



EXECUTIVE LEADERSHIP

In the United States, the charters of most colleges and universities provide the president with the executive authority for all aspects and activities of the institution. The responsibilities of this role as chief executive officer are both immense and complex. Although most people tend to think of the university in very traditional ways (e.g., with images of students in classrooms, scholars in libraries, and scientists in laboratories), the reality is far more complex. In a sense, the modern research university has many of the characteristics of an international conglomerate of highly diverse businesses.

To illustrate, consider the various business lines of the University of Michigan from a corporate perspective. In 2006, the “U of M, Inc.,” operated a \$1.6 billion educational business enrolling more than 58,000 students on its three campuses. The annual budget of its research and development activities was \$800 million. Its \$1.8 billion health care system had 1.2 million patient visits in its various hospitals and provided managed care to a population of 300,000. The university’s activities are truly international in scope, providing educational, research, and service activities throughout the world both through an array of campuses abroad and through Internet services, a business line amounting to \$200 million. Even its sports entertainment line,

the Michigan Wolverines, has scale more comparable to professional franchises—even larger because Michigan Stadium's capacity of 112,000 is the largest in the nation. The activities of the university have become so vast that it even has its own captive insurance company, Veritas. The university's other characteristics of note include 34,000 employees, an annual budget of \$4.5 billion, an endowment of \$7 billion (and almost \$10 billion under active management), and over 25 million square feet of facilities—which would rank it 350th as a corporation on the Fortune 500 list.

Many of the major universities in America are characterized by very similar organizational structures, indicative of their multiple missions and diverse array of constituencies. In some ways, the university is even more complex than corporations or governments, because of the diversity of its many activities, some nonprofit, some publicly regulated, and some operating in intensely competitive marketplaces. It teaches students, conducts research for various clients, provides health care, engages in economic development, stimulates social change, and provides mass entertainment (athletics). Many of these activities are conducted on a global scale.

Clearly, as the chief executive officer of this complex organization, the university president has leadership responsibilities comparable to those of the CEO of a major corporation or the governor of a state. Although many of the constituencies of the university—its faculty, its students, and perhaps even some of its trustees—would decry such a corporate view, the burden of the welfare of the institution as a multinational conglomerate, rests with the president. With billion-dollar budgets, populations of students, faculty, and staff numbering in the tens of thousands, and activities spanning the range from instruction to research to health care to economic development, financial issues are highly complex and consequential, particularly in the harsh light of public scrutiny and accountability. Presidents must worry about where to obtain the funds necessary to support academic programs and how these funds are spent (resource acquisition and allocation, budget development). They are responsible for building and maintaining the campus environment necessary for quality teaching and research (capital facilities). They are held accountable for the integrity

of the institution (financial audits, compliance with state and federal regulations). And they must manage the university's relationships with its multiple stakeholders (public relations, government relations, and marketing).

In addition to the ongoing academic and administrative decisions necessary to keep the university moving ahead, there are always unforeseen events that require immediate attention and rapid decision making. For example, when student activism explodes on the campus, an athletic violation is uncovered, or the university is attacked by politicians or the media, crisis management becomes critical. While the handling of such matters requires the time and attention of many senior university administrators (from deans to executive officers and governing boards), crisis management frequently becomes the responsibility of the university president. At any meeting of university presidents, the frequent disruption of pagers and cell phones provides evidence of just how tightly contemporary university leaders are coupled to the issues of the day.

Although many university presidents focus most of their effort on external activities (e.g., political lobbying or private fund-raising) and tend to delegate many of their management responsibilities, they will eventually be held accountable by the faculty, the governing board, and the public for the efficient operation and integrity of their institution. Hence, although delegation of executive authority and responsibility to competent professional staff and other academic leaders is clearly necessary, so, too, are sufficient administrative experience and management skills to know where a president's attention is required, as well as the people skills to identify, recruit, and lead talented administrators.

Like other complex organizations in business or government, the university requires a high quality of professional management and administration in such areas as finance, legal affairs, physical plant maintenance, and information technology. Universities of long ago were treated by our society—and its various government bodies—as largely well-intentioned and benign stewards of truth, justice, and the American way. Today, we find that the university faces the same pressures, standards, and demands for accountability characterizing any billion-dollar public corporation.

THE EXECUTIVE OFFICER TEAM

One of the great myths concerning higher education in America—and one that is particularly appealing to faculty members, trustees, and legislators alike—is that university administrations are bloated and excessive. In reality, most universities have quite lean management structures, inherited from earlier times when academic life was much simpler and institutions were far smaller. Typically, the number of administrative positions (and executive officers) in a university is only a small fraction of the number of senior administrators found in corporations or government agencies of comparable size. Furthermore, in contrast to corporations or government agencies, universities have quite shallow organizational structures. For example, there are typically only five organizational levels in the academic ranks (president, provost, dean, department chair, and faculty member), leading to an exceptionally broad, horizontal organizational structure at the senior level.

The direct line reports of the university president are comprised of the executive officers of the university, with such titles as vice president or vice-chancellor in various functional areas—for example, academic affairs, research, student affairs, business and finance, fundraising, and government relations. The success or failure of the university president depends on the quality of the people appointed to these positions. Hence, one of the most important responsibilities of the president is recruiting, building, and leading a quality team of executive officers.

Surprisingly, for one of the nation's largest and most complex universities in the world, the University of Michigan has a very small central administration. During my tenure we operated with a very lean team of executive officers, with only six vice presidents, plus two chancellors for the Dearborn and Flint campuses. Although this has increased modestly in recent years, it remains only one-half to one-third the number of executive officers at most other universities. Such a lean administration could only succeed with outstanding people, hence a premium is placed on developing or recruiting the very best people into these key positions. Their success requires, in turn, recruiting outstanding senior staff in each of their organizations, a stress on quality that tends to propagate throughout the institution.

At Michigan, the two key executive positions are the provost (and vice president for academic affairs) and the chief financial officer (and vice president for business and finance). Much as in corporate organization, the president, provost, and vice president for business and finance represent the executive leadership core of chief executive officer (CEO), chief operating officer (COO), and chief financial officer (CFO). In 1992, I added the modifier *executive* to the titles of both the provost and the vice president and CFO, to distinguish their line-reporting responsibilities for all academic and administrative units of the university, including the regional campuses in Dearborn and Flint. Other vice presidents—such as those for research, student affairs, development, and government relations—generally had staff roles, although some had large administrative units reporting to them (e.g., student housing and research administration).

