

ACADEMIA

SHAKING UP OXFORD

Businessman
John Hood plans to
reinvent the university.
And the dons are
fighting back.

BY STANLEY REED





VICE-CHANCELLOR
Hood brings New Zealand fresh air to medieval cloisters

DARKNESS IS FALLING ON the stone buildings of New College, which despite its name is one of Oxford University's oldest institutions. The ethereal voices of the boys' choir, warming up in Latin for evensong, waft into the quadrangle, while in his comfortably cluttered rooms David Palfreyman, the college's bursar, pours gin-and-tonics. Palfreyman, who has published a series of books on university management, is one of many at Oxford on edge about some of the changes proposed by John Hood, the New Zealand-born vice-chancellor or chief executive. "Maybe we didn't do a good job of recruiting," Palfreyman muses about Hood. "Or we let him fall into bad company once he got here."

The object of Palfreyman's disquiet works in a plain office in the drab 1960s-style administration building. In an interview, the soft-spoken Hood shows flashes of the steely determination that made Oxford's search committee decide to hire him to give the place a top-to-bottom management overhaul. But Hood also seems humbled by the buffeting he has received from dons opposed to his plan. "I am here as the servant of the scholars," he says. "One has no power or authority in this job. One has only the power of persuasion."

Hood, 53, has a record of being persuasive. He had a long career in the top echelons of Fletcher Challenge Corp., one of New Zealand's biggest companies, before he left the business life to run the University of Auckland. "He did a near-miraculous job at Auckland," says a member of the search committee. In 5½ years, Hood turned around a conflict-ridden university, pushed for a new business school, and laid the groundwork for \$500 million in investment in new facilities.

At Oxford, Hood has conceived a bold strategy to give the venerable institution the best shot at improving its standing in the globalized academic big leagues. Oxford no longer competes with Cambridge alone: It's pitted against such U.S. universities as Yale, Harvard, and Stanford for the best teaching talent and students. So Hood wants to boost the institution's

\$5 billion endowment and renew the dated infrastructure. Perhaps hardest of all, he wants to modernize the university's archaic governance, a step Hood considers essential if he is to convince megadonors that their money will be wisely spent. The goal is to turn Oxford into an international research leader across the board, and recruit not only the best British students and faculty but also the crème de la crème of the world—even if that means cutting the number of Britons.

It'll be touch and go, but most pundits say Hood should prevail. But what if he fails? Oxford has enormous intangible qualities that aren't a product of money. Most say, however, that without a shakeup a genteel decline will continue at what has been the world's premier educational institution throughout much of its 900-year history. "We are in real trouble" if Hood falls on his face, says W. Graham Richards, chairman of Oxford's chemistry department.

One of Oxford's key modernizers, Richards, who recently raised \$35 million from venture capitalists to help build a new \$110 million chemistry lab, thinks Oxford badly needs streamlining and a more global outlook.

Yet Hood can't just order up changes to gird Oxford for the rigors of the 21st century. He heads a uniquely decentralized institution where power is held by a body of some 3,500 academics, administrators, and librarians, called Congregation. The university itself is a curious blend of a top-flight research institution and a conglomeration of some 39 autonomous colleges, which house undergraduates and provide much of their teaching. Some, like New College, date from medieval times; others are modern. Some are poor; others are rich. But together they control some 70% of Oxford's total endowment funds as well as undergraduate admissions.

Behind high walls and gates manned by porters, they fiercely guard their independence.

While in practice Congregation rarely meets, any two members can call a vote, as they did in May when the group overwhelmingly rejected Hood's proposal for mandatory faculty performance reviews. Opposition is also brewing over plans to build a massive new facility to house Ox-



HIGH
On Prestige,
LOW
On Dollars

ENDOWMENT,
IN BILLIONS

Harvard	\$25.9
Yale	15.0
Stanford	12.4
Princeton	11.0
Oxford	5.0
Cambridge	4.6

Data: BusinessWeek

(OPPOSITE PAGE) HARRY BORDEN; (THIS PAGE) ELLEN ROONEY/ROBERT HARDING WORLD IMAGERY/GETTY IMAGES



ford's millions of books. No wonder Hood and his team are frustrated. Changing Oxford's culture will require "decades, not years," says Giles Kerr, a former finance director at medical-equipment maker Amersham PLC whom Hood has brought in as finance chief.

