

## Creative Adaptation Fund

The Board of Visitors' September meetings were lively, substantive and important. It is difficult to distill a complex set of discussions into a few observations, but I want to emphasize three salient points from these discussions and Board actions. First, the Board clearly wants the College to be more aspirational, building on the excellent blend of teaching, research, and engaged learning that characterize W&M. Second, in its resolution to adopt the expenditure side of the College's six-year plan, the Board indicated its support of what we have identified as our highest priorities, including greater compensation for faculty and staff and financial aid for our students. Finally, the Board also signaled the necessity of the College's engagement in "creative adaptation."

I am sure we are all pleased by these first two points, as we all share a strong sense of the College's particular excellence and the imperative of providing funds for faculty, staff and students to continue and to expand this excellence. I also believe that throughout the campus there is a re-thinking of the issue of "creative adaptation." We all recognize that the economy and higher education are going through a period of unusual change (tectonic plate shifts seems an apt metaphor) and that our success depends on a common effort towards a common goal—strengthening the essence of the College and preparing our students through the best education possible to thrive in the 21<sup>st</sup> century.

We will succeed in this goal not by changing the College's fundamental commitment to a rigorous and vigorous education as a leading liberal arts university, but by making the needed changes and developing the innovations to adapt to a new environment. In the short term, absent significant new revenues, one likely change is a (slight) reduction in the number of instructional faculty, which will free up resources for compensation and core operation support. But simply reducing is neither creative nor particularly adaptive. The incentive fund is to come up with ways to deal with that change." Changes and adaptations will inevitably result in differences from the status quo, but we can choose which ones make the most sense and decide where and how to allocate our resources. I lay out here a set of strategies and incentives that I hope will facilitate making the best choices. Let me also add that that by almost any measure the College is already extremely lean and efficient. Furthermore, over the past year we have undertaken a number of programs in both the administrative and academic areas to increase efficiencies, reduce costs and generate new revenues. We asked each major organization to develop innovation and greater efficiency initiatives with detailed implementation plans and milestones. We are currently tracking over 60 identified projects, which, when fully implemented could produce over \$2 million per year in cost savings and net new revenues. What I describe here is intended to build on these existing efforts and encourage all of us to think powerfully about other possibilities.

The College will make available for FY12—and with the expectation of a similar investment in FY13 and FY14—\$XXX,000 to engage and unleash the creative energy in the academic areas to develop creative adaptations that improve the quality of our educational programs either directly or indirectly, by reducing costs or generating new revenues and thereby providing funds that can be reinvested in people and programs. In some cases, the two might be combined. Let me be clear that increasing funds—through cost savings or new revenues—is critical; most of the investment will be in projects that can accomplish this goal. In addition, we want to fund ideas that can have substantial impacts, not just produce minor adjustments. The particulars of this initiative are spelled out in the attached RFP but the basic thrust is to invest seed money on a competitive basis in projects that advance our mission. Most

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of the projects will likely be in the form of pilots, some of which may not work. What is important is to have a system that promotes creative approaches with clear incentives. We will add these funded projects to the set of innovation and greater efficiency initiatives that we are already tracking. In addition to the very real advantages from these projects in terms of cost reductions or net new revenues, we want to create a very public record of our efforts.

Responding to budget cuts, which we have had to do painfully in recent years, leads to the feeling that we are feeding a hungry and insatiable beast. We offer up our resources and get nothing in return except for an all-too-temporary respite. Savings achieved through these—and other—initiatives are not to be offered up to that voracious budget-eating beast but reinvested in our highest priorities. Depending on the project, the savings/revenues would be captured chiefly at the local level. Arrangements between schools and departments/programs would be worked out between them. In the case of new revenues, schools would work with the central administration to ensure a reasonable distribution with the school receiving the majority of the new revenue. The overall impact of these savings/revenues would be to strengthen the academic excellence of the College. Aligning more fully budgets, revenues and incentives is a necessary component of the College's new business model. And providing incentives for faculty and schools to engage in creative adaptations is essential in this model.

Projects supported through these funds and similar ones that go forward independently are only one part of adjusting to the current budget realities. The College's six-year plan imagines significant tuition increases for in-state students, and an expanded development operation is well underway. These combined efforts, along with others, will make sure that W&M is the preeminent liberal arts university.