Next to the president, the provost (or chief academic officer) is the most important leader in the university. In effect, the provost is the chief operating officer of the university, with the line-reporting responsibility for all of the academic units of the university: schools and colleges through their deans; centers and institutes through their directors; and a host of academic service units, such as admissions and financial aid. The provost also serves as second in command and backup to the president and is usually tapped as acting president when the president is on leave or absent for an extended period.

Clearly, the position of the provost at a major university is daunting, as suggested by the formal definition used for the role at Michigan: “The provost is the intellectual and scholarly leader of the university, with ultimate responsibility for all academic programs, operations, initiatives, and budgets.” To clearly establish the priority of the academic mission of the institution, the Michigan provost also functions as the chief budget officer, preparing the budget that determines the detailed allocation of resources throughout the university and thereby integrating the academic and budget functions and priorities. Furthermore, the provost is given veto power over all other executive officers (with the exception of the president, of course) on issues that have implications for the academic activities of the university. This includes, for example, capital facilities, research priorities, student affairs, the priorities in university fund-raising, those aspects

of the Medical Center that have impact on academic programs, and even intercollegiate athletics, particularly in such areas as student admission and eligibility. Not surprisingly, the Office of the Provost is characterized by a very flat organization, with reporting lines for 18 deans; four associate vice presidents; numerous directors of academic service units, such as admissions and financial aid; and sundry interdisciplinary research centers and institutes.

Perhaps because of its vast size and complexity, Michigan has usually selected insiders as provosts. Hence, it is logical that the relationship between provost and president is frequently an inside/outside division of roles. Most often, the provost serves as chief operating officer, managing the internal affairs of the institution, while the president serves as CEO and “chairman of the board,” managing the university’s external relationships (actions involving state and federal government, fund-raising, public relations, intercollegiate athletics) and its sensitive relationships with the governing board (which could be extraordinarily time-consuming with a politically elected body).

The unusual responsibility and authority of Michigan’s provost position and the quality of the academic leaders who have served in this role give it high visibility and influence on the national scene. However, it also identifies the position as an important source of university leadership, as evidenced by the number of Michigan provosts who have gone on to university presidencies. Yet the turnover in the position can be a considerable challenge to the president.¹

The relationship between the provost and the president is a very critical one. Early in my faculty days at Michigan, I had the privilege of chairing the faculty advisory committee to two provosts, Frank Rhodes and Harold Shapiro, who later went on to become distinguished university presidents. As a dean, I reported to yet another exceptionally able provost, Billy Frye, who would later become chancellor at Emory University. During my own brief stint as provost, I worked closely with Harold Shapiro as president. Hence, I had the opportunity to experience or observe a variety of different relationships between presidents and provosts.

My relationship with Chuck Vest, the first provost to serve Michigan after I was appointed president, worked very well. Although we had common academic experiences, we had quite different styles,

which were well adapted to the approach of “good cop, bad cop” (i.e., Chuck and me). We had worked closely together in the College of Engineering and continued this relationship into the central administration. Chuck knew well my strengths and weaknesses, as did I his. Hence, we both knew when to leave one another well enough alone and when backup was advisable.

Unfortunately, Chuck remained in the provost role for only 18 months before he was approached by MIT about their presidency. Although he was very concerned about leaving after such a brief stint as provost, we both viewed the MIT offer as a call to national service that left him little choice but to accept. I reconvened the provost search committee and asked its members whether we should start a new search from scratch or just reevaluate their earlier candidate list. They rapidly converged on a recommendation for Gil Whitaker, dean of Michigan’s School of Business and a very skillful administrator, who was instrumental in completing Michigan’s journey to becoming a privately financed public university. My relationship with Gil was more complex than my relationship with Chuck. Gil and I could be characterized as more of a peer-to-peer team, since we had once served together as deans of major schools, spending most of our earlier careers at Michigan in a more competitive relationship.

Just prior to my last year as president, Gil Whitaker stepped down as provost, and a new search was launched. However, since my decision to return to the faculty happened during this search, I decided to name one of our deans as an interim provost during my lame-duck year, so that my successor could have the opportunity to select his or her own provost. In discussions with the deans, there was unanimous support expressed for Bernie Machen, then dean of the dental school, for this interim role. He continued in this interim role for another year, serving under interim president Homer Neal and then briefly with Lee Bollinger before accepting the presidency of the University of Utah (and later the University of Florida).

The third member of the executive leadership core at Michigan and many other institutions is the chief financial officer, with responsibility for the financial, capital, and human resource assets of the university as well as its financial integrity. Needless to say, in an institution with billions of dollars of assets, hundreds of major facilities, tens

of thousands of employees, and mission-critical obligations (e.g., health care), the position of vice president and chief financial officer (VPCFO) requires quite exceptional skills and experience. Michigan has been fortunate in attracting several extraordinarily talented individuals into this position: Wilbur Pierpont, James Brinkerhoff, and Farris Womack, viewed by many as among the finest VPCFOs in the nation during the last half of the twentieth century. I was particularly fortunate to have as my VPCFO Farris Womack, who brought great experience gained through similar service at the University of Arkansas and the University of North Carolina. He also brought great integrity and a thorough understanding not only of financial and business operations but also of the politics surrounding public universities.

There are many models of presidential leadership of an executive officer team. Some presidents prefer to act essentially as a judge, asking each executive officer to bring a recommendation on a particular issue and then selecting one of these options. Other presidents prefer to deal with the executive officers as a team, posing an issue to the group and asking them to thrash out the options until they reach agreement on a preferred direction. Still other presidents prefer a more authoritarian approach (much like a football coach), giving specific assignments to each member of the team within their narrowly defined range of responsibilities.

