

conversations on leadership

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# Stepping Into the Breach

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*The Critical Role of Functional Leaders  
in U.S. Universities*

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The U.S. university is at an inflection point unlike anything it has experienced since its emergence at the beginning of the 20th century. The presidents of the largest universities oversee budgets that rival those of Fortune 1000 corporations and operations that can include medical centers, extensive real estate holdings, intellectual property portfolios, and athletic programs with lucrative television contracts and licensing deals.

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The increased size and influence of the contemporary university has brought a new set of challenges as well. The first is competition—and it is fierce. Universities operate within a rankings-based, rich-get-richer environment that fuels high levels of competition with other institutions in everything from winning research grants to constructing amenities-filled student centers. But even institutions at the top cannot be complacent. Universities just under the highest tier often are able to punch above their weight and compete with those of the first rank by carefully choosing where to commit their resources and reputation. And more universities now have the resources to make those investments: Ninety-two U.S. universities have endowments of more than \$1 billion<sup>1</sup>, granting these schools access to capital with favorable terms with which they can launch ambitious undertakings. The result is a highly dynamic environment that university presidents must navigate with skill.

An even greater challenge is the threat to the university's business model itself. Consider the current situation: A vast, resource-intensive institution provides a fixed menu of offerings requiring a large time commitment from passive consumers. On every level, this stands in opposition to the customer-centric, on-demand, customizable environments in which more and more of the transactions between individuals and institutions are taking place. The underlying gap between the structure of the university and the shifting expectations of students is an opportunity for the university to remake itself—or for third-party providers of online education to upend academia in the same way that media industries such as publishing, music and video have been disrupted. The for-profit company Coursera, for example, grew in its first two years from two courses and 111,000 students to 532 courses and 5.3 million students<sup>2</sup>.

University presidents must chart a path to transformation that works for their particular institution. They must architect this change against a backdrop of increasing financial pressure as public funding decreases, resistance to higher tuition grows and costs continue to rise.

## Deep-seated structural challenges

For all the resources universities have at their disposal, they are in many ways structurally unprepared for either these challenges or opportunities. Because teaching and research remain at the center of the university's mission, the presidents, provosts and deans who constitute the institution's top leadership are selected almost exclusively from the ranks of senior faculty, who, in turn, have advanced through their career based on research and other academic benchmarks. The competencies necessary to be an excellent scholar clearly have little overlap with what is necessary to lead a large, complex enterprise. Fortunately, there are academic leaders whose abilities span both worlds, but the fact is that this occurs more by happenstance than by any deliberate talent management strategy.

<sup>1</sup> [http://www.nacubo.org/Documents/EndowmentFiles/2014\\_Endowment\\_Market\\_Values\\_Revised.pdf](http://www.nacubo.org/Documents/EndowmentFiles/2014_Endowment_Market_Values_Revised.pdf)

<sup>2</sup> <http://blog.coursera.org/post/64907189712/a-triple-milestone-107-partners-532-courses-5-2>

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## A case in point

The Egon Zehnder Public and Social Sector Practice was asked by the recently appointed president of a major university to help identify and recruit a new CFO who would be one of three senior direct reports. The president specified that the successful candidate would be expected to be a source of fresh thinking for the university's business model while working collaboratively on challenging cost containment efforts already underway.

The search began with individual interviews with the university's senior leadership to gain a nuanced understanding of the university's current position, challenges and opportunities. A broad search strategy was developed that

aimed to surface potential candidates from inside and outside academia. A well-constructed and committed search committee engaged in vibrant discussions and partnered closely with the Egon Zehnder team throughout the process.

In the end, the search committee selected three finalists for the president's consideration: one who had made the leap from a successful private sector CFO career to academia; a second who had private sector and government experience, along with a Ph.D.; and a private sector alumnus who was CFO at a company and had successfully seized opportunities during the disruption of its industry.

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Further structural difficulty comes from the fact that while universities are hierarchical organizations in theory, in practice authority and influence usually are broadly dispersed among individual school deans and the central administration. The board of trustees, the athletic department, and key alumni and donors represent additional power bases. The number of constituencies that need to be included in decision making can give even strong universities the feel of a coalition government held together by extensive and ongoing consensus building.

## New demands on the functional leader

The fracturing of influence within the university, combined with a culture oriented towards incremental change, does not naturally lead to the strategic thinking and capacity for making hard choices that are called for when facing disruption. As a result, even if a university's provost or deans own the overall academic strategy, the functional leaders—those filling chief operating officer, chief financial officer (CFO), general counsel, chief information officer, head of facilities, head of human resources and similar senior positions—hold outsized responsibility and influence for framing the discussion and guiding the university's president, provost and deans toward the creation and implementation of a sustainable strategy to accomplish this vision.

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Forward-thinking institutions understand this and have sought to top-grade their functional leadership roles. In our work with boards of trustees and presidents of major research universities, we have identified four attributes as necessary for being the caliber of functional leader in demand today:

***Strategic visionary.*** The successful candidate must have the breadth of experience, open-mindedness and strategic insight necessary to help the president wrestle with current challenges, as well as envision those that have not yet materialized. Creative, lateral thinking and curiosity are critical traits, as is the ability to make decisions in uncertainty and lead focused action.

***Diplomat and influencer.*** When a consensus for change finally does materialize, it can often be difficult to sustain when the broad vision everyone supports in theory gets translated into specific resource allocations with winners and losers. The functional leader must hold the various groups together, working across a wide range of constituencies and brokering compromises when necessary. The ability to do so is critical for the continued credibility of change-driven initiatives.

***Culturally sensitive change agent.*** Because the functional leader is both part of the university community and of a larger network of other functional leaders across industries, he or she is ideally positioned to import best practices from outside the university. But the university community will unambiguously reject innovations that are not also seen to be in line with the institution's culture. The functional leader must be able to synthesize a range of possible solutions, adapt them to the university, assure buy-in, and provide the necessary education and support for the changes to take hold.

***Team builder.*** “Because so much of functional leadership goes beyond mere domain expertise, every successful functional leader needs to be supported by a strong team that extends several layers below his or her direct reports,” observes Dan Shore, who spent six years as Harvard's CFO. “To be able to leverage—and retain—that team, the functional leader must be able to mentor and develop them.”

Viewing candidates with these requirements in mind helps to identify those few with the strategic qualities that allow them to fully inhabit a functional leadership role. Often though, those who meet these requirements are in short supply. Finding, attracting and ultimately selecting top-tier candidates thus depends on three factors:

***A clear mandate from the top.*** Everyone involved in the search needs to be clear that what is required is not mere functional leadership, but strategic leadership. The successful candidate will be asked to help reach and implement what, at times, will be unpopular decisions, and he or she needs to know there will be support from the board of trustees and president in doing so.

***A broad (but discerning) search strategy.*** Because the career of most functional leaders has unfolded primarily within the university (or the nonprofit world generally), the search strategy must cast a wider net to include candidates with experience from outside academia, but who still have the values and sensibilities that would make them a good fit with university culture.

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***A search committee designed for the task.*** The functional leader is expected to grapple with high-level strategic issues, and the search committee should reflect that, with a strong chair and members drawn from both academia and the private sector who can bring a range of perspectives to the evaluation of candidates.

Academia will gain from enriching its leadership ranks with strategic functional executives. They can augment the strategic abilities of those in charge of the academic mission—presidents, provosts, deans and professors—with the experience they bring from other industries, thus rounding out a balanced and complete leadership team that can more effectively navigate institutions through the industry-wide disruptions they are facing.

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