INNOVATION

Innovation requires an institution-wide commitment. Fundamental to that commitment is a shared understanding of why innovation is necessary. Whether a crisis exists, long-term sustainability is in question, or an institution aspires to a higher level of performance, institutions need a clear-eyed assessment of their business model in relation to their mission in order to establish the predicate for a commitment to innovation (see the Innovation Matrix, Figure 1). College and university governing boards and institutional leaders can

FIGURE 1: INNOVATION MATRIX

The nature of innovation and change depends on the *competitive position* and *financial stability* of the institution in relation to its *mission* and *business model*. Institutional leaders can use this graph to do the following:

- Assess the institution's current situation by plotting its location within the quadrants, considering the institution's financial stability and competitive position.

- Forecast where their institution can and should be plotted and consider strategies to move in that direction.

FINANCIAL STABILITY

STRONG

Reinvention
Requires rapid improvement of competitive position while retaining strengths of the business model

Aspiration
Offers an opportunity to focus on early changes by anticipating future trends

COMPETITIVE POSITION

WEAK — STRONG

Crisis
Presents an urgent need to transform the business model, stabilize finances, and reestablish competitive position

Turnaround
Requires changing elements of the business model to become financially stable

WEAK

use this assessment as the first step in recognizing why innovation is necessary, with a pragmatic analysis of current conditions and institutional objectives leading to a commitment to action and engagement. Frank discussions on the financial stability and competitive position of the institution equip presidents and board members to set appropriate goals for innovation. Such an assessment can also identify whether the board's culture is one of complacency or dysfunctional politeness, which often prevents a candid assessment of the institution's realities or the willingness to assume risks associated with innovation.

Many examples exist of colleges and universities that recognized the need for innovation and took the risks associated with change. Whether institutions embrace modest change or larger-scale transformation, all innovation comes with risk, both upside and downside. Boards and presidents, working together, should assess the potential value that innovation provides, as well as the possible jeopardy, often financial, that could result from new initiatives. This internal assessment of both the possible risk and the institution's tolerance for risk is part and parcel of a culture of innovation and a commitment to innovation. Several other key considerations facilitate a culture of innovation and guide an institution's willingness to consider and commit to meaningful change:

- Innovation is a process, not an event; it requires stakeholders who recognize the need for change to be engaged in that process.

- Technological developments have led to new ways of teaching, learning, tracking and improving student success, and enhancing the student experience in other ways. But technology alone, without a comprehensive cultural mind shift, has proven insufficient for achieving true innovation. Several institutions in recent years have created online programs that failed and were short-lived due to factors that included flawed business models or insufficient attention to shared governance.

- Ideas for innovation should be welcome from anywhere within an institution—administrators, faculty and staff members, students, and board members—as well as from the surrounding community, nonprofits, government entities, and the business sector. These ideas can be crowdsourced and good ideas publicly recognized.

- Innovation requires patience, experimentation, risk tolerance, pilots, revisions, and respect and acceptance of failures.

- Real innovation will stimulate opposition, and sometimes existing practices need to be altered or discontinued to make room for new ideas. Institutions must combat opposition by making a conscious effort—in policies, practices, and institutional metrics—to ensure that innovation is given a chance to succeed.

- Rather than imitating innovation strategies deployed at other institutions, colleges and universities should develop strategies that leverage what is unique in their organizations and the surrounding community, build on their strengths, and address their particular needs and aspirations.

Innovation requires patience, experimentation, risk tolerance, pilots, revisions, and respect and acceptance of failures.

There is no single formula for innovation because each institution has its own history, mission, culture, and comfort with change. A starting point for some may be to improve the quality of existing programs. Others may focus on cutting and managing costs while maintaining quality. Still others may take a more comprehensive approach and reinvent the institution in dramatic ways. Business consultant and author Jim Collins advises "firing bullets before cannonballs," that is, testing, adjusting, and validating new ideas before committing to larger, bolder action. Whatever path an institution takes, understanding the need for innovation and committing to the process should lead the way.

The Board of Directors of the Association of Governing Boards of Universities and Colleges (AGB) recognizes the forces confronting colleges and universities, as well as the pressures chief executives face in addressing these challenges. Governing boards must recognize their significant responsibility to foster, engage, and support a culture that welcomes innovation. This AGB Board Statement is meant to stimulate conversation among college and university leaders, governing bodies, and other stakeholders, with a goal of facilitating a culture of innovation on campuses at a time of unprecedented and dynamic change. The roadmap to innovation is specific to individual institutions. However, effective strategies for creating a culture of innovation have some common criteria.

The following principles are meant to guide governing boards who strive to encourage innovation at their institutions.

