

NEWS

How a 'Textbook Search' Went Awry

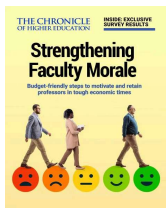
By John L. Pulley

September 26, 2003

The U. of Tennessee thought its newest president would lead it to new heights, but two years later he resigned in disgrace

State lawmakers met here on a recent September morning to pick through the wreckage of John W. Shumaker's career, which lay scattered in a debris field stretching from Connecticut to Kentucky, down through Tennessee and into Alabama. They hoped that the sworn testimony they had come to hear would explain why Mr. Shumaker, the University of Tennessee's formerly high-flying president, had flamed out in the most spectacular way.

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His crash has resulted in four financial audits in three states, firings, resignations, and enough misery to power an evening at the Grand Ole Opry.

“It’s heartbreaking,” says Tiffany E. Smith, a graduate student and a former undergraduate representative on the Board of Trustees that hired Mr. Shumaker to head the five-campus system. “Students are furious, to say the least.”

Mr. Shumaker has practically gone into hiding. He has granted no interviews since resigning last month, and he declined an invitation to appear at the legislature’s investigative hearing.

How could things have gone so wrong?

The question has been asked so many times here that it has become an exercise in self-flagellation. Mr. Shumaker is the second Tennessee president in as many years to leave office under a cloud. His predecessor, J. Wade Gilley, stepped down in June 2001, amid allegations of an improper relationship with a university employee.

The Shumaker episode has been more painful, however, in part because no one thought such a disaster could happen again. The university chose Mr. Gilley’s successor using what administrators liked to call a “textbook search.” The presumption seemed to be that the perfect process would produce the perfect president. In Mr. Shumaker, the people who hired him saw perfection.

“In many ways,” says R. William Funk, a consultant to the selection process, “he was perceived as the savior.”

It didn’t work out that way. Mr. Shumaker’s presidency disintegrated this past summer amid well-publicized allegations of financial and ethical improprieties. His alleged sins include nepotism, cronyism, and conflicts of interest; fraud, greed, and fiduciary failings; lapses of judgment and breaches of the law.

The story of his selection provides a cautionary tale for colleges looking for a president.

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"Is the process broken?" asks Jerry Jackson, a trustee. "By gosh, we didn't do very well that last two times. Maybe it is."

The Early Stages

After Mr. Gilley's resignation, the process of choosing a new president was fraught with political tension. In January 2001, U.S. District Judge Thomas Wiseman, of Nashville, had ruled on a decades-old desegregation case, saying that employment decisions at the University of Tennessee must be "be open, fair, and competitive." The decree created an impetus for the university to conduct a presidential search that would be more transparent than those of the past. The university's track record to that point had been spotty. In 1988, for example, trustees had abruptly halted a presidential search to announce that former Gov. Lamar Alexander would be the next president. Mr. Alexander, the state's first two-term governor, had appointed most of the trustees who selected him.

The university's presidential-selection process "is a subject of disdain around the state," Mr. Funk, the consultant, wrote to the board in 2001. Professors wrote of "faculty cynicism" and "an atmosphere of resentment and distrust."

The university was also grappling with tight budgets. The state had cut appropriations, and tensions between lawmakers and the university were rising. Members of the faculty were leaving for better-paying jobs in other states, and tuition increases were putting higher education out of reach for some residents. "We felt that the University of Tennessee was in pretty dire straits," recalls Verbie L. Prevost, an English professor at the Chattanooga campus, who sat on the search committee.

By law, the University of Tennessee's Board of Trustees selects the institution's presidents. Those trustees, however, are handpicked by the governor, who also serves as chairman of the board.

Exploiting that power to an unprecedented extent, the state's governor at the time, Don Sundquist, essentially ran the presidential search from the governor's mansion. In late June 2001, he created a presidential-search committee composed of himself and seven other trustees. He later added the board's student trustee and its lone faculty member.

The governor then turned to a pair of state employees, Steven D. Leonard, an aide, and Cathy Cole, an assistant director of the Tennessee Higher Education Commission, to help him conduct the search. Both would play key roles in the selection of Mr. Shumaker, and both would later earn six-figure salaries working for the new president.

The university's trustees never blinked.

"If the governor has appointed the board," says William A. Weary, a higher-education consultant and founder of Fieldstone Consulting, in Washington, D.C., "it's a real challenge to say no."

The governor also retained the services of Mr. Funk, who leads the national higher-education practice at KornFerry International, a global recruitment company. By reputation, Mr. Funk is the guru of higher-education recruitment, having placed approximately one of every four presidents of the institutions in the Association of American Universities.

