Innovation, Transformation and Change Leadership
A Compendium Based on TIAA Institute’s Symposia and Related Work
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About this Research

Higher education leaders are continually exhorted to innovate as they guide their institutions into the future—one characterized by uncertainty wrought by global and domestic forces. But how that urgent call translates into practice and on-campus decision making is often unclear. Must innovation be disruptive to be effective, for example, or can institutions successfully transform themselves in less dramatic fashion? How can leaders create a culture of innovation to help address the pressures they face, and at the same time stay true to their institutional missions? How best to lead such change?

One of the TIAA Institute’s primary aims is to offer leaders the objective, actionable information they need to address such strategic challenges. To that end, the Institute has commissioned several papers and research projects focused specifically on innovation, and the Institute’s 2016 Higher Education Leadership Conference (aka HELC) featured a panel on Innovation, Transformation and Change Leadership.

The Institute invited this paper by Maureen Devlin, who gleans insights from recent Institute-commissioned work and the 2016 HELC. For those who wish to delve deeper into the topics at hand, the compendium also points the reader toward several additional resources to help inform and guide transformative initiatives appropriate for their institutions.

About the TIAA Institute

The TIAA Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The Institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies and maximize opportunities for success. To learn more, visit www.tiaainstitute.org.
Executive Summary

Innovation may well be an over-worked term, which can lead to confusion about its meaning—and people turning deaf ears as it’s invoked yet again. The purpose of this compendium is to help cut through the noise and offer clear advice and direction for higher education leaders who fully understand that they need to take action. First, drawing from Institute-commissioned work by William Tierney and Michael Lanford of the University of Southern California, the meaning of innovation—along with the related concepts of creativity and entrepreneurship—is addressed to help clarify these generally nebulous terms.

The conditions and cultures that support innovation are examined from a range of vantage points, including a case study of an intentional, multiyear effort to spur new thinking at Pepperdine University. Similarly, barriers to innovation in higher education are addressed, along with discussion of how they can be overcome, including breaking down hierarchical mindsets that discourage collaboration and sharing of ideas.

Advice from Roger Ferguson, president and CEO of TIAA, on leadership in times of change is shared as well. Ferguson urges leaders to be realistic about change and relentless in communicating about it; to identify and leverage their institutions’ unique strengths; and to opt for incremental over discontinuous changes whenever possible. Finally, the importance of change that adheres to institutional values is noted by many observers, although it is clear that institutional missions may need to evolve to reflect shifting societal needs and demands.

The compendium delves into these and many additional topics, and points the reader toward several resources from within higher education, healthcare and the business realm to help inform and guide transformative initiatives appropriate for their institutions.
Key Takeaways

- Change and innovation are a natural state for any organization and needn’t always be disruptive. Action that derives from a crisis mentality—or is driven by the notion that things need to be disrupted—is certainly not optimal.

- Leaders can help people understand that change is a constant, and that lack of attention to change makes organizations reactive, rather than proactive in responding to changes in ways that are in their best interests. Change cannot be seen as anathema to achieving institutional missions.

- Three vital factors for nurturing an innovative campus climate include: diversity of people, backgrounds, proficiencies and opinions; intrinsic motivation rather than external rewards; and autonomy of individuals to debate concepts, investigate theories and explore new ideas.

- Innovative efforts need to be formally evaluated. Such processes needn’t be overly bureaucratic, but should be detailed enough to track benchmarks and outcomes to ensure that resources are being used wisely. Given that many are multiyear undertakings, leaders should be prepared to give innovative ideas the time they need to develop despite pressure for immediate results.

- One of the biggest barriers to innovation on campus is the absence of a community-wide understanding that everyone has a stake in the outcome of change initiatives. This lack of buy-in not only hampers such efforts, but can derail them.

- Leaders in times of transformational change should first, be realistic about change and relentless in communicating about it; second, identify and leverage their institution’s unique strengths; and third, opt for incremental over discontinuous change whenever possible.
Regardless of the type of institution they lead—top research, well-endowed liberal arts, regional public, large community college, etc.—higher education leaders understand the need to innovate. How best to move forward on that imperative, however, is not always clear. The TIAA Institute has commissioned several papers and research projects focused specifically on innovation. This compendium gleans insights from recently commissioned work as well as from the Institute’s most recent Higher Education Leadership Conference,¹ and points readers toward additional resources to help guide transformative initiatives appropriate for their institutions.

**Distinguishing innovation, creativity and entrepreneurship**

Global interest in innovation has been escalating for well over a decade. Colleges and universities, corporations, nonprofit organizations, the military, regions and countries—all want to be recognized as innovative in response to the pressures and challenges they face. Nevertheless, the concept of innovation remains nebulous, the widespread theory of disruptive innovation is frequently misinterpreted, and the conditions that enable a culture of innovation are poorly understood.²

To help clarify the meaning of innovation, along with the related concepts of creativity and entrepreneurship, we turn to *Cultivating Strategic Innovation in Higher Education*, a paper commissioned by the TIAA Institute written by William Tierney and Michael Lanford. Citing from the literature going back to Schumpeter in the 1930s, Tierney and Lanford distinguish innovation from creativity: First, while a creative idea—a product or process—may be novel, to be considered truly innovative it must be considered novel by experts in its field over time and in hindsight. Second, innovations are implemented, whereas not all creative products or processes are. And unless a creative idea undergoes an implementation phase, it follows that it cannot undergo diffusion and impact the field in which it operates—and, likewise, cannot be subject to the positive long-term evaluation that characterizes innovation.