PRINCIPLES

1 **Innovation in higher education requires a focus on current and long-term priorities and aspirations.**

By understanding both the higher-education landscape and the specific challenges confronting their institutions, boards and presidents can effectively look forward to define where their institutions are and must be in the future. Regular repetition of this keeps the institution's focus sharp. Presidents play the lead role in determining their institution's current condition and in shaping aspirations. Boards should demonstrate commitment by encouraging and supporting presidential leadership of an inclusive process that leads to a candid assessment and a plan to move forward. Planning around innovation should be intentional, not reactive, and motivational, not desperate.

Boards and presidents also must consider the barriers to innovation within their institutions. Some stakeholders may resist change and avoid risk. In academe, where competition is fierce, faculty and staff members may worry that new endeavors will mean fewer resources for them and their department and may seek to protect their turf. Governing boards should ensure that institutional leadership demonstrates clarity in defining what innovation means to the institution and what role innovation plays in fulfilling institutional mission. If the president and board have established the context for innovation well, they will better prepare the community for accepting new measures.

Governing boards and presidents should enable multiple and sometimes simultaneous ways for their colleges and universities to seek creative improvement and invention, and they should consider the scale of innovation they are seeking as they think through their strategic approaches. Boards and presidents should also set clear metrics for measuring the success of innovative strategies, with the understanding that metrics for new efforts may need to be very different from existing institutional metrics. If boards and presidents decide their institution should venture into new entrepreneurial endeavors unrelated to their mission, the decision should be based on thorough and objective analysis of potential consequences.

2 **Innovation depends on an active commitment to building and sustaining a culture of institutional collaboration.**

As they pursue a culture of innovation, boards and presidents should cultivate a high degree of trust, transparency, and communication with the administration, faculty, staff, and students. Effective and authentic shared governance is essential for achieving sustainable innovation. Half-hearted or inadequate attention to shared governance can create tensions within an institution just at the time when presidents and boards want to move quickly with innovation. Presidents and governing boards should not be afraid to innovate on shared governance itself, finding a way to encourage progress and minimize delay. Creating collective buy-in and involving faculty and staff early in the process of innovation can lead to stronger results.

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College campuses usually offer few rewards for taking risks. Presidents and board members should encourage a culture of positive restlessness that embraces change and supports experimentation. This culture should be built from the ground up through efforts by faculty, staff, and students. Institutions can offer small grants to incentivize experimentation, and they can also offer time and space to encourage innovation. They can be accepting of failure along the way. Boards and presidents should seek to create communications processes to tap into the ideas of students and staff members, who have first-hand experience with their institution's effectiveness as well as insight into ways to make the institution more relevant in a changing world.

3 **In fostering a culture of innovation, the governing board should be clear in its support for presidential leadership.**

As part of a commitment to innovation, boards must clearly delegate the leadership for innovation to the president. Much of the support for presidential leadership should be facilitated by the board chair, who should engage regularly with the president and demonstrate encouragement for board support of innovation and risk-taking. The chair is crucial in setting a context that enables a president's leadership of innovation to occur, by framing conversations that help provide consequential board input for a president's entrepreneurial strategies. Special or ad hoc committees can help engage board members and demonstrate the board's commitment to innovation. In addition, board leadership should be available to meet with other institutional stakeholders about the innovation agenda and demonstrate that campus-wide input is welcome. Exploring and shaping innovative strategies that relate to overall institutional priorities are consistent with the fiduciary principles that define how a governing body adds value in today's higher-education environment.

When an institution seeks new leadership, boards should aim to hire and support presidents who bring an entrepreneurial spirit to their work. Those leaders should have a clear-eyed view of the challenges confronting their institution in the competitive marketplace of higher education. They should be skilled communicators who can articulate a practical and compelling vision that positions the institution for the future, and they should have the emotional intelligence to navigate making strategic changes as they consider all of their institution's constituents as well as their shared-governance environment. They must respect academic values and shared governance, but they must also have the courage to make unpopular decisions when shared governance fails to yield consensus.

Boards must develop and communicate clear strategic objectives and institutional metrics for innovation as well as presidential performance, and they should refer to those when experiments fail or constituents protest changes. Metrics on innovation allow progress to be measured and viewed constructively, even if an end goal is not achieved. Presidents, in turn, should seek to brief and prepare the board about potential storms that can arise from institutional changes, and their communication with the board should be prompt and transparent when conflicts surface in opposition to planned changes. Institutional innovation should be aligned with a college or university's larger mission or aspirations so the president has a clear way to communicate about and defend the appropriateness of the changes, and so the board, speaking through the chairman, can support the president in that communication.

