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HIGHER ED AS A BUSINESS

# Accepting Risk and Rejecting the Status Quo: Fostering an Innovative Higher Ed Culture

**DAVID COLLIS**

PROFESSOR OF BUSINESS ADMINISTRATION, HARVARD UNIVERSITY

*Corporations across the globe have been focused on the question of innovation for decades and longer. The desire to become leaner, better and more efficient has driven innovative leaders for years. In higher education, however, this innovative mindset is a relatively new phenomenon, and one many stakeholders are still coming to terms with. In this interview, David Collis reflects on a few of the lessons and roadblocks that face innovation in the corporate world and shares his thoughts on how these ideas can inspire leaders across the postsecondary space.*

**The EvoLLLution (Evo):** How do the challenges facing innovative higher education leaders compare with those facing business leaders?

**David Collis (DC):** The most important part you have to do inside the organization is begin to change the culture because that's the impediment here. What are the impediments? What are the roadblocks to innovation? Once we understand that, we can begin to think about what it's going to take to change those.

In big corporations, one of the biggest impediments to innovation is that people won't take risks. Organizations are not designed to take risks and it has the unfortunate effect of creating risk aversion in the organization. Most organizations are designed to minimize Type 1 errors, or errors of commission—where you do something and it turns out to be wrong. For individuals, the downside if you do something and it doesn't turn out to be correct is getting fired. All of this builds an organization based on risk aversion, where individuals work to avoid Type 1 errors of commission.

Everything has been designed and all the systems are in place to minimize Type 1 error. Unfortunately, this increases the number and significance of Type 2 errors, which are those of omission—where you don't do something that you should do for fear of getting it wrong. That's probably the biggest obstruction or roadblock to effective innovation in large companies.

As a result, big organizations aren't particularly innovative. People are scared of failure, and if you have to get through so many roadblocks and so many people who can veto

innovation along the way, it becomes cumbersome.

In these instances, the most important thing that corporate leaders do to get innovation started is to switch the thinking around. A classic example of this approach to leadership is Jack Welch when he took over at GE. The first thing he did was reward people for failing, which sounds counterintuitive. However, early into his tenure, GE had been trying to come up with an extended-life lightbulb. They invested a huge amount of money into this project but it hadn't worked. Presumably, the people on the project had done a good job—the project simply failed because the technology had not panned out. So one of the first things he did was promote the individuals who tried to make the bulb a reality. Right there you can see the symbolic shift from what typically happens in companies: You're typically penalised if something you do fails. At GE, it's okay to fail, as long as you've been innovative. Just that shift of encouraging and rewarding risk-taking is one of the most important things you can do in an organization to get innovation going. There's going to be successes and there's going to be failures. Most organizations minimize the risk of failure, which, by definition, means tamping down innovation, but organizations need to flip that around. Corporations today need to find ways to encourage people to take risks and reward them even if it doesn't turn out.

It can be very challenging to create a significant change in a major organization, but it's still possible to stoke innovation. In the old days we use to talk about a skunkworks—these separate or discrete teams that serve as the source of ideas and innovations. This is a good way to approach change.

With radical innovation you need to incubate, then integrate. If you leave innovation in hands of the legacy organization, what tends to happen is the organization gets overburdened by the change and you go back to the old ways of doing things. Set the skunkworks off by itself, incubate it and then begin to think about integrating it back into the whole. In all, the chances of delivering something truly innovative increase if it's incubated in a separate organization. That way you can then identify it, give it credit, champion it, validate it and then begin to think about integrating it back in. When it comes to real innovation, you need to demonstrate symbolic successes to get the organization recognizing innovation is an important part of the organization's culture.

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**Evo:** How could higher education leaders learn from the experiences of innovative corporate leaders?

**DC:** The innovative culture is even worse in higher education than it is in big companies. In higher education, there are so many different constituencies and invested interests to navigate through, all of whom are trying to protect themselves. Each constituency is defensive of their part of their

organization and they're worried about themselves. All of these things conspire to make it hard for anyone to bring in innovation.