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¹ The Institute’s most recent Higher Education Leadership Conference (aka HELC), held in November 2016, featured a panel on *Innovation, Transformation and Change Leadership*. Panelists included Richard Ekman, president of the Council of Independent Colleges (CIC); Roger Ferguson, president and CEO of TIAA; Rufus Glasper, president and CEO of the League for Innovation in the Community College; and James Milliken, chancellor at the City University of New York (CUNY). Additionally, Ferguson gave a talk at HELC focused on leadership’s role in times of transformational change.

Further, creativity is a necessary condition for innovative thinking, but not all creative individuals or organizations have been innovative: One organization may recognize another organization’s innovative product or process and implement it in a more effective fashion. In 1981, for example, Microsoft purchased the DOS operating system from Seattle Computer Products. After making a few modifications, Microsoft then convinced IBM to use DOS on its new line of 16-bit personal computers. Since Microsoft retained the rights to sell DOS to other software companies interested in writing software for the new IBM PCs, it not only became known as a company that specialized in software innovation, but it rapidly achieved market dominance by the mid-1980s.\(^3\)

In business literature, innovation is often defined simply as an original or marketable idea. When such definitions are transferred from the business world to higher education, innovation is often conflated with entrepreneurship. Tierney and Lanford offer a straightforward distinction between innovation and entrepreneurship based on the goals of each. That is:

> Innovation in higher education can encompass a broad variety of product- or process-oriented activities with a diverse set of goals, such as social influence, cultural impact, or financial gain. On the contrary, entrepreneurship has, as its primary end, the accumulation of wealth through new or existing ideas. As such, an entrepreneur is primarily focused on the marketization of an innovation.\(^4\)

\(^3\) ibid., pp. 6-7.

\(^4\) ibid., p. 7
Note that one of the goals of innovation in higher education is financial gain, and an entrepreneurial mindset certainly can help achieve that. As Rufus Glasper, a HELC panelist, put it, one of best ways to impress upon parents and students that a community college is changing in positive ways is not so much to talk about innovative changes, but rather to point them to the effect of those changes on lowering their costs, such as widespread adoption of open education resources (as opposed to buying textbooks) or reducing time to degree.

Other HELC panelists pointed out the wide spectrum of innovations ranging from, as Richard Ekman put it, incremental change at one end and disruptive innovation at the other. In the middle are “just plain innovations” that while not radically new ideas, are new to the institution adopting them. Roger Ferguson noted that these types of innovations—transferred from one campus, market or field to another—have the potential over time for impact as large as more dramatic or revolutionary changes. Change and innovation are a natural state for any organization, he said, and needn’t always be disruptive.

Indeed, critics questioning the basic precepts of disruptive innovation theory support Ferguson’s thinking. As Tierney and Lanford wrote:

Lepore (2014), for instance, has contended that companies focused on sustainable, or incremental, technologies are frequently more resilient and prosperous than proponents of disruptive innovation are willing to concede. Recent research by King and Baatartogtokh (2015) further demonstrates that only seven of the original sample of 77 disruptive innovations first cited by Christensen and Raynor (2003) correspond to the theory. At this point, the appeal of disruptive innovation as a theory has far exceeded the proof that it is likely to invade the corridors of higher education and end college as we know it.5

What is “Disruptive Innovation”?

For a brief, cogent explanation of Christensen’s theory of disruptive innovation, see Disruptive Innovation and Catalytic Change in Higher Education, a summary of Christensen’s presentation on that topic at the Forum for the Future of Higher Education’s 2007 Aspen Symposium, which is supported by TIAA.

5 ibid., p. 10
Conditions and cultures that support innovation

Ferguson and Glasper debunked the notion of a mastermind working alone to generate innovative ideas, akin to myths surrounding geniuses and artists laboring on their own. While examples of such lone inspiration do exist, Ferguson believes that innovation is nearly always driven by collaboration, and emphasized that great innovations can be sparked by a culture that supports collaborative activities focused on generating ideas. He noted that TIAA intentionally cultivates such a culture through methodical, enterprise-wide processes that bring together different parts of the organization to identify market needs and how best to leverage capabilities to take a product or service to the marketplace. This collaborative approach helps people recognize that innovation is something that everyone can do—and to not depend on someone else coming up with new ideas.

Glasper supported the notion of a pervasive, systematic process that both prepares people for change and stimulates innovative ideas. He portrayed the image of a crucible—one that pushes change and forces decisions, and emphasized the importance of giving permission from the top for people to take risks. That permission, he said, supports a culture that can take an institution to a new and higher level.

