I would like to take a somewhat philosophical approach to the question of whether a university is an “agency” or an “enterprise.” The concept of the university as an enterprise is relevant to all universities, but especially critical to the success of public universities. And it is critical to the success of the three universities of Arizona.

What is a university in the broader social construct? Is it a production unit or a factory or a service organization? I would argue that it is none of these and in some ways all of these at the same time. What do universities produce? The task of universities is to create knowledge. Very few organizations create knowledge. Universities create knowledge through the establishment of an environment conducive to critical thinking, creativity, learning, and discovery.

But a university has a particular and unique role in society, that of an organization that has taken on the task of adapting our society as it moves forward, through learning and discovery. The university is fundamentally different from any other category of organization because it is charged with adaptation. The university adapts through discovery and learning and in turn adapts society to advances in the way that people do things, the way that people see things, the way that people build things.

Universities store knowledge. Universities are repositories of our collective knowledge. Universities hire thousands of faculty members, experts in their particular niches, each of whom is a storehouse of knowledge. And universities maintain massive libraries with annual budgets of $10 or $20 million to store knowledge.

Not only do universities create knowledge and store knowledge. Universities synthesize knowledge and, most importantly, transfer knowledge. Universities transfer knowledge, both in terms of ideas, materials, and concepts, but principally in terms of what we transmit to students.

What are the metrics of success for universities? If we accept the premise that the function of a university is the adaptation of society and that the means to adaptation are the four aspects that I delineate—the creation of knowledge, the storage of knowledge, the synthesis of knowledge, and the transfer of knowledge—the measure of success is whether you have built a great university.

Universities have provided us with an understanding both of ourselves and the world in which we live. Universities have been the source of the new knowledge and innovation that has shaped countless industries. These are all products of the great universities. And I
am operating under the assumption that the Board of Regents of the State of Arizona wants to build three great universities.

One measure of our capacity to produce greatness is our ability to create a setting for learning that each year produces the most capable individuals in any field. Other measures include our ability to create new ideas, new understandings, new insight, and new technologies to improve our lives.

Water is of great concern to all of us in Arizona, to take but one example. And there are experts in hydrology and all other relevant disciplines throughout our three universities. But have the universities of Arizona established a leading center of national and international prominence on water, a center that would draw experts to study the appropriate use of water and our adaptive relationship with it?

Neither the government nor the market offers us a suitable model for building great universities. The university is neither an agency nor a corporation. Universities around the world that operate as government agencies are of very poor quality and cannot perform the functions we have been considering. They can barely perform the delivery of the service of education, much less the full extent of the characteristics of a great institution.

The market has not produced a great university either. The forces of the market are different than the forces of discovery. While there are certainly tools from the government and tools from the market that help us shape and guide a university—how it might be governed, how it might be managed—I would argue very strongly that the university as enterprise requires unique governance and unique management from individuals who have the capacity to advance this kind of very unusual organization.

In order for great universities to emerge, the presence of what I call a “third space”—neither the government nor the market, neither a corporation nor an agency—is an absolute precondition.

From a governance and management perspective, I would like to outline what I consider absolutely essential to the success of the university as an enterprise. First: The university at all levels must be intellectually driven. Because the university is an institution charged with creating knowledge, storing knowledge, synthesizing knowledge, and transferring knowledge, its governance and its management must be similarly driven by intellectual objectives. And this is different from market objectives such as quarterly sales and profit and loss. And it is different from the objectives of a bureaucracy.

Bureaucracies deliver goods and services. And I do not use the word “bureaucracy” in a pejorative sense because bureaucracies are admirable social constructs that have accomplished much in our society on many fronts, such as the interstate highway system. But although universities, like bureaucracies, deliver services, I would suggest that their principle mission lies beyond the “service” that they deliver, and here I mean the basic task of educating undergraduates. In fact, the exclusive focus on service has actually prevented otherwise good universities from becoming great universities.

A second element essential to the success of the university as an enterprise: The university must focus on acts of learning and discovery. The measures of our success are intrinsically related to acts of learning and discovery, and to what we produce as a consequence of those processes. Unfortunately both learning and discovery are not easily modeled and not easily measured. Inherent to the nature of the institution that we manage and that the board governs are fundamental elements that are extraordinarily difficult to measure. And these are not trivial elements: How do we assess the significance of a new theory or a new discovery?

Another essential aspect: The university must protect free and open discourse, both internally and externally.

Around the world people have been striving to build great universities for more than one thousand years, and before that we can trace another millennium during which we witness the emergence of proto-universities. Our very understanding of who we are as a species and our place in the universe is the product of scholars and scientists working in these great institutions. In the office of the rector of Jagiellonian University, in Krakow, Poland, an institution established in 1364, one finds the instruments that Copernicus used to determine that the Earth was not the center of the universe. This is a highly unusual community of organizations.

But it appears that the greatest universities that exist on the planet have emerged in America during the past several hundred years, and especially during the past century. All of these institutions share a set of characteristics that is consistent with the great universities that have emerged in the past.

A principal characteristic is that not one of these universities is a corporation and not one of them is an
agency. All of them have emerged as enterprises. Some are public and owned by collectives: the State of California, the State of Michigan, the State of Virginia. And some are private and self-perpetuated by groups of leaders who over the course of hundreds of years have guided these institutions to greatness.

I have identified a number of characteristics common to the institutions that have achieved greatness and those striving for greatness, including the universities of Arizona. First: self-determination of the intellectual agenda. By this I mean the intellectual freedom to follow your curiosity and allow discovery to be the driver in a teaching and research milieu that is adaptable and consistent with the pace of change.