Some university presidents tend to stress loyalty or subservience in their appointments. Others prefer to surround themselves with the best people they can find, recognizing that their own success—indeed, their survival—will depend on the talents of their executive officer team. This latter approach was certainly my belief and practice, since I realized that in an institution as complex as Michigan, only the very best people could provide the leadership necessary. Fortunately, my executive officers rarely hesitated to say what they thought, even if they knew it was not what I wanted to hear. Furthermore, if I was wrong, they were encouraged to tell me so in no uncertain terms. Fortunately, my ego could tolerate criticism, and I was quite willing to change directions when a better idea was put forward.²

A strong team of executive officers fills the important role of plac-

ing checks and balances on the president. The unforgiving environment of the president as chief executive officer, particularly in a public institution, demands great rigor in assessing the appropriateness of all decisions, including their compliance with various university and public policies. Presidential decisions must be vetted with such important bodies as the governing board, with disclosure and transparency issues, and with an array of political considerations as seen by various constituencies both on and off the campus. Since no president can (or should) rely strictly on his or her own judgment across such a broad array of issues, the executive officers—particularly the team of provost, VPCFO, and general counsel—play an absolutely critical role in checking and challenging possible presidential decisions. In large part because of the demanding sense of rigor and integrity of Farris Womack as my VPCFO, all aspects of my presidential decisions and activities were given particular scrutiny, including thorough audits of all compensation issues, travel activities, and presidential expenses.

It was sometimes quite a challenge to hold together such a group of strong personalities. Teamwork was essential, but it was also sometimes a challenge when strongly held and differing views existed. While presidents are well advised to appoint strong and capable executive officers and work to mold them into a team, it is also essential to establish firm ground rules that while disagreements and debates on complex university issues and policies are both encouraged and tolerated, these should be kept “within the family.” Once the executive officer team (or, in some cases, the president) has reached a decision, it is essential to present a united front beyond the executive conference room. Efforts by an executive officer to carry disagreement to members of the university community or perhaps even the governing board should be discouraged in the strongest possible terms, since this amounts, in effect, to mutiny. Executive officers who feel so strongly about an issue that they would betray the trust and confidence of their colleagues should seriously consider resignation—rather than revolution—as the principled course.

At Michigan, there has been a long-standing practice of balancing internal versus external appointments to senior administrative positions, typically at a fifty-fifty percentage level, in an effort to preserve

institutional memory and momentum while bringing new ideas and energy. Yet, perhaps because of the complexity of the university, it is frequently the case that outsiders have difficulty in understanding the institution (or its institutional saga) well enough to be effective leaders. While these external candidates may be capable, their institution-hopping careers can undermine both their ability to understand the culture and traditions of the university and the perception of their loyalty to their new institution.

One of the most difficult tasks of a university president is to evaluate the performance of the administrative team (both executive officers and deans) and make changes when necessary. Here, particular caution must be taken at the outset of a new presidency. All too often, governing boards and new presidents adopt the philosophy of a changing political administration, sweeping through the layers of leadership of the institution and replacing many long-serving and experienced administrators. While such administrative housecleaning is understandable in the political environment of state or federal governments, which are sustained by an experienced and immovable civil service, it can lead to absolute disaster in universities heavily dependent on loyal and experienced staff to balance the administrative inexperience and naïveté of academic administrators. Yet it is also the case that the longer a president is in office, the more difficult personnel changes can become. In part, this arises because of the personal relationships that executive officers and deans develop with important constituencies within or beyond the university—for example, key faculty, governing board members, and alumni.

As with any chief executive officer, the staffing of the personal activities of a university president is important. Beyond a skilled executive secretary capable of handling the myriad calendar events and personal contacts, university presidents require talented staff to handle relations with multiple constituencies, including faculty, trustees, donors, politicians, and numerous VIP visitors to the campus. So, too, the personal appearances required of the presidency require speech writing and advance preparations. Since the office of the president is ground zero for inquiries and official communications of the university, it must be managed with an exceptionally high degree of accuracy and integrity. Mistakes (e.g., in written correspondence or

notes) that might be tolerated elsewhere in the university can lead to disaster for a president. Hence, both the quality of secretarial staff and the rigorous oversight of office activities become essential.

Of course, there is considerable variation in how university presidents handle their personal staffing. In some elite private universities, presidents are able to function with a very small personal staff consisting of an executive secretary—usually of superb quality—supported by a receptionist and perhaps several correspondence and appointment secretaries. However, in larger public universities, the multiple constituencies of the university generally require a larger staff, more typical of a senior public official, such as a governor or senator. For most presidents, the level of support they require is more akin to a political figure than a corporate CEO, since their most sensitive relationships tend to be with peer constituencies—such as faculty, donors, government officials, or trustees—rather than with internal subordinates.

Some presidents staff this public role to the extreme, with specialized teams to handle calendar management, speech writing, advance logistics, travel arrangements, and intercollegiate athletics (a world unto itself). One of my colleagues had a large staff that knew in advance every person that would be in a meeting with the president; staff members would quietly whisper the names of each person approaching the president and would make certain that the speaking podium was located so that the president's best side would always face the cameras. Other presidents demand sophisticated travel arrangements, requiring that they always be met at a destination by a staff member with transportation to whisk them away to a scheduled appointment.

Part of the challenge of staffing the presidency involves the constituencies with whom they interact. For example, staff trained in handling donors or politicians are usually ill suited to managing relationships with faculty. So, too, it is difficult to find executive secretaries with the skills and tact to field phone calls from irate faculty one minute and inquisitive reporters the next, then perhaps a governor or senator, followed by a particularly insistent trustee. Hence, hiring intelligent, talented, and sensitive staff of the highest quality is key in providing adequate support to the president.

This raises another challenge, since the more talented the staff member is, the more he or she tends to acquire—and deserve—his or her own independent agenda and responsibilities beyond those of simply supporting the day-to-day needs of the president. All too often, a president soon finds that personal staffing erodes, leaving the president with a growing load of personal speech writing, meeting planning, and donor and public relations activities. This is particularly true if the president tends to rely on more senior administrators (e.g., the director of development or government relations) to handle the president's personal support. Many was the time I would arrive at a gathering and be left to fend for myself while staff huddled in the corner chatting among themselves. The reality is that despite the best of intentions, the more senior the staff member is, the less likely he or she is to set the personal support of the president as the highest priority.

GO DOWNTOWN AND GET THE MONEY

Like other enterprises in our society, the operation of a university requires the acquisition of adequate resources to support its activities. This is a complex task for academic institutions, because of both the wide array of their activities and the great diversity of the constituencies they serve. The not-for-profit culture of the university, whether public or private, requires a different approach to the development of a business plan than one would find in business or commerce.