"I've done more presidential and chancellor searches than anyone in higher education," boasts Mr. Funk.

Following 2 Paths

The university wanted the selection process to be unassailable.

Officials devised a two-track screening process, one public, one private. The public track solicited nominations from a variety of sources, including 80 names submitted to a presidential-search Web site. The task of vetting nominees fell to a 25-member advisory council, whose members represented the university's constituencies, including faculty members, students, and alumni.

"They wanted it to look more open than in the past," says Marla Peterson, a psychologist at the university who sat on the advisory council. "Frankly, we were ignored."

The private track, headed by Mr. Funk, was designed to circumvent Tennessee's open-records laws, which are among the strongest in the country. According to conventional wisdom, the most qualified presidents and chancellors will not become involved in a search unless they are guaranteed anonymity until the final stage of the process.

Mr. Funk identified several potential candidates, all but one of whom withdrew, until the sole candidate on the private track was John Shumaker, president of the University of Louisville. Mr. Shumaker had been contemplating a job change for some time. He became a candidate for the Tennessee opening after expressing an interest to Mr. Funk, whom he had met a few years earlier during another search.

The public track identified five semifinalists. Marlene I. Strathe, president of the University of Northern Colorado, was the finalist from that group. But the dual-track approach, its critics say, was a sham.

"When you inject state politics and the good-old-boy network into the selection process, anything can happen," wrote Richard Davis, a Tennessee resident, in a letter published last month in the Knoxville News Sentinel. "The most likely scenario is that Shumaker's selection was a done deal from the beginning and that the former governor and the



In retrospect, the public track of the process may never have been intended to produce a viable presidential candidate. A "special report" published in the winter 2000 issue of the university's alumni magazine acknowledged that "it is generally assumed that the ultimately successful aspirant will be wooed by more personal means."

Mr. Funk testified at a hearing of the legislature's Fiscal Review Committee this month that, in his experience, the public side of dual-track searches had never produced a president. "There was an illusion that faculty members on the advisory committee had more direct input than actually turned out to be the case," said F. Michael Combs, a music professor at the Knoxville campus.

The High Flier

John W. Shumaker was a star. He was smart, of course, a classics scholar, but intelligence had little to do with it. His edge was charisma, of which he had plenty, including a remarkable gift for remembering names. He put people at ease, allowing him to woo donors and wow crowds.

After the trustees had offered him the job, for example, members of the Knoxville faculty grouched that the candidate had not visited their campus. Mr. Shumaker, stating that he would not accept the job of president until those concerns had been dealt with, met with his critics in Knoxville. In typical fashion, he won over the crowd and elicited rousing applause.

"John really had the gift of gab," Mr. Combs says. "He could speak in a way that moved audiences."

President Shumaker's seven-year tenure at the University of Louisville had been, by most accounts, a success. According to Mr. Funk, the test scores of entering freshmen had risen; the endowment had grown to more than \$500-million, up from \$183-million; Mr. Shumaker built a football stadium paid for largely with alumni donations and hired a star basketball coach, Rick Pitino, who a few years earlier had won a national championship at the University of Kentucky, Louisville's rival. When word leaked that Mr. Shumaker was a finalist for the Tennessee job, Louisville's trustees called an emergency session to find a way to keep him. "He was a pretty darn hot ticket," Mr. Funk says.

In Tennessee, Mr. Shumaker was the front-runner to become the next president. The governor and a select group of trustees met with him 11 times, according to Mr. Shumaker's former wife, Lucy, who attended some of the meetings. Ms Strathe only met

with the trustees once, for her final interview. None of the other candidates identified in the public phase of the search met with trustees.

The final stage of the process, in which the two finalists interviewed with the board, was a formality. Mr. Shumaker transformed the proceedings into a performance. For most of the question-and-answer session, he was on his feet, working the room, making direct eye contact with trustees, recalls Tiffany Smith, the student trustee.

“He was very confident,” she says, as if “he already knew the answers to the questions.”

Ms. Strathe never had a chance. In fact, word got around that she would not be offered the job, even if John Shumaker turned it down. That intelligence, says Mr. Combs, the music professor, came directly from the governor’s office.

Tennessee officials made it difficult for Mr. Shumaker to say no. Among the incentives, large and small, were annual compensation of \$733,000, a \$1.5-million incentive to stay for 10 years, and promises to arrange voice lessons for one of Mr. Shumaker’s teenage sons.

Mr. Shumaker’s employment contract also provided for executive stock options in publicly traded companies that the university would obtain for him, a form of compensation that the Internal Revenue Service says is illegal for officers of nonprofit organizations. “They were being very aggressive,” says Raymond Cotton, a Washington lawyer and an expert in presidential compensation. “They were looking for every nook and cranny that they could find to enhance Dr. Shumaker’s total compensation package.”