Second: long-term investment in the enterprise by multiple sources, generally with no single long-term dominant source. By this I mean that successful institutions operate in a diversified modality of resource acquisition, seeking investment from many quarters.

Third: low levels of ministerial oversight, and here I am not referring to the Board of Regents. By this I mean that great institutions operate with a degree of autonomy from any centralized control, and measure their success by their products as opposed to their processes. A lack of centralized control ensures competitiveness, and has been the source of greatness for the American research university. The higher the level of ministerial oversight, the lower the level of greatness. It is a direct reverse correlation.

Some of the processes that define greatness in academic culture are by their very nature contrary to the concept of “efficiency.” I can say with absolute certainty that efficiency is not the means by which one determines the source of the origin of the universe. A scholar or team of scientists cannot be “efficient” when following a path that has not already been explored. If the path had already been marked, we would not be on a journey of discovery.

In all of these institutions there is a constant focus on excellence. The great universities demand excellence and accept nothing but excellence: no second-rate teachers, no second-rate faculty, and no second-rate administrators. And there is a constant focus on competitiveness.

In the European university systems, by contrast, ministries of education have actually prevented universities from operating as enterprises because of control by non-competitive processes. Ministries determine funding levels, allocating a set amount of funding per a given number of faculty members. But in the United States institutions compete for dollars against other institutions, each striving to present the best ideas. Competitiveness becomes pivotal to the success of each university. All of the successful institutions have a unified and clear mission. At the University of California, San Diego, for example, an institution not established until the 1960s and now one of the leading research universities in the nation, there is no debate about the mission. It is very simple. The mission is teaching and discovery excellence.

Because Arizona is a very young state with few private institutions and educational enterprises, the state provided for the establishment of the universities in its constitution to provide educational services. And the universities of Arizona succeed in providing outstanding educational services in an environment conducive to learning. But there are no great universities whose mission it is solely to provide educational services. The great universities combine learning with discovery, and it is a critically important difference. If all anyone wants is educational services, you can find people qualified to teach out of textbooks that others have written. The state can buy those services on the cheap and deliver them in a business model in a way that is seemingly effective and efficient. But it would not provide Arizona with the kind of institution that is needed to take on the adaptive and constructive role that is intrinsic to great universities.

Because educational service is the mission that was assigned to ASU, education has comprised the core of its institutional culture. Until the past twenty-five years ASU was entrapped in the agency model dictating that the institution was established to provide educational services to the people, funded by the government. And I think my fellow presidents would agree that there are no great universities funded according to this model. There are no great universities that operate as agencies.

Even the Sorbonne, in Paris, once a great university and no longer a great university, is now completely under the control of the Ministry of Education of the French government. Everything is controlled, measured, and calculated, and everything takes place in lock step: research levels, national prominence, service standards, quality of graduates, so much so that in France if you graduate from that institution you are guaranteed a job from which you cannot be fired for any reason for a given number of years. Sadly it is the epitome of agency mentality.
To address this seriously limiting historic design from the perspective of ASU, during the past four years we have embarked on the transformation of the institution from a service agency—a successful and well-run educational service agency—to an academic enterprise striving for greatness, drawing from the models of the best universities and attempting to improve on them as appropriate for a comprehensive metropolitan public university in Arizona in the twenty-first century.

At ASU the transition from agency to enterprise is focused on the following things, all of which are important the governance of the institution and significant to the Board of Regents. First, we are striving to establish a unique identity for the institution. If we are successful, ASU will become the first of the great universities to combine academic excellence, extreme inclusiveness, and maximum impact on its setting. So when we come to the Board of Regents with new program designs, new trajectories, and new ways to do things, our purpose is to establish a unique identity.

Second, we are setting high intellectual aspirations. We will compete among the best on any front at which we engage or we will not engage on that front. That does not mean that we will always win. Competition is not about winning all the time, but about being competitive. No one can win all the time.

Third, we are establishing creative competitiveness within the organization. No more across-the-board raises, no more treating everybody the same—because no one is the same. We have worked hard to eliminate the culture of entitlement. The employees who worked for the institution believed that they were entitled to their jobs, entitled to their roles for life. It is very difficult to have employees with this mindset compete at the level necessary to become a great university.

We are working to empower the faculty to compete nationally. And in order to do so we devote considerable effort to self-scrutiny, focusing on ourselves and not the competition. We have been working to build speed and adaptability into the organization. The agency mentality within ASU has led to such resource constraint that the institution operated slowly intentionally to make certain that not much would happen.

We have been hiring these people as members of the faculty and deans and administrators. We are about to launch and have just secured $10 million in private support for a “University as Entrepreneur Initiative” to build an entrepreneurial thread through all of the colleges and schools, and not only in business and engineering where this sort of entrepreneurial spirit tends to concentrate. And to further advance the institution along the path of enterprise, we have been establishing constructive relationships with the legislature and with “donors,” whom we now refer to as “investors.”

From my perspective, I would argue that the role of the Arizona Board of Regents is to facilitate the ongoing significant progress and positive trajectories of the three universities of Arizona. Continued development will lead to the realization of three great universities in Arizona—and not the continued maintenance of three educational service providers. To accomplish this objective, the Board of Regents and the universities themselves will have to come to an understanding of what such an objective means and what course it must take. And we must come to an understanding of the measures and indicators of progress and success and achievement and return on investment toward those objectives.

In summation I would say that it is critically important that we devote the time and effort necessary to examine the processes I have described thoroughly. And it is important that we look not only at the universities themselves but also at the Board of Regents. I respectfully submit that we arrange to discuss how the board can best facilitate the emergence of three great universities in Arizona.