League for innovation in the community college

The mission of the League for Innovation in the Community College, which Rufus Glasper leads, is to cultivate innovation at the community college level. The league maintains a resource library of research and articles about innovation, including titles such as, “Building a Culture of Completion with an Equity Lens,” and “Preparing Students and Faculty for Online Learning Success.” The league will mark its 50th anniversary in 2018.
Edward Leonard, former president of Bethany College, a small faith-based liberal arts institution in Kansas, put it this way:

We’ve got to position ourselves in the marketplace in a way that will attract more students. And you can’t do what you’ve always done and expect it to get you where you want to be… What we are realizing is, the college culture, it is either an enabler or an inhibitor. And if you don’t align the culture to where you want to be, the culture’s going to be a firewall and it’s going to block you. So we knew we had to begin to move the culture to being more entrepreneurial, being more innovative. It’s okay to experiment and fail. We’ll celebrate that failure, because now we know what not to do.

While some observers might dismiss the celebration of failure that appears to predominate in Silicon Valley—home of the well-known mantra, “fail fast, fail often”—as phony, or a fetish,⁶ arguably, in higher education, risk taking and the possibility of failure has been avoided too often, to the detriment of positive change.

Leonard was interviewed as part of work commissioned by the TIAA Institute in support of the Council of Independent Colleges’ (CIC) Project on the Future of Independent Higher Education. James Hearn and his colleagues produced two reports, Mission-Driven Innovation: An Empirical Study of Adaptation and Change among Independent Colleges, and its follow-up companion piece, Strategic Change and Innovation in Independent Colleges: Nine Mission-Driven Campuses. The nine case studies were chosen because they exemplify the change efforts underway at dozens of independent colleges and universities.

One of the most common themes identified by Hearn et al. stemming from the case studies is a bias for action.⁷ Senior campus leaders were unwilling to passively accept the difficulties the external environment brought to their doorsteps. But high activity levels weren’t the only reason these institutions showed high levels of innovation: several leaders pointed out that a willingness to move ahead without comprehensive knowledge of eventual outcomes and an experimental attitude helped spur action. Their willingness to take risks despite the possibility of failure was clear—whether merely accepted or celebrated.

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Another common theme identified across the case-study institutions is *structuring for innovation*—a key condition for supporting innovation already noted above by Ferguson and Glasper. Leaders at the case-study institutions thoughtfully created organizational processes and forms that fit the challenges they faced: “In each case, leaders structured committees, task forces, individual assignments, rules, guidelines, and responsibilities with an emphasis on facilitating change rather than blocking it.”

Additional themes derived from the case studies on institutional change and innovation include a drive to connect locally, regionally and beyond; a commitment to realistic self-assessment and adaptation; assertive leadership within shared governance traditions; and alignment of mission and innovation. These themes arise in appropriate sections to follow in this compendium; all are discussed in detail in *Strategic Change and Innovation in Independent Colleges: Nine Mission-Driven Campuses*.

Ronald Daniels and Phillip Spector, president and vice president for strategic initiatives, respectively, at Johns Hopkins University, take a global view to help identify what fuels the innovative character of American higher education. In *Converging Paths: Public and Private Research Universities in the 21st Century*, a paper published by the TIAA Institute, they note that a distinctive feature of American higher education, and its research universities in particular, is their heterogeneity; unlike in most OECD nations, the U.S. system is comprised of a range of diverse public and private institutions. “This diversity in organizational forms,” they write, “undoubtedly has helped to fuel the innovative and responsive character of the American system, with divergent approaches to the educational, research and service challenges of our time.”

Tierney and Lanford highlight the influence of diversity in nurturing innovation at the local level. Drawing from scholarship from the fields of business, innovation studies, management and psychology, they identify three vital factors for nurturing an innovative campus climate:

- **Diversity of people, backgrounds, proficiencies and opinions.** Such diversity augments the creative impulses of individuals, as well as the innovative potential of a group.

- **Intrinsic motivation rather than external rewards.** When administrators use extrinsic incentives, individuals generally lose interest once an objective is met. Extrinsic motivation does not make employees passionate about their jobs. Rather, the individual agency associated with self-determination is vital for the cultivation of innovation.

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8 ibid., p. 35

Autonomy of individuals working at colleges and universities. Administrators and faculty need the autonomy to debate concepts and investigate theories without fear of censorship or rebuke for an “incorrect” or “unproductive” outcome. While evaluation is necessary, of course, onerous evaluations can discourage creative and potentially innovative ideas.¹⁰

Ferguson echoed the need for evaluation of innovative efforts, particularly given that many are multiyear undertakings that require significant resources. Accountability processes needn’t be overly bureaucratic, he cautioned, but should be detailed enough to track benchmarks and outcomes to ensure that resources are being used wisely. Ferguson urged leaders to be prepared to give innovative ideas the time they need to develop despite pressure for immediate results; on the other hand, it’s also important to have the good judgment to acknowledge when an idea’s time simply may never come.