Mr. Shumaker’s acceptance of the job sparked a celebration. His debut, in the historic Old Supreme Court Chamber of the State Capitol, had the feel of a coronation. “I feel like we’ve won a national championship,” said John C. Thornton, a trustee, according to news accounts.

Weaknesses Appear

Mr. Shumaker is a man of talents, his critics concede that much. Yet each of his strengths seems to be paired with a corresponding weakness: He is a natural fund raiser, but he can be indiscriminate about the sources of funds, and he often exercises poor judgment in the way he spends other people's money. He is a visionary, a strategic thinker who directs complex organizations the way a chess master moves pieces, yet the details of his personal life can be difficult for him to manage. He possesses the orator's ability to move audiences, yet some people who worked with him at Tennessee said he was an autocrat, lacking collegiality and the ability to collaborate. The president, for example, forbade members of his staff from talking directly to trustees, employees said.

"I saw a man just rushing from one thing to another," says Ms. Peterson. "I saw a person who was advancing his own agenda without doing enough consultation."

Mr. Combs says the president, though pleasant, did not like to confer with members of the faculty before making decisions.

"He was my boss and friend," Mr. Combs says, "but we never were colleagues."

Mr. Funk, who has been criticized for not doing more to vet Mr. Shumaker, says the president's flaws were well hidden, and that background checks had revealed no red flags.

There were, however, signs.

In 1991, during his tenure as president of Central Connecticut State University, Mr. Shumaker committed a faux pas that foreshadowed his later money problems. The president, who was a candidate for a job at the University of Central Florida, responded to a reporter's question about fund raising by saying that he would accept donations from the Ku Klux Klan. Later, when he was president of Louisville, its trustees became concerned about his frequent and costly trips. They put him on a short leash, said a Louisville spokeswoman, requiring him to submit monthly travel reports.

When Mr. Shumaker reported for work alone in June 2002, University of Tennessee officials began to suspect that he was not exactly what he had seemed to be. During the

recruitment process, the president's wife, Lucy, had rarely strayed from his side, creating "a really nice image of John and an attractive, pleasant lady on his arm," Mr. Combs said. "It was a pretty picture."

The couple's sudden split, just before Mr. Shumaker arrived on the campus, left some trustees feeling that they had been snookered by a romantic charade. Lucy Shumaker must have felt betrayed, too. Her testimony in divorce court revealed secrets that hastened the fall of her husband's presidency.

Beginning of the End

The end, once it began, came quickly.

A year into Mr. Shumaker's tenure, the president asked the university to replace the 25-year-old propeller plane he traveled on. Local reporters began sniffing around, uncovering travel logs that reflected heavy use of the aircraft by the president, including a number of flights for personal visits with Carol Z. Garrison, president of the University of Alabama at Birmingham. (Mr. Shumaker and Ms. Garrison had worked together at Louisville.) Mr. Shumaker reimbursed the institution \$30,000 for the improper travel, hoping to put the incident behind him, but a steady barrage of negative stories over the next two months eventually brought him down.

The university's trustees ordered an internal audit of Mr. Shumaker's spending, and Tennessee's current governor, Phil Bredesen, began an investigation into the president's financial activities. Soon after, both the University of Louisville and Central Connecticut State undertook audits of Mr. Shumaker's spending at their institutions.

The findings of the university audit, released in mid-August, were damning: Mr. Shumaker had ordered \$493,000 in unauthorized renovations to the president's residence, including \$64,000 for a new telecommunications system, \$7,000 for a Persian rug, and \$4,822 for a gas grill. Entertainment expenses included \$165,000 for football-related events, and \$73,000 for holiday receptions. Mr. Shumaker had also installed a cappuccino machine in his office.

Auditors discovered a \$300,000 no-bid consulting contract that the president had awarded to a friend and former business partner in Washington, D.C., for the purpose of establishing educational programs in China. The university canceled the effort after it became known that a potential partner in the venture was reputed to have ties to the Chinese military.

President Shumaker also lied to university auditors about his relationship with Carol Garrison.

Court records from the Shumakers' divorce trial, released around the same time, were damaging as well. In 1995 or 1996, Mr. Shumaker testified, he had accepted \$10,000 from Hyundai Motor Company, which had won a \$110,000 training contract at Connecticut State University while he was president. Connecticut officials deemed the illegal payment a violation of the state's ethics laws.

Lucy Shumaker's testimony alleged that Mr. Leonard, the governor's aide, had provided Mr. Schumaker with an advance copy of the questions he was asked during his successful interview before the Board of Trustees. Both men have denied the charge.