The university president, as CEO, has the lead responsibility in attracting the funds required by the institution, from state and federal government, donors, student fees, hospital revenues—whatever it takes. Harold Shapiro captured this well by noting a quote from an early issue of *Harpers Weekly*: “A university president is supposed to go downtown and get the money. He is not supposed to have ideas on public affairs; that is what trustees are for. He is not supposed to have ideas on education; that is what the faculty is for. He is supposed to go downtown and get the money.”³

Of course, much of a president's time is spent as a salesperson, persuading state government to provide adequate appropriations or encouraging donors to make gifts to the university. The president is also the leader of an entrepreneurial organization of faculty seeking

research grants and contracts from federal and industrial sponsors or marketing the clinical services of the university medical center or the entertainment value of athletic programs. Although the provost generally determines the required level of student tuition and fees, it is the president's responsibility to sell this recommendation to the governing board.

In times of budget constraints, presidents may play a key role in demanding cost-containment efforts or resource reallocation. Many of the executive decisions made by presidents and their executive officer team involve difficult financial issues, such as where to take budget cuts to meet revenue shortfalls, including the possible discontinuance of academic or administrative units. This is a particular challenge since the budget culture on most campuses begins with the assumption that all current activities are both worthwhile and necessary and that it is the responsibility of the administration to generate the revenue not only to sustain but to grow these activities. Beyond that, since there are always an array of worthwhile proposals for expanding ongoing activities or launching new activities, the university always seeks additional resources. The possibility of reallocating resources away from ongoing activities to fund new endeavors, "innovation by substitution," is an alien concept on many campuses. Strategies from the business world aimed at cutting costs and increasing productivity also tend to bounce off academic institutions.

Finally, the president has the same fiduciary responsibilities as the governing board. In the end, the president is responsible for the financial integrity of the institution, not simply for assuring that revenues balance expenditures, but for justifying each expenditure as appropriate, necessary, and cost effective. Increasingly, university presidents are finding, just as have corporate CEOs, that a rigorous audit process (e.g., internal and external auditors and a competent audit committee from the governing board) is essential in these times of stringent public and private accountability. For public universities, the issues of accountability and transparency become extremely important, particularly in such areas as compensation.⁴

While not as devastating as during the years of my predecessor, the financial challenges faced by the University of Michigan during my presidency were considerable. The state support of the university con-

tinued to erode during the late 1980s and early 1990s, dropping to less than 10 percent of the university's total operating budget and less than 20 percent of its academic budget by 1996. As I was fond of saying (and being quoted), during the last half of the twentieth century, the University of Michigan was forced to evolve from "state-supported" to "state-assisted" to "state-related" to what might only be characterized as "state-located." One of my colleagues went even further by suggesting that the University of Michigan became only a "state-molested" university, referring to the abuse it sometimes received from opportunistic state politicians.

My leadership team continued a three-tiered strategy developed during the Shapiro years: (1) effective cost containment, (2) decentralized management of resources, and (3) aggressive development of alternative revenue sources. Following the recommendations of a major task force on costs chaired by then dean of business administration Gil Whitaker, Michigan implemented an institution-wide total quality management program that empowered staff and faculty at all levels to seek ways to enhance the quality of their activities while constraining costs. The university moved toward more realistic pricing of both internal and external services (e.g., facilities maintenance, tuition and fees, research overhead). In the early 1990s, it completed the decentralization of both resource and cost management to the unit level, through a budgeting system similar to that used in many private universities.

As evidence of the effectiveness of these efforts, by the mid-1990s, peer comparisons ranked the University of Michigan's administrative costs (as a percentage of total expenditures) third lowest among major research universities. Yet another sign of Michigan's efficient use of resources was that while essentially all of the university's programs were ranked among the top 10 nationally in academic quality, Michigan ranked roughly fortieth in terms of expenditures per student or faculty member. Put another way, it was able to provide an education comparable to the quality of the most distinguished private institutions at typically one-third the cost.

An important element of the Michigan strategy involved far more aggressive management of the assets of the university—its financial assets; its capital facilities; and, of course, its most valuable assets, its

people. Michigan's chief financial officer Farris Womack moved rapidly in the late 1980s to put into place a sophisticated program to manage the investments of the university. He built a strong internal investment management team augmented by knowledgeable external advisors, including several university alumni. Particular attention was focused on the university endowment, which amounted to only \$250 million in 1988, small by peer standards and quite conservatively managed. Through Womack's aggressive investment management, coupled with a highly successful fund-raising effort, the university increased its endowment to over \$2.5 billion by 1996—a truly remarkable growth of tenfold. As the university continued to harvest from Womack's investments, the endowment rose to over \$7 billion in 2006. During the 1990s, Michigan consistently ranked among the national leaders in endowment earnings. Similar attention was focused on the management of the university's financial reserves, such as operating capital and short-term funds. By establishing the concept of a centralized bank, Womack was able to bring under sophisticated investment management more than \$2 billion of additional funds associated with the various operating units of the university.

The university also took steps to price its services more realistically. Although the university had long charged tuition at the level of private universities to out-of-state students (acknowledging a state policy that dictated that state tax dollars could be used only for the support of Michigan residents), in-state tuition had been kept at only token levels throughout the 1960s and 1970s. However, as state support declined, it became clear that the eroding state subsidy of the cost of education for Michigan residents no longer justified these low tuitions. Throughout the 1980s, the university began to raise in-state tuitions to more realistic levels, although this frequently triggered political attacks from both state government and the media. By the mid-1990s, student tuition revenue had been increased to over \$500 million (rising to over \$700 million by 2006), far exceeding the university's annual state appropriation of \$300 million. Throughout this period of tuition restructuring, Michigan was able to increase the financial aid awarded to students, so that it could sustain its policy that no in-state student would be denied a Michigan education for lack of economic means.

The financial strength of the university also benefited from the remarkable success of its faculty in attracting research grants and contracts from both the federal government and industry. These grants and contracts were rewarded with strong incentives and were supported by effective Washington relations efforts. As I noted earlier, Michigan rose to a position of national leadership by measure of its research activity, and by 1996, its sponsored research support was over \$500 million per year—substantially larger than its state support.