There's a classic quote, "The only thing that can't be vetoed in higher education is the status quo." That is a real truism. It's so difficult to bring everyone along when every part of the organization—whether it's the president or an administrator or the faculty—essentially have veto rights on what you can do. That makes it even more difficult to innovate inside higher education institutions than in a major corporation.

It does take some leadership from the top to drive innovation because the institution won't change itself. What's more, it takes courage to say, "We're going to try some things and not all of them are going to work and that's fine." Another way of thinking about this innovation is determining the appropriate number of failures an organization should have in a year. I don't know whether the right answer is three, or if it's eight, but I know it's more than zero. Yet particular higher education institutions are designed and set up to have absolutely zero failures and that's simply wrong—you have to have some failures if you're going to be innovative. The leader of the institution has to have the courage and has to acknowledge and accept that some of the projects an institution takes on are not going to work.

That's what we're doing here at Harvard Business School. In the old days, when our organization was more risk-averse, we would plan, test and pilot every single thing before we launched anything. This meant it took years to get anything out there and when it did, in fairness, it worked pretty well. Our

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current dean has a mindset where we set a general direction—a common goal for the organization to achieve—and then we try to make it happen within the bounds and parameters of HBS. He has faith in the quality of the people in charge of the initiative, as well as in their adaptability and flexibility, to know that we'll end up in a good place even if when we start without knowing the exact details of the final product. We have shifted from an "analysis, analysis, analysis" mindset, where we knew the exact outcome before taking a single step, to a new agile, innovative and creative one.

Admittedly, it might be alright for an institution like HBS to have a high threshold for failure, given the resources at the school's disposal. It's a little bit tougher to accept risk in other institutions with tight budgets. However, culture change in an organization requires a willingness to do things differently and taking risks is a significant part of that.

**Evo:** What do senior leaders need to do to ensure that they're not compromising that innovative mission of these traditionally periphery divisions?

**DC:** More than protecting the innovative mission of the skunkworks, leaders need to be concerned with how they can bring that innovation back into the core of the institution. The roughest road is when you accept that an innovation happened in a periphery unit like continuing education and then try to integrate that into the traditional undergraduate part of the institution, for example.

Many higher education administrators and faculty can accept that innovation

is happening on the periphery of the institution, but what does that mean? It means that there's always someone innovating. It means that eventually leadership has to take an innovation that has been demonstrated to be effective and start expecting it to be integrated into the core of the institution. Frankly, that's where you start to get the body trying to reject the implant. That's the point at which the leader of the institution has to say, "I don't care that you might have done things this way for so long, but we're actually going to start doing this new stuff as well and I'm expecting you to do it."

At the end of the day, if the legacy part of the institution is not willing to adapt to change, then you have to start to change out some of the individuals. This is, of course, really difficult in higher education with tenure and so on, but you have to be willing to let people go or lose a course or a program because it's not willing to embrace the innovation. However, in higher education there isn't this CEO who can tell everyone what to do that, while in a corporation there is.

**Evo:** Why is innovation so important for higher education today?

**DC:** The challenges confronting higher education have gone up enormously. Higher education today has to do this dance, they have to maintain this balance, of delivering high-quality education with broad access at a low cost. That's a triple objective. The pillars of quality, cost and access are difficult to get right in the best of circumstances. Then you throw in things like global competition and heightened expectations, advancing technology

and all these contextual changes providing new opportunities and new ways of doing things, new markets, new competitors—it all complicates life enormously. There are external pressures layered on top of the internal complexity of managing those three pillars that have really only come to a head in the last 15 to 20 years.

If we just carry on doing things the same way, we're not going to solve anything. That's why innovation is so important. It's only by doing things differently that an institution will be able to respond to those external phenomena and satisfactorily meet those three objectives.

## KEY TAKEAWAYS

It will take significant innovation and transformation for institutions to manage the three pillars of cost, access and quality while remaining competitive domestically and globally and simultaneously delivering the experience today's learners expect.

An innovative culture starts with cultivating a willingness to try and fail and an understanding that the status quo is unsustainable over the long term.

While a skunkworks is critical to actually getting an innovative project off the ground, the real challenge lies in integrating that innovation back into the core institution.

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