The allegations were too much to overcome, and Mr. Shumaker resigned on August 7, after 14 months on the job. The board, rather than risk a lengthy court battle, approved severance pay of \$423,000. Within weeks, two of the people who had helped to bring him in also left the university: Steve Leonard resigned, and the university eliminated Cathy Cole's job.

And the quest for a president began anew. Last week, Governor Bredesen announced that the search now getting under way would be unprecedented in terms of its transparency.

The process, he said, will be "open, fair, and competitive."

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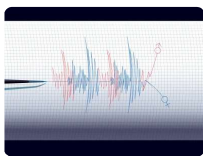
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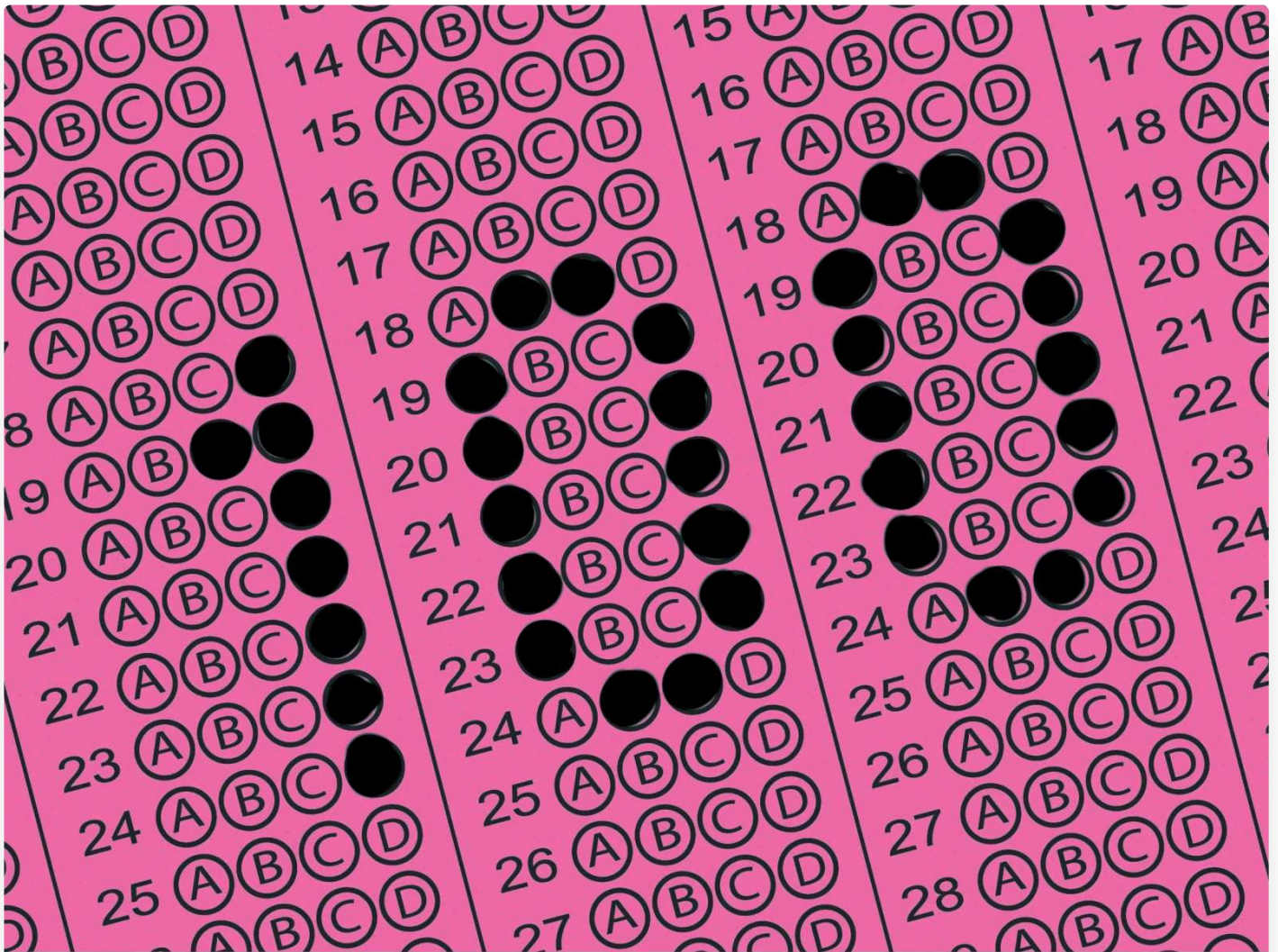
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