With regard to nurturing an environment conducive to creative thinking and innovation, Ekman distinguished between a culture dominated by a crisis mentality, which forces people to think about radical change, and a more positive environment where the need for innovation is recognized and systematically pursued, as described above. Too often, he said, people associate change with crisis, which needn’t be the case and certainly isn’t ideal for supporting innovation. Tierney and Lanford would agree, as indicated in the excerpt below.

### Supporting creativity and innovation

Action that derives from a crisis mentality—or is driven by the notion that things need to be disrupted—is certainly not optimal. Instead, decision-makers should carefully consider an institution’s history, its culture, and its strengths and weaknesses relative to its peers and emerging innovative forces. Rather than adhere to processes that may have worked a generation ago, postsecondary institutions need to foster the conditions that reward intrinsic motivation, autonomy, and diversity—and take into account the temporal conditions that lead to successful organizational change. Such a framework requires internally derived assessment measures that focus attention on creative inquiry and innovative discovery, not externally derived measures that promote conformity. Through such deliberate and informed choices, an institution can strategically build a culture that actively supports and nurtures creativity and innovation on the part of its members.

Source: Tierney and Lanford, p. 17

Rob Shelton, a managing director for PwC US who specializes in global innovation in the corporate realm, warns that leaders can focus too much on a big-picture view of culture and not enough on instituting the changes that would make that big picture a reality. In These Five Behaviors Can Create an Innovation Culture, Shelton suggests focusing on changing a small number of key behaviors that, if adopted by enough people, will help your organization “make the leap.” The five behaviors he outlines—the first of which is by now familiar—include:

1. Build collaboration across your ecosystem.
2. Measure and motivate your intrapreneurs (employees who couple an entrepreneurial mindset with the ability to leverage company assets such as channels or brand).
3. Emphasize speed and agility.
4. Think like a venture capitalist (that is, focus on big ideas that make the risk worth taking).
5. Balance operational excellence with innovation.

Given colleges’ and universities’ diverse goals (well beyond profits) and shared governance, Shelton’s list isn’t directly transferable from the corporate realm to higher education, but much of it rings true.

**Barriers to innovation—and how they might be overcome**

Change is hard. Barriers to Innovation and Change in Higher Education, a paper by Lloyd Armstrong commissioned by the TIAA Institute, opens with a quote from John Maynard Keynes’s most influential work, “The General Theory of Employment, Interest, and Money”:

...the idea of the future being different from the present is so repugnant to our conventional modes of thought and behavior that we, most of us, offer a great resistance to acting on it in practice. (1936)
A more contemporary take on change comes from David Smith, vice president for finance and administration at Houghton College. He speaks for many in saying:

People struggle with change. Even when the change is positive, it can be difficult. The idea of having to do things in a different way or to think about it and say, “We’ve always done this, but we’re not going to do it anymore, we’re going to do something else,” that brings with it a certain amount of personal angst that takes a while for some people to get over.11

Collaborative environments, as previously noted, can help people prepare for change and, indeed, move them toward embracing and making positive contributions to it. In that regard, one of the barriers to innovation that Ferguson has observed in the corporate realm is a hierarchical mindset, which can discourage collaboration across different parts of organizations and, likewise, stymie the creativity that flows from such connections. On an individual level, he said, hierarchy can smother autonomy—a vital component of an innovative culture identified by Tierney and Lanford (see p. 11).

On a broader scale, Glasper pointed toward U.S. education’s siloed environment, which too often precludes critically needed exchanges of ideas. He described K-12 as in a silo separate from higher education, where four-year and community colleges are in their own silos as well. Glasper shared stories of positive outcomes from collaborations across higher education sectors in Arizona, where smooth pathways have been created from the community colleges to enrollment at Arizona State University without the loss of credits—generating huge savings for students.

Ekman noted that the biggest barrier to innovation he has seen on campuses is the absence of a community-wide understanding that everyone has a stake in the outcome of change initiatives. This lack of buy-in not only hampers such efforts, but can derail them. Ekman described a series of CIC workshops designed for teams of presidents, senior administrators and faculty leaders that explored key trends in higher education and society, the urgent pressures facing individual colleges and universities, and potential solutions. They were well-received and particularly informative for some senior administrators and faculty leaders. Most important, they deepened understanding of the need for innovation—and, likewise, buy-in for change—throughout the campus communities of those who took part.

11 Smith was interviewed as part of work commissioned by the TIAA Institute by Hearn et al. in support of the CIC Project on the Future of Independent Higher Education, as described above.
In Barriers to Innovation and Change in Higher Education, Armstrong flags the unique role of tenured faculty given that they both produce higher education’s core products—teaching and research—and participate in institutional governance. Armstrong argues that this dual role gives the faculty unusual control over change and can serve to reinforce the status quo: tenure or tenure-track faculty in the United States, he says, are keenly aware of U.S. higher education’s worldwide reputation for excellence and

On collaboration and mergers

Institution-wide collaboration focused on generating ideas helps foster innovation within colleges and universities; collaborations among institutions can do the same. The Association of Collaborative Leadership is a community of leaders of more than 50 higher education consortia devoted to research, developing leadership capabilities, and advancing higher education collaboration. Its resources include a consortial checklist, key performance indicators, and annotated bibliographies of relevant literature, among others.