Michigan was one of the first public universities to recognize the importance of private fund-raising, with the \$55 million campaign of the 1960s and the \$180 million campaign of the 1980s. However, as the prospects for state support became dimmer, it became clear that private support would extend beyond providing simply the margin of excellence for the university's academic programs, to include increasingly providing their base operating funds as well. Early in my administration, we set a very aggressive goal to build private support (as measured by the combination of gifts received and income distributed from endowment) to a level comparable to state support by the year 2000.⁵ To this end, Michigan launched the largest fund-raising campaign in the history of public higher education, by setting as a goal the raising of \$1 billion by mid-1997. The fund-raising effort was extraordinarily successful and ended up raising more than \$1.4 billion, boosting total annual private support, including endowment distribution, to over \$350 million per year by the end of the decade.

Yet here I would offer a word of caution about the role of the president in fund-raising activities. In an era of what seem like ever-increasing costs and ever-declining public support, private giving is clearly important. Furthermore, the president must play a key role both in the symbolic leadership of fund-raising campaigns and in making “the ask” and closing the deal for major gifts. Yet this effort has to be kept in perspective, since private giving typically represents less than 10 percent of the revenue base of a major university, such as Michigan. Put another way, I viewed my financial challenge as president to help raise the roughly \$3 billion each year it cost to run the university. Hence, while soliciting gifts was important, so was making the case for adequate state support, lobbying Washington for federal research grants, making the case to our regents for adequate tuition

levels, investing our assets wisely, and developing business plans for various auxiliary activities (e.g., the University Hospital and intercollegiate athletics). Hence, while fund-raising is certainly important, presidents should carefully budget their personal efforts to reflect realistically the balance of revenue sources.

Of course, one way to enhance the security of a presidency is to launch a multiyear fund-raising campaign, since it is hard to dislodge a sitting president while a campaign is under way. Furthermore, a campaign can be used to shift attention from more controversial issues that threaten a presidency to an activity that benefits the institution while building a constituency of wealthy fund-raising volunteers to support the president. Perhaps this is not an adequate justification in and of itself for launching a megacampaign, but threatened presidents certainly occasionally use this practice.

Yet another comment on fund-raising strategies seems appropriate here. There is a disturbing tendency, particularly in institutions rather new to the fund-raising game, to sell the naming rights for almost anything in the university. At Michigan, we found that our policy of requiring at least a 50 percent contribution for donor naming of a facility was frequently circumvented by ambitious fund-raisers (or demanding donors). Even more unfortunate was the tendency of aggressive deans to sell naming rights within their schools—perhaps even the name of the school itself—for gifts that were far too modest. Here, it is important for presidents to recognize that naming university assets—and particularly academic programs—can lead one down a slippery slope to selling the heritage and perhaps even the reputation of their institution.

A combined strategy of effective cost containment, sophisticated asset management, and alternative resource development provided the University of Michigan with extraordinary financial strength, despite continued deterioration in state support. As one measure of this financial integrity, in 1997, Michigan became the first public university in history (along with the University of Texas) to have Wall Street raise its credit rating to the highest level (Aaa), making it comparable to the wealthiest private universities. Perhaps a better way to describe the University of Michigan's financial status was to characterize it as a privately financed public university, supported by a broad

array of constituencies at the national—indeed, international—level, albeit with a strong mission focused on state needs. Just as a private university, Michigan was now earning the majority of its support in the competitive marketplace (i.e., via tuition, research grants, and gifts). It was allocating and managing its resources much as private universities.

In retrospect, I would identify several key philosophical elements in our financial strategy. First was an extremely conservative approach to budgeting and financial management, drawing much of its impetus from Harold Shapiro's leadership during the difficult days of the early 1980s. The school of hard knocks taught us to be extremely conservative in estimating revenues, whether from state appropriations, student tuition, federal research support, or private giving. This conservatism was also evident in our determination to rebuild the reserve funds of the university. To be sure, we were not afraid to place very big bets when the right opportunity arose. For example, in 1980, during a particularly difficult financial time for the university, Harold Shapiro bet the ranch on launching the \$300 million Replacement Hospital Project, then one of the largest public construction projects in the history of the state of Michigan. Aided by the university's exceptionally high credit rating, we placed similar bets in launching a massive renovation of key academic facilities at a time when interest rates were at an all-time low. We tempered these financial risks by always insisting that they be in areas of the university's established strength, betting on our best people in our strongest programs.

Second, we were determined to focus resources (and cuts) rather than spread them across the board. Shapiro's "smaller but better" philosophy was continued during my administration, with a determination to sacrifice breadth and capacity, when necessary, in an effort to sustain and enhance quality. This was accompanied by an "innovation through substitution" philosophy that funded the new through reallocation from the old.

Third, we made a conscious decision to involve the entire university community in key financial decisions. These included resource allocation, where to take budget cuts, and priorities in new revenue strategies, such as our \$1.4 billion fund-raising campaign. We believed that only through broad participation would we achieve sup-

port for the difficult decisions that would be required to focus resources on key university priorities.

Finally, we understood that leadership was most effective when it could demonstrate directly a commitment to cost containment and financial priorities at the level of the central administration. The most significant financial impact arose from our conservative budgeting approach and our unusually lean administration. But we also believed it important to demonstrate restraint and frugality in more visible areas, such as university events (fund-raising events, commencements, regents' activities) and facilities (particularly the President's House).

The lessons from the Michigan experience seem clear: the financial challenges to higher education will likely compel most universities to restructure their financial activities, from resource acquisition and allocation to financial and asset management to cost containment. More specifically, our experience from the 1980s and 1990s suggests that universities need to explore financial models that strive to build far more diversified funding portfolios. In particular, public universities need to become less dependent on state appropriations (and more independent from state regulation). Through endowment, they need to build the reserve capacity to provide resilience against the inevitable ebb and flow of public support. The allocation and management of resources, the containment of costs, and the adoption of efficiency measures from business (e.g., systems reengineering and Total Quality Management) can be important strategies, provided they are suitably aligned with the values and culture of academic communities. Most important, all universities, public and private, must become more entrepreneurial and strategic, achieving a more flexible resource base and adopting management methods that will allow them to thrive despite the vicissitudes of the economic cycle. Clearly, the president's leadership in such financial restructuring is absolutely essential.