4 Innovation requires a governing board's readiness for change, a willingness to accept and monitor risk, and a structure that ensures proper oversight and participation in innovation.

Boards themselves must be prepared for the work associated with institutional innovation. In addition to understanding the need for innovation, boards should ensure that they have members who are willing and able to support necessary change while remaining in their strategic lane, focusing on policy and strategy, and supporting strong presidential leadership. Working with institutional leadership, boards must recognize that almost any level of commitment to innovation requires a clear awareness of the board's risk tolerance. Not every idea will work, and innovation requires a commitment to testing, experimentation, and revision. Boards must have a willingness to assist in advocating for a culture of innovation, which in itself may be sufficiently disruptive to carry inherent risk. Board members, particularly those who are alumni, often have strong attachments to the traditions and existing culture and may resist efforts to transform the institution; innovation mandates that boards focus on the future over the past.

Innovation is no longer optional but required for institutions trying to advance their mission, to ensure their future viability and success, or to achieve their aspirational goals.

Board-building that takes into account the kind of members who can help leadership through an innovation agenda, with a commitment to stay the course, is a critical piece of creating a culture of innovation. A strong governance committee working with the chief executive can help ensure that the board's members are comfortable with innovation. Effective recruitment of board members for private institutions and effective advocacy for board appointments at public institutions can build boards able to contribute meaningfully to discussions and decisions about innovation. And, through onboarding and training, new board members can learn their role in encouraging, supporting, and sharpening institutional innovation.

Periodic board assessment can help gauge how members feel about and function in a change environment, and regular board education can keep members focused on trends and outcomes that steer innovation. Governing boards should be certain that their meeting agendas and committee structure are supportive of institutional leadership in building and implementing change.

5   **Innovation requires a sufficient commitment of resources.**

Boards should demonstrate a willingness to allocate resources to support strategic innovation. The level of investment capability will vary among institutions, but the risk of not investing or attracting sufficient resources to support institutional innovation may hold consequences that are of even greater risk. Boards should seek from leadership a precise mapping of institutional resources devoted to innovation as a demonstration of a commitment to innovation. Where resources to invest in an innovation agenda are limited, boards should support leadership efforts to reallocate current funds or draw from unallocated resources. In addition, they should support targeted fundraising for an innovation agenda, and, if necessary, make carefully reasoned decisions to use endowment funds to support innovation. In the financially constrained environment in which many institutions operate, a financial commitment to innovation is about trade-offs. Boards need to be prepared to make investments in areas that will matter most, and use data to guide these choices.

6   **Successful innovation demands the governing board's attention to the strategic role of technology.**

Innovation requires adequate resources, but that is not always enough. Because technology is a foundational part of virtually every innovative strategy, it is crucial that technology is recognized and treated as a strategic asset, not a mere utility to be paid for, turned on, and forgotten about. Boards should ensure that campus technology professionals are thoroughly involved in those projects that depend on technology for their success, including the planning stage. The president needs to be certain that the institution's commitment to technology is well funded and staffed; however, presidents must also consider the strategic placement of technology within the organization. It will prove difficult, for example, for technology to serve as a strategic asset for innovation if the CIO is not at the table when key decisions are made at the cabinet level.

Conclusion

Many colleges and universities face significant challenges that require bold responses. At some colleges and universities, boards and presidents have recognized these challenges as opportunities to find creative solutions not only to the current crisis but also to the more entrenched issues facing higher education in the long term. This kind of comprehensive innovation offers the promise of strengthening individual institutions and the higher education sector as a whole, while providing greater educational outcomes for students. The challenges and opportunities associated with innovation require a new partnership between board and institutional leadership, one that draws on the experiences and knowledge of each, builds a genuine partnership, and creates a new level of collaborative leadership. Change isn't easy, especially in often tradition-bound organizations such as the nation's colleges and universities. But the dynamically changing times demand a culture of innovation.

DISCUSSION QUESTIONS FOR BOARDS

- How has the board formally delegated the leadership for innovation to the president and signaled its commitment to support innovation to the campus community?

- Have the board and president discussed the need for patience, the potential for failure, and the risk involved when undertaking innovation?

- How clear is the board's understanding of the institution's business model and its challenges?

- Has the board, in concert with institutional leadership, considered the financial implications associated with change? What kind of financial resources are required for innovation, and where should they come from?

- Is the board properly constituted for and engaged in discussions on innovation? How is the board building a culture conducive to innovation?

- How are faculty meaningfully included in conversations about change?

- Where are innovative ideas emerging on campus? How are these innovative ideas recognized at this institution, and how is innovation rewarded?

- Is technology sufficiently robust to support innovation at this institution?