At the research level, Calit2 is a remarkable example of collaborative work across disciplinary boundaries. Founded in 2000, the California Institute for Telecommunications and Information Technology, as it’s formally known, is a partnership of UC San Diego and UC Irvine. Its research labs are a hotbed for innovation and collaboration in a range of diverse fields. This Strategy + Business story about Calit2 and its founder and director, Larry Smarr, is an inspiring read: Why Larry Smarr is Pioneering Collaborative Innovation.

The TIAA Institute has published two papers on collaborations and mergers in higher education: Between Collaboration and Merger: Expanding Alliance Strategies in Higher Education, by Michael Thomas and Kent Chabotar, draws on the strategic alliance literature and considers the range of alliance arrangements, motivations, benefits and success factors. The authors identify a “sweet spot” for strategic alliances and joint ventures that can provide essential economies of scope and scale, and enable innovative changes in core business models—both academic and administrative. Mergers in Higher Education: A Proactive Strategy to a Better Future? by Ricardo Azziz and colleagues, is a resource document for higher education leaders, including governing boards, that reviews the what, why and how of merging and consolidating colleges and universities.
may not feel compelled to change the enterprise. Armstrong predicts that the “shifting composition of the faculty workforce to a dominant percentage of full-time non-tenure track faculty focused primarily on teaching, but with a growing voice in governance, is likely to result in less attachment to the status quo.”

Armstrong also believes that the lack of robust and widely accepted outcome measures for higher education presents a barrier to innovation. He explains that in the absence of such outcome measures, higher education is a “credence good”—one whose value is difficult for the consumer to determine before, and even after, consumption. Hence, brand becomes a surrogate measure of quality and value, lending to an environment that favors the status quo for those already faring well on this front. Armstrong expects that intensifying demands on higher education for better outcomes measurement will help to mitigate this barrier to change.

James Milliken, CUNY chancellor and HELC panelist, opined that the barriers to innovation are essentially the same everywhere, across all types of institutions: that is, people are in comfort zones and don’t want to be moved out of them, and entrenched interests are being satisfied by the status quo. Echoing Keynes and Smith as quoted above, he opined that friction against change is widespread throughout higher education.

Naturally, friction against change, innovation and transformation makes people and institutions risk averse—as do extremely tight budgets that allow little room for experimentation. Yet, the benefits of financial commitments to sparking innovative ideas and funding experimentation can pay off on several fronts, even if some of the tested ideas don’t prove viable. Most important, perhaps, is that the allocation of limited resources to trying new approaches sends a clear signal about the institution’s commitment and need to change. The case of Pepperdine University’s Waves of Change initiative, described below, is instructive.

In 2013, Pepperdine launched a community-wide competition “designed to unleash the minds of students, faculty and staff toward solving problems and addressing inefficiencies.” Pepperdine’s leaders report that the Waves of Change program “has reinvigorated the school’s entrepreneurial spirit while inspiring higher levels of learning and new revenue opportunities.” The program can be readily adapted for a wide range of institutions; to help facilitate that, the TIAA Institute commissioned a case study, Waves of Innovation: Creativity and Community at Pepperdine University, by Andrew Benton and Lee Kats, Pepperdine’s president and vice provost for research and strategic initiatives, respectively.

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Notably, the Waves of Change program is underpinned by principals gleaned from the literature on innovation, many of which are addressed herein. The accompanying sidebar on how to start your own wave of innovation advises first that any such program engage the entire community. Indeed, Pepperdine’s innovation committee included administrators, faculty, staff, alumni, and undergraduate and graduate students, and hundreds of proposals have been submitted over the years from all constituent groups. In this regard, Waves of Change adheres to Ferguson’s advice to intentionally cultivate an innovative culture through methodical, enterprise-wide processes that bring together different parts of the organization (see p. 8); Tierney’s condition that diversity of people, backgrounds, proficiencies and opinions are crucial for cultivating innovation (see p. 10); and one of Shelton’s key behaviors, i.e., to motivate your organization’s intrapreneurs (see p. 12) to help create an innovation culture.

The second point, to encourage a wide range of ideas focused on institutional aims and synched with its strategic plan [emphasis added] is critical as well, and is addressed in the McKinsey report described on the following page.

### Starting your wave

Based on Pepperdine University’s experience with two rounds of the Waves of Innovation initiative, we suggest that you keep in mind the following points when planning your own innovation program:

1. **Engage the entire community, across all schools, and all students, faculty and staff**
2. **Encourage a wide range of ideas, focused on institutional aims and synched with its strategic plan**
3. **Stage a public celebratory event to vet finalists and announce winners**
4. **Pepperdine’s Budget for Waves of Innovation:**
   - Up to $4,000 each for development grants
   - $2,000 for marketing, trophy, and production costs for the celebratory event
   - $1,500 for an Audience Choice Award at the celebratory event
   - $500 each for runners-up awards
   - Innovation grants up to $150,000 each to implement the winning proposals within 2-3 years (to become self-sustaining thereafter)
The Case for Digital Reinvention, a recent McKinsey Quarterly research report, looked at what top-performing companies were doing in the face of rising pressure to digitize; several of its conclusions are pertinent to higher education. The authors identify some of the pitfalls that corporations ran up against as they implemented digital transformation initiatives.