BRICKS AND MORTAR

While outstanding faculty, students, and staff are the key assets of a great university, the quality of facilities clearly influences the ability both to recruit outstanding people and to support their efforts to

achieve excellence. Winston Churchill once stated: “We shape our buildings. Thereafter, they shape us.”⁶ Maintaining and enhancing the quality of the campus, buildings, grounds, and other infrastructure is a major priority of the university and must be a responsibility of the president. In most cases, the need for facilities and other campus improvements bubble up from the various programs of the university, then the president takes the lead in acquiring the resources necessary to support these projects. Although the needs of academic units should take precedence in capital improvements, any visit to a university campus will soon reveal that much of the activity exists in auxiliary units, such as the medical center, student housing, and intercollegiate athletics.

The majority of capital expansion at most universities these days occurs in their medical centers, driven by the need for renovation or growth in clinical facilities, the desire for additional research space in the life sciences, and the availability of substantial income from clinical activities. This is not surprising, considering that medical center budgets have typically increased at twice the rate of academic budgets throughout the past two decades (e.g., 10 percent per year for the medical center versus 5 percent per year for the rest of the university). The desire to increase clinical income drives the continual expansion of facilities, particularly in such lucrative areas as surgery and internal medicine, but also in satellite clinics designed to expand primary care activities that feed patients into university hospitals. Similarly, the extraordinary growth in federal support of biomedical research, now representing over 60 percent of all federal research and development on university campuses, has stimulated staggering investments in expensive new research facilities in the life sciences, such as molecular biology, genomics, proteomics, and biotechnology. There is a certain irony here: in contrast to pharmaceutical companies that tend to invest in “throwaway” research buildings because of the rapid obsolescence of research technology, universities prefer to hire expensive architects to design monumental facilities to last generations, even though these facilities will require several times their original capital costs for the renovations necessary to track technological changes.

In recent years, there has been a comparable level of capital expansion in athletic facilities. The wacko culture characterizing intercolle-

giate athletics presumes that the team that spends the most—or builds the most—wins the most. Hence, there has been a costly race to invest hundreds of millions of dollars in expanding football stadiums and basketball pavilions, specialized training facilities, academic counseling centers, plush offices for the ever-expanding athletic staff, and even museums designed to impress recruits and fans alike with past athletic accomplishments. While much of this investment (e.g., in bigger and better training facilities or the most expensive artificial turf fields) is driven by competitive forces, some of the largest investments (e.g., skyboxes for wealthy fans and corporate clients, sophisticated television systems, or on-campus stores for marketing sports paraphernalia) have been made as a marketing device. Most athletic departments tend to borrow the funds to build such facilities, depending on future revenue from ticket sales, television contracts, or licensing to cover the debt, although most of these loans are actually secured with a university pledge of income from student fees. The debt load on several of the major athletic programs is considerable, ranging into the hundreds of millions of dollars for many institutions and requiring that new revenue be generated through clever and occasionally even coercive mechanisms, such as seat taxes and skyboxes (ironically given a highly favorable, if somewhat perverse, tax treatment by the Internal Revenue Service).

Although the core activities of the university involve teaching and scholarship, capital investments in facilities for academic programs has lagged far behind investments in auxiliary activities, such as medical care and intercollegiate athletics. In part, this has to do with constraints on the funding sources available for academic facilities (e.g., state appropriations, private gifts, or debt financing based on student fees). But it is also due to the relative autonomy of most auxiliary units, portraying (at least in myth, if not in reality) their financial independence from the rest of the university. Most universities tend to be far more parsimonious when spending funds on new classroom or library space than when investing in major expansion of the football stadium or university hospital. As a result, the quality of academic space on many campuses, particularly in public universities, has deteriorated quite significantly during the hard economic times of the early 1980s, the early 1990s, and the early twenty-first century.

From this perspective, the rebuilding of the University of Michigan's academic campuses in the 1990s ranks as a remarkable accomplishment. During the decade from 1986 to 1996, the university completed over \$2 billion of major construction projects that provided essentially every academic program of the university with a physical environment of unprecedented quality. Several factors converged simultaneously to provide the university with a remarkable window of opportunity for rebuilding its campuses. First, falling interest rates, coupled with Michigan's high credit rating, made it quite inexpensive to borrow money. Second, because of a weak economy, there were few competing construction projects under way in the private sector, hence construction costs were quite low. Third, the university's success in auxiliary activities (including private support, clinical revenue, and fees for continuing education) was beginning to generate substantial revenue. Fourth, Michigan was able to convince a new governor to launch major state programs for capital facilities, with the understanding that the university would match the state effort through the use of its own funds.

There was also a substantial effort to improve the landscaping and appearance of the campus. Pride in place—on the part of students, faculty, and staff—is important in maintaining the quality of a campus. Once the quality of facilities begins to deteriorate, not only do people dread going to their working or learning environments, but they lose any sense of personal responsibility for maintaining the appearance of a campus. Students begin to trash the campus by tacking flyers everywhere and chalking sidewalks and buildings. Faculty and staff simply ignore the accumulating debris and graffiti. Each Sunday morning, my wife, Anne, and I would take a walk about the campus, pulling down posters, picking up trash, and noting where graffiti needed to be removed. But such efforts were simply fingers plugging the holes in the dike until the general quality of the campus was improved through the massive capital investments of the mid-1990s. A sense of pride in the campus was restored, and the campus community accepted a spirit of personal responsibility in keeping it in tip-top shape. The lessons learned from three decades of neglect should not be forgotten.

The role of the president in such projects was considerable, not so

much in determining priorities or architectural design, but in acquiring the resources and smoothing the approval process. However, some caution is also warranted here. Perhaps because of the “edifice complex” (the desire to see one’s impact on a campus or to leave monuments behind), many university presidents become obsessed with bricks-and-mortar projects. They retain “signature” architects as campus planners and commission them to make architectural statements on the campus. Unfortunately, this leads to disaster in many cases, since prominent architects frequently have little understanding of the culture of a campus or the facility needs of academic programs. Many ambitious projects come in at costs far higher than original estimates or result in buildings that are dysfunctional for their original intent. Furthermore, since the lifetime costs to operate buildings generally exceeds their original construction cost, far too many signature architectural projects become white elephants, placing a heavy burden on academic budgets, while meeting the original objectives in only a marginal fashion.