NOT HUNGRY ENOUGH

WITH OXFORD REMAINING one of the two most prestigious universities in Britain, many wonder why there's any hurry to change. Cambridge bests Oxford in some surveys, but few think any Continental European institution can touch Oxford. Admission slots at the university that has educated some 25 British Prime Ministers, including Tony Blair and Margaret Thatcher, as well as titans like Adam Smith and Christopher Wren, are in greater demand than ever. An Oxford education is still the best ticket to the upper reaches of British government and business. The individually tailored instruction that goes on in the colleges is superb. Says Eve Bugler, a second-year undergraduate at Keble College: "The tutorial system stretches you academically because there is no way to hide."

What's more, even before Hood arrived, the university was starting to show some signs of business acumen. Oxford professors used to sneer at the idea of mixing academics with trade, "but that is not true anymore," says Michael Brady, an engineering professor who has founded several companies. Industry grants, intellectual-property licenses, and other collaboration with business brought in about \$56 million in 2003-04.

For all its excellence, though, some professors say Oxford falls short of top rivals such as Harvard and Massachusetts Institute of Technology. "There is a lack of ag-

gression, of hunger for that really big prize," says John March-Russell, a young Ox-

ford professor of theoretical physics who received his doctorate from Harvard and taught at Princeton's Institute of Advanced Study. At the same time, the colleges feel threatened by the rise of the hard sciences, which require big, expensive laboratories rather than medieval cloisters.

The government, Oxford's main source of money, is forever raising the bar for greater egalitarianism in admissions. Teachers are poorly paid: A full professor's salary is \$88,000 before a possible bonus, compared with \$163,000 at Harvard. Oxford's faculty members also feel deluged by a flood of paperwork. "I think there is a good deal of unhappiness and tension about the place," says Robin Butler, a former Cabinet Secretary, Britain's top civil servant, now master of University College.

Few disagree with Hood's contention that Oxford needs cash. Its endowment is leagues behind Harvard's \$25.9 billion (table). At the same time, Oxford's dependence on the government puts the university in a fiscal straitjacket. Funding of undergraduate teaching and research does not come close to covering the costs, yet the government mandates extremely low caps on the fees Oxford can charge undergraduates. That means students from wealthy backgrounds get a top education almost free of charge. Top fees are currently about \$2,000 per year and are set to rise to about \$5,150 next year.

Still, the university estimates it loses \$12,000 to \$14,000 per year on each British or EU undergraduate. Financial infusions of more than \$419 million over the

HEAVY ON TRADITION

Honorary degree candidates in procession

past eight years from lucrative Oxford University Press have been needed to help make up the deficits.

Because Oxford and Cambridge are so central to the British Establishment, they are the subject of endless scrutiny and debate. Many among the wider Oxford community think the university should declare itself independent from the government so that it could charge higher tuition. Another idea is to sell off Oxford University Press, which made \$128 million in profits last year, to raise an endowment kitty. Hood shrugs off such thinking as "seriously flawed." To replace the \$350 million or so a year that Oxford gets from the government, he says, would require \$8.6 billion in endowment funds alone, assuming a 4% interest rate.

The financial pain is felt across the university. Oxford, according to a study by Palfreyman's OxCHEPS consultancy and the Ulanov Partnership, spends only about one-third what Harvard and Princeton do per student. Despite all its charms, Hood concedes, Oxford has a tough time luring faculty members that top U.S. universities want to retain. "Of course we have a major problem with funding," he says.

To help him reach his goals, Hood has hired Oxford's first development director, Jon Dellandrea, from the University of Toronto, where he was considered Canada's top fund-raiser. Dellandrea plans to oversee a quantum increase in fund-rais-

EDDIE MULHOLLAND/DAILY TELEGRAPH; MICHAEL STEPHENS/PA/ABACA

BIO



John Hood

Taking the mantle as Oxford Vice-Chancellor in a traditional New Zealand gown

AGE 53

JOB Vice-Chancellor, Oxford University since October, 2004.