Those pitfalls, shown in Figure 1, are by now familiar:

**Figure 1: Digital reinvention: What leading companies do differently from the rest**

<table>
<thead>
<tr>
<th>% of respondents (n=2,135)</th>
<th>Winners</th>
<th>Others</th>
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<tbody>
<tr>
<td>Have siloed mind-sets and behavior</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>Lack a common culture across business units</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Lack a common view of their customers across the organization</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>


Siloed mind-sets and behavior (which can be exacerbated by an overly hierarchical organization and structure) were shown to be a pitfall for transformation in this case, much as they are for colleges and universities. The lack of a common culture was problematic as well, and comports with the discussion above regarding the importance of common understanding of the need for change and collaborative efforts to achieve it. While the gap between “winners” and “others” on a common view of customers is not as dramatic as for the other pitfalls, it is reasonable to expect that in higher education a commonly held view across institutions that prioritizes students and their

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success would help generate a climate and culture receptive to new ideas and change. That said, colleges and universities are complex enterprises with several constituencies beyond their students that also need to be considered, including state legislators; public policy makers; governing boards; surrounding communities, including citizens and businesses; alumni; and parents, among others.

Another finding of the McKinsey study is that the percentage of corporate “winners” in the pursuit of digital reinvention who ensure that their corporate strategy is aligned with their digital strategy was 55%, well above the 23% of the “other”—non-winner—corporations. Clearly, given the complexity of the higher education environment, alignment of strategic change efforts with broader institutional strategies and mission is critical. Successfully motivating and aligning multiple initiatives calls for inspired leadership, the subject of the section that follows.

Leadership for innovation and transformation

Leaders’ responsibility for shaping the future of the institutions they lead in times of transformation is hard to underestimate. A few key points have been touched upon above, particularly in relation to establishing a culture that supports innovation—for example, to encourage collaboration throughout the organization rather than being bound by hierarchy, which can stifle creativity; and giving permission from the top to take reasonable risks and try new approaches.

Foremost, leaders attempting to effect change would do well to fully appreciate the context and complexity of higher education institutions. Traditions of shared governance and deliberative decision making on campus mean that leaders will have to exercise patience and resist moving forward before they’ve built at least an understanding of the need for change—if not a consensus for it—among their key constituencies. Otherwise, the change process will be fraught with obstacles and unlikely to achieve its full potential. Leaders can help people understand that change is a constant, and that lack of attention to change makes organizations reactive, rather than proactive in responding to changes in ways that are in their best interests.¹⁴

That said, one of the most common themes identified by Hearn et al. stemming from the case studies of change efforts underway at independent colleges and universities is *assertive leadership within shared governance traditions*.\(^{15}\) The authors cite Bowen and Tobin, who observe that faculty “tend to prefer deep and wide discussion over brisk, hierarchical, and technocratic action.”\(^{16}\) Hearn et al. recognize the value of collaborative efforts to build consensus for change, but emphasize that at some point leaders will need to make decisions and move ahead.

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**Engaging your constituencies: the “20-60-20” rule**

This advice from Azziz et al. in their TIAA Institute-commissioned paper, *Mergers in Higher Education: A Proactive Strategy to a Better Future?* is pertinent to any major change initiative:

> …leaders must be prepared to ensure that all stakeholders, without exception, feel heard and engaged. Furthermore, leaders should keep in mind the “20-60-20” rule: That is, in any grand transformation, 20% of stakeholders will immediately embrace the opportunity, 20% will unwaveringly oppose it to the death, and 60% will sit on the fence watching for developments. Leaders often spend an inordinate amount of energy, time and political capital to engage the opposing 20%, in the belief that if they are able to convert these individuals, all others will come along. However, a more effective approach is to actively engage the 20% that has already committed, and work on converting the 60% that has delayed making a decision. (p. 25)

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In addition to participating on the *Innovation, Transformation, and Change Leadership* panel at HELC, Ferguson, president and CEO of TIAA, gave a talk on leadership’s role in times of transformational change. His cogent remarks are directly applicable to the topic at hand, and as such warrant the extended excerpts on the following pages.

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\(^{15}\) Hearn, Warshaw, & Ciarimboli, op. cit., p. 36.

Roger W. Ferguson remarks

TIAA Institute Higher Education Leadership Conference

My remarks will address three specific pieces of advice for leadership in a time of transformational change:

- First, be realistic about change and relentless in communicating about it;
- Second, identify and leverage your institution’s unique strengths; and
- Third, opt for incremental over discontinuous change whenever possible.

**Be realistic about change and relentless in communicating about it.** Being realistic means accepting that change is a given—a fact of life for every sector and every industry—and more to the point, that it’s necessary for growth and progress.

As our 35th president, John F. Kennedy, put it, “Change is the law of life. And those who look only to the past or present are certain to miss the future.”