Although I had always had a strong personal interest in architecture (not only taking Vincent Scully’s famous course on modern architecture at Yale, but actually working for an architecture-engineering firm in the 1960s), I stayed far away from any direct involvement in architectural issues as president. Instead, I relied heavily on the chief financial officer and his experienced staff in our plant extension department, who worked closely with the provost, deans, and faculty in academic units to develop realistic program statements and then utilized competitive bidding processes and strong project management to make certain that capital projects moved ahead smoothly, remained within cost estimates, and met program objectives. As the CEO of an organization spending hundreds of millions of dollars per year on capital facilities, I was not about to inject amateur architectural interests or whims into major expenditures addressing critical needs of the campus.

CRISIS MANAGEMENT

One reason that university presidencies are so stressful is the role presidents play in responding to crisis. Each president has a particular

suite of skills and talents, but regardless of their particular strengths, all presidents are expected to play key leadership roles during times of emergency. I found that because of the size and complexity of the University of Michigan, such incidents were both frequent and almost always unpredictable, bubbling up out of the complexity of the institution and its multiple constituencies. I considered it essential to develop a strategy for handling such crises. Otherwise, my leadership team would have found ourselves continually in a reactive mode, responding to one crisis after another. Our strategic framework not only enabled us to respond to unanticipated challenges but also sometimes allowed us to transform a crisis into an opportunity that helped the university move toward an important objective. For example, the student activism over racial incidents on campus created both an awareness of racial inequity and a willingness to consider institutional change, which allowed us to launch the Michigan Mandate, our strategy for achieving campus diversity. The violations in the university's baseball program allowed the administration to put into place a far more effective audit mechanism and to strengthen the university's compliance with conference and NCAA rules. The political attacks launched by a new president at Michigan State University gave the University of Michigan the ammunition it needed to activate a powerful network of alumni and friends across the state.

Sometimes we were able to anticipate incidents. For example, we knew that as the NCAA Final Four approached, the local newspapers would try to spring on us a trumped-up attack concerning a presumed scandal in our athletic programs, only to follow several weeks later with a back-page retraction that there was little substance to the rumor. In a year when the labor contract was up for renegotiation with the union representing graduate teaching assistants, we could anticipate an unusual amount of student disruption of regents' meetings. Major confrontations with the government—such as a congressional witch hunt on perceived abuses of federal research contracts or tuition increases—would inevitably involve Michigan, as one of the most visible universities in the nation.

Many of the major initiatives of the university would attract unusual attention. For example, our diversity efforts (and the associated student activism) drew political activists, ranging from state legislators to presi-

dential candidates (e.g., Jesse Jackson) to conservative groups (e.g., the Center for Individual Rights). Our effort to negotiate steep discounts on computer purchases for our students riled local retailers, who sought to limit the practice by lobbying state government.

At the start of each academic year, several of us would meet to identify possible sources of crisis in the months ahead, develop possible strategies to head them off, and assign responsibility to a member of the executive officer team. Of course, many issues were one-day wonders that go with the territory (e.g., student protests or legislative thrashing) and did not merit any special action. Students would always pursue activities designed to upset their elders. There would always be politicians out to score points against the academy. Human character flaws, such as greed and dishonesty, were just as prevalent in a university community as they were in broader society. But some issues, such as racial unrest, could have lasting impact that could not only harm the university but distract the leadership from other important priorities. For these issues, some degree of anticipation and planning was desirable.

Fortunately, I had learned well from my predecessors two cardinal rules about dealing with such disruptions. First, from Robben Fleming I learned that while we should tolerate peaceful protest, including even an occasional takeover of an office, we had to draw the line when university functions (teaching, research, administrative operations) were seriously disrupted or when staff, faculty, or students were threatened. From Harold Shapiro I learned the importance both of never taking action in the face of a threat and of setting definite time limits (24 to 48 hours) after which we would proceed with arrest. While we always took great care to avoid harming protestors, we would also not shy away from arrest if we determined that the function or personnel of the university were threatened.

Yet it was still common to be taken completely by surprise on issues. One of the great thrills of leading the University of Michigan involved opening up the local newspaper and reading a sensationalized account of a university activity revealed only through the release of materials under the Freedom of Information Act (FOIA). There were two systemic problems here. First, the university was an extraordinarily complex enterprise, and it was about as unrealistic to expect

that the central administration would know about every detail of university activity as it would be to expect that the White House would know everything about the operations of the federal government. But even more difficult was the intrusive and insidious nature of the state of Michigan's FOIA, which both the media and others with an ax to grind used to go fishing into all aspects of university operations, looking for possible embarrassments. Clearly, any complex organization requires some degree of confidentiality in its operations, particularly when it comes to matters involving sensitive personnel or financial matters. Yet the blunt nature of the Michigan FOIA and its extension by the courts exposed all aspects of university operations to the prying eyes of the press.

Always being at ready condition—or DEFCON 3⁷—for potential crises can be both stressful and wearing. Further, to sustain both the loyalty and morale of staff, the president and other senior officers frequently had to take the heat for situations they knew all too well were the responsibility of others. This went with the territory, although to the great detriment of the university and the health and humor of the president.

THE CHALLENGES OF EXECUTIVE LEADERSHIP

Although the American university has become one of the most complex institutions in modern society—far more complex, for example, than most corporations or governments—its management and governance could best be described as “amateur.” Although competent professionals have usually been sought to manage key administrative areas (e.g., investments, finances, and facilities), the general leadership, management, and governance of the university has been the responsibility of either academics or lay board members. Many universities take great pride in the fact that they not only are led and managed by “true academics” with little professional experience but also are governed by lay boards with little business or educational experience.

Yet leadership and executive responsibilities frequently overlap. In these days of increasing legal, financial, and political accountability, universities appoint amateurs to campus leadership roles at their own

risk. Like other major institutions in our society, we must demand new levels of accountability of the university for the integrity of its financial operations, the quality of its services, and the stewardship of its resources. To keep their institutions moving ahead, presidents require some capacity for planning and priority setting, organizing and institution building, decision making and delegation. Perhaps most important of all, they need the ability to recruit and lead teams of talented administrators.

It is also important to seek individuals with some experience in managing large organizations with line responsibilities (e.g., hiring and firing people). Here, again, I believe it is foolhardy to ask someone with only modest leadership experience to move to the helm of a vast university with thousands of employees and with budgets in the hundreds of millions (or even billions) of dollars. Too much is at stake, including the welfare of thousands of faculty, staff, and students.