PREVIOUS JOB

Vice-Chancellor, University of Auckland.

EXPERIENCE

18 years with New Zealand conglomerate Fletcher Challenge. Headed paper and construction

businesses. Headed University of Auckland, where he pushed for a new business school and helped raise \$500 million for new facilities.

EDUCATION

BE and PhD, civil engineering, University of Auckland. Rhodes Scholar, Oxford.

FAMILY

Married, three children.



ing to pay for, among other things, a new humanities campus that Hood wants to build at a cost of more than \$1 billion on the 10.5-acre site of the Radcliffe Infirmary, a hospital complex near the university.

Dellandrea maintains that "Oxford is the best brand in the world," yet he knows he faces a huge challenge. While Britain has grown much wealthier in the past two decades, the ranks of its superrich are still dwarfed by those across the Atlantic. Moreover, British tax laws does not give such favorable treatment to philanthropy as America's. As a result, says John Lippincott, president of the Washington-based Council for the Advancement and Support of Education, British universities "lack a culture of asking."

That's about to change at Oxford. Dellandrea plans to launch a badly needed campaign in the next 12 to 18 months to reach out to potential donors. Those Oxford colleges willing to disclose their fund-raising levels report only an average of

13% of alumni contributing, compared with close to 50% at Harvard and around 60% at Princeton. Hood says Oxford raises only an average of \$120 million to \$140 million a year from private donors, vs. several times that at some top U.S. players.

While just about everyone at Oxford welcomes the prospect of more money, some of Hood's other forays have caused friction. The most bitter battle came over

his proposal to introduce mandatory reviews of staff "with scope to enhance financial rewards, rebalance academic duties, and address underperformance."

What's more, Hood wants to use reviews to improve career guidance for younger professors. Performance reviews, of course, are normal at corporations. Yet to many dons, Hood's plan looked like a punitive ploy to weed out faculty and cut costs. "Academic work is not something you do because someone is whipping you on the back," says one. The proposal was voted down by a huge margin by Congregation in May, a damaging early loss.

CONTENTIOUS

HOOD'S IDEAS FOR REFORMING the university's constitution have also been contentious. At present the highest body at Oxford is the 28-member Council, which is mostly drawn from the faculty-dominated Congregation. Hood has proposed dividing the Council's powers among two boards. An academic council would rule on scholarly matters. A 15-member group made up of seven outside trustees and seven insiders, chaired by University Chancellor Chris Patten, would have responsibility for broad strategy and finances.

The opposition isn't satisfied. The proposals would not help to restore "the severely damaged trust of Oxford's academic community," says a document from a group called "Democratic Governance." The group fears Oxford's creative environment, which they say is more important than pay, will be snuffed out by top-down management. Even some Hood supporters

think he has moved too fast. "Hood hasn't played his cards very well," says Richards. "He started off acting [like] the CEO of a large corporation."

Will Hood be able to pull off a major restructuring of one of the world's oldest institutions? "I think he is going to take Oxford all the way," says Anthony Smith, the recently retired president of Magdalen College. "He knows where Oxford needs to place itself in the world." He'll certainly need a thick skin to get there. ■

—With Maha Aziz in Oxford and William Symonds in Boston

Fixing OXFORD

Means relying mainly on the power of persuasion

PROBLEM...

Funding shortfalls; not enough firepower to compete with U.S. rivals.

Infrastructure badly in need of repair.

Current decision-making bodies are unwieldy and lack independence.

Access to the university is still class-bound and narrow.

Professors see themselves as above accountability and scrutiny.

SOLUTION...

Boost endowment through major fund-raising drive. Look for ways to improve investment return on endowment. Lobby government to increase funding.

Build new humanities campus at a cost of up to \$1.5 billion. A new library with up to 8 million books is also planned.

Shift power to a 15-person Council with seven outside and seven inside members, in addition to the Chancellor.

Boost scholarships available to needy undergraduates to as much as \$7,000 per year for living expenses, the most generous levels in decades.

Set clear evaluation standards, even though the university parliament has rejected compulsory reviews.