Deep down, we all know this is true. But it’s easy to forget… Complacency is never a good option, because the world is constantly changing. Organizations that want to endure must be constantly evolving as well…

As leaders, our role is to recognize the permanence of change, assess how our organizations should evolve, catalyze the response, and—importantly—communicate about all of it. Communication is an essential element to successfully leading transformation. No matter how brilliant a strategy you have, it simply won’t be effective without the buy-in of the organization.

At TIAA, we launched our long-term strategy in 2010, and it’s the framework for all the decisions we are making about our own evolution. I remind our employees what the strategy entails and report on our progress every chance I get—in person, at our Town Halls and at other meetings with employee groups; in my all-employee emails; and on our Intranet. I ask my leadership team to do the same in their respective areas.

I don’t think it’s possible to over-communicate about strategy and progress. I firmly believe that when people know where you are and where you’re headed, you can avoid both complacency—and panic.
**Identify and leverage your strengths.** Every institution with any measure of longevity has some fundamental strengths that have enabled it to persevere through the years. As leaders, it’s our job to clearly delineate what those are—and then use them to grow and strengthen the institution.

One way that companies typically approach this is by jettisoning businesses seen as peripheral to their core competencies. General Electric has shrunk its financial arm, GE Capital, to refocus on its industrial roots. Hewlett Packard has shed the acquisitions it made in recent years—like Compaq and EDS—and split into two companies, each with a sharply defined focus...

The question you must ask yourself is what makes you unique. Some of you have deep-rooted ties to your local communities; some of you have strong alumni networks; some of you have strong departments of English or Engineering or Business; and some of you have strong endowments.

You must embrace what makes you unique—and use it as the foundation for building out new ways to shore up your institutions and revenues. That’s exactly what we’ve done at TIAA. One of our core strengths is that we are a mission-driven financial services organization.

We were created in 1918, as the vision of Andrew Carnegie, to meet the retirement needs of higher education. Our mission has remained unchanged since then: to serve those who serve others. Our mission makes us a different kind of financial services organization. Building on that solid foundation, we have expanded the ways in which we help our clients achieve financial well-being. For our institutional clients, we now offer planned giving and endowment management services. For our individual clients, we offer products and services that meet their financial needs throughout their lives, not just at retirement—such as life insurance, financial advice, and banking services...

I would recommend that approach to you as well: focusing on incremental build-outs that line up with your unique strengths as an institution. I recognize that colleges and universities are consensus-driven environments—you need the buy-in of the wider campus community for many of the decisions you make. And having served as Chair of the Board of Overseers at Harvard, I know first-hand that achieving consensus and being nimble does not always come easily.
Opt for incremental over discontinuous change. We’ve heard a lot about the power of bold, discontinuous change. And we’ve seen the Ubers and other disrupters make their mark. But the truth is that this kind of change is very difficult to do well—especially in a consensus-driven environment like higher education... One of the papers commissioned for the [HELC] conference argues that the theory of disruptive innovation is of limited use for a sector as complex as higher ed. Instead, William Tierney and Michael Lanford say that three conditions are crucial for promoting an organizational climate that fosters strategic innovation: diversity of people, proficiencies and opinions; intrinsic motivation rather than external rewards; and autonomy of the individuals working to effect an institution’s mission.

In most cases, disruption is not the best path unless you are truly in a crisis situation. 180-degree turns make people feel disoriented. They strain the organization’s resources. The value of incremental change can be seen in the success of some of the world’s biggest tech companies...

The iPhone was more of an incremental innovation than a discontinuous one. Although it may be hard to remember, smartphones did in fact exist before the iPhone came along in 2007. Apple’s brilliance was in making the smartphone easy to use, with a large touchscreen instead of the keyboards and keypads that were common at the time. Each year since, Apple has introduced new features and upgrades to the phones—an incremental approach to innovation that has helped to make Apple one of the world’s most profitable companies.

Incremental change is also preferable in helping to achieve one of the key drivers of success: bringing others along with you. When you build on your strengths in an incremental fashion, the troops are more apt to understand why change is necessary—and to line up behind you. Getting that kind of result with discontinuous change is a lot harder.

Just because change is incremental doesn’t mean it can’t be bold. But the boldness should be found in the substance of the vision itself.
Ferguson’s remarks drew on his experiences in both the private and public sectors. Many leaders look outside higher education for guidance in times of transformational change, including to the healthcare sector. This inside look from Strategy + Business at the turnaround of NYU’s Langone Medical Center, comprised of both the NYU School of Medicine and the NYU hospitals, is instructive: Management Lessons from One Hospital’s Dramatic Turnaround. Briefly, Robert Grossman, M.D., became dean and CEO of NYU Langone Medical Center in mid-2007. He took on a daunting task, as the medical center at that time faced “deep-rooted financial challenges, eroding market position, declines in quality, a fading reputation, an aging physical infrastructure, and an influential cadre of veterans satisfied with ‘good enough.’”

Grossman took on these somewhat familiar challenges and led NYU Langone to an impressive comeback, dealing with Hurricane Sandy along the way. The story of how he did so is fascinating.