Finally, it is important for a university president to have had some direct experience—as an academic leader, a faculty member, or even as a student—with the quality to which the institution aspires. Setting the bar for program quality and recruiting talent are critical executive responsibilities of the president. It is difficult to lead—indeed, even to comprehend—an institution of a quality considerably above that of one's personal experience.

Occasionally, inexperienced or insecure governing boards will intentionally select weak leadership—that is, individuals who clearly do not have the experience or level of previous achievement that would qualify them for a major university presidency. Such individuals are sometimes viewed as far more controllable and nonthreatening to board members. But these presidents quickly become overwhelmed by the complexity of their roles and all too frequently follow the same pattern of insecurity, by selecting subordinates even less qualified than they are. As a result, some universities have had to contend with a cascade of incompetence, a kind of sequential Peter Principle in which inexperienced amateurs, in far over their heads, populate most of the administrative positions in an institution.

Even with adequate training and experience, the administration of the contemporary university faces many challenges. Most institutions lack serious financial planning—which is not surprising given that the

faculty usually resists any suggestion that academic units should develop a business plan. Universities are plagued by a serious incompatibility in the responsibility and authority assigned to those in administration. All too often, those charged with the responsibility for various activities simply are not provided with the authority to carry out these tasks. By the same token, many with relatively little responsibility have great ability to prevent decisive action. It is little wonder that the university administration is frequently unable and unwilling to tackle such major issues as the downsizing or elimination of obsolete programs to free up resources for new initiatives.

Patience is yet another important trait for executive leaders of universities. Campuses have their own leisurely timescales, driven by the time-honored processes of considered reflection and consensus that have long characterized the academy. Change in the university proceeds in slow, linear, incremental steps—improving, expanding, contracting, and reforming without altering its fundamental institutional mission, approach, or structure.

Another executive skill that applies almost exclusively to the president in contrast to other academic leaders and executive officers is the ability to relate to and guide a university governing board. All university presidents serve at the pleasure of governing boards. They are both hired and possibly fired by such boards, and they take key policy direction from this body. The ability to communicate with the board and to understand and to some degree shape its dynamics is important for a university president, just as it would be for a corporate CEO and a board of directors. Yet the lay character of the university governing board presents a particular challenge, since without guidance, governing boards can drift into areas where they are not only unable to fulfill their responsibilities but may actually damage their institution. Unless the president guides them on such issues, they will almost certainly founder.

The complexity of the university and the day-to-day pace of events (many of them unexpected) that require the attention of the president can become highly distracting. The ability of a president to see the forest for the trees, to look beyond the battles of the moment to the objectives that should be pursued for the long term, is a particularly important leadership trait. One of the great challenges of leading very

complex organizations is preventing the concerns of today from obscuring the opportunities for tomorrow. Although leaders must deal with moments of crisis, they must not allow these challenges of the moment to distract them from pursuing a longer-range vision for the future of their institution, whether it be a corporation, a public body, or a university.

As a scientist and engineer, I was rarely daunted by the complexities of executive leadership. Actually, management is just a form of problem solving, an activity for which engineers are well trained. All of the elements used to solve engineering problems fit the executive role quite well, including the ability to identify and define problems; to synthesize, verify, and evaluate solutions; and to present results. Perhaps even more significant was the fact that my training as a theoretical physicist gave me the ability to rapidly assess and extract the key elements of complex issues, focusing on the forest rather than the trees. I preferred to focus my attention on the big picture and to delegate the myriad details associated with university operations to others, unless they were tasks that only the president could address (e.g., negotiations with the governor or making the pitch to a key donor). To be sure, this tendency to focus on the fundamentals led to my frustration with the endless committee meetings and appointments that characterize the calendar of senior academic administrators. But in the end, this ability of the president to stay above the fray is essential to keep the university on course even as it is buffeted by strong economic, social, and political forces both on and off the campus.

Even so, I was not immune from the ever-present threat of being pecked to death by turkeys, as both time and attention were consumed by a host of issues that were of relatively minor importance to the long-term welfare of the university but that seemed of cosmic significance to one constituency or another. I used to classify these as the “p” issues, since they included such topics as parking, pay, the Plant Department, political correctness, and so on. I used to implore our faculty senate to focus on such strategic issues as the appropriate balance between undergraduate and professional education or the challenge of tenure to a faculty with increasingly diverse activities and situations (e.g., child or elder care, clinical care responsibilities). Yet, time after time, elected faculty governance would come back to the

“p” issues, once even assigning faculty members to roam around the university’s parking decks to see who was taking up faculty parking spaces.

So, too, university presidents grow weary of the court politics that usually surround positions of power (real or perceived). Leading a team of strong administrative officers inevitably involves smoothing out conflicts and occasionally even picking winners and losers. It is also the case that the best executive officers and deans are usually quite ambitious and seek further advancement, including perhaps even a university presidency (particularly at such an institution as Michigan). Knitting these leaders into a cohesive team where institutional priorities dominate personal agendas can sometimes be a challenge, requiring extensive face time in one-on-one meetings. This becomes even more difficult when a particular administrator either falls short of satisfactory performance or decides to go his or her own way, even to the point of disloyalty to the institution or the president. In such cases, the necessary personnel changes are sometimes made difficult because of the political or personal sensitivities of key faculty groups or even the governing board.⁸

Most university presidents have very limited powers to deal with such issues and responsibilities, from the most strategic to the most trivial. Too many governing board members become immersed in management details or focused on personal or special interest agendas. Faculties have become highly fragmented, comfortable in their narrow scholarly world, and demanding of excessive consultation before any decisions can be made. Both trustees and faculty alike are threatened by anyone who would challenge the status quo, leaving scattered throughout our institutions a large herd of sacred cows—obsolete programs, outdated practices, archaic policies—grazing on the seed corn of the future and defended by those determined to hang onto power and perquisites, even at the expense of the institution’s future. Public opinion is largely reactionary and, when manipulated by the media, can block even the most urgently needed change. It is little wonder that many university presidents sometimes conclude that the only way to get anything accomplished within the political environment of the university is by heeding the old adage “It is simpler to ask forgiveness than to seek permission.”