Crisis vs. complacency

Human beings have a tendency to focus on the extremes. Either we think that everything is changing—in which case we tend toward panic mode—or that nothing is changing, in which case we risk falling into complacency. Granted, sometimes there is a need for drastic action—but that’s typically only appropriate in a crisis situation.

In my own career, I’ve had the experience of leading through two major crises—at the Fed on 9/11 and the days following it, and at TIAA during the 2008 financial crisis. Thankfully these kinds of situations are rare, but when they occur, the leader’s job is to be the calm in the center of the storm, steering the troops away from panic while taking the steps needed to keep the organization on track.

Sometimes, the more difficult scenario is when everything seems quiet. That’s because of the risk of complacency setting in.

Why this matters: mission-driven innovation

American colleges and universities aim not just to improve the job prospects and lifetime earnings of their graduates, but also to enhance their lives on a number of non-monetary measures and, just as important, to benefit the public good as well. Broadly speaking, institutions’ missions encompass the creation of knowledge, teaching and serving the public. Yet many of the challenges institutions are facing today stem from a difficult financial environment made worse by the loss of public faith and trust in higher education as a public good.

The challenge leaders face is to break the cycle of loss of public trust and loss of public funding, as the latter clearly exacerbates many of the problems that lead to the loss of public trust in the first place. High costs relative to incomes, limiting access and affordability, have deeply compromised American’s belief in higher education as a merit-based vehicle for social mobility. As the view of higher education as a private rather than public good expands, it is all too easy to argue that students and their families, rather than the state, should shoulder the costs of education.

Politicization of higher education views

A Pew Research Center survey conducted in June 2017 revealed sharp divides across political parties in the perceived effects of colleges on the country, and increasingly negative views held by Republicans.

![Chart](https://via.placeholder.com/150)

Note: Don’t know/Other responses not shown. Survey conducted June 8–18, 2017.
Further tarnishing the public view of higher education is that it is often seen as too slow to change. As Hearn et al. wrote, “A popular caricature of higher education institutions is one of deeply institutionalized resistance to change, fueled in good part by stubborn allegiance to outmoded, slow-moving decision-making processes.” They continue, however, to note: “Yet, perhaps paradoxically, colleges’ centuries-old survival may owe as much to a remarkable ability to adapt successfully to emerging circumstances as it owes to their refusal to conform readily to external demands for change.”

Moreover, valid arguments can be made that, indeed, enormous benefits accrue to society from investments made in our nations’ colleges and universities. Genevieve Shaker and William Plater co-authored two papers commissioned by the TIAA Institute that explore the issues surrounding higher education and the public good. The first, *The Public Good, Productivity and Purpose: New Economic Models for Higher Education*, looks at how to account for enhancements of the public good when assessing institutional productivity and output. The second paper, *The Public Good, Productivity and Faculty Work: Individual Effort and Social Value*, looks at the issue from the perspective of the faculty. Shaker and Plater argue that economic models and measures of productivity often fail to fully account for faculty work that contributes to the public good. This oversight, they maintain, is one of the factors contributing to the breakdown of the traditional faculty model and, likewise, putting quality and student outcomes at risk.

Regardless of the true extent of higher education’s contributions to the public good, today’s institutional leaders are faced with the practical reality that they need to think creatively to fulfill their institutional missions—and, in so doing, help to restore confidence in higher education as a public good. Glasper strongly opined that traditional missions need to evolve, and that it is entirely possible to be mission centered while taking new approaches to get better results. Too often, he said, people are afraid to open the conversation about changing missions. As Hearn et al. wrote, “Evolving contexts and emerging challenges do not necessarily compel mission abandonment or collapse.” Ferguson noted, too, during the HELC panel, that change cannot be seen as anathema to achieving institutional missions; rather, it is essential to doing so.

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Conclusion

Innovation may well be an over-worked term, which too often leads to confusion about its meaning—and people turning deaf ears as it’s invoked yet again. The TIAA Institute’s hope is that this compendium and the resources it points the reader toward will help cut through the noise and offer clear advice and direction for higher education leaders who fully understand that they need to take action. Their actions need not necessarily disrupt nor fully transform their institution; rather, the most successful change and transformation initiatives will be those that faithfully adhere to institutional values, driven by a mission that reflects changing societal needs and demands.
About the Author

Maureen Devlin is a TIAA Institute Fellow, and serves as Senior Advisor to the Forum for the Future of Higher Education, a think tank resident at MIT, and is a higher education consultant. She helps the TIAA Institute build out its Higher Education Program by commissioning research and generating new knowledge and insights to guide higher education leaders’ decision making. Previously, Maureen served as associate director of the Forum for the Future of Higher Education and as executive director of the Knight Foundation Commission on Intercollegiate Athletics, a group formed in 1989 to generate a reform agenda for intercollegiate athletics. She has authored or edited more than two dozen books, reports and publications. Maureen earned her A.B. at Harvard University, cum laude, in Government, and her M.A. at The Pennsylvania State University, in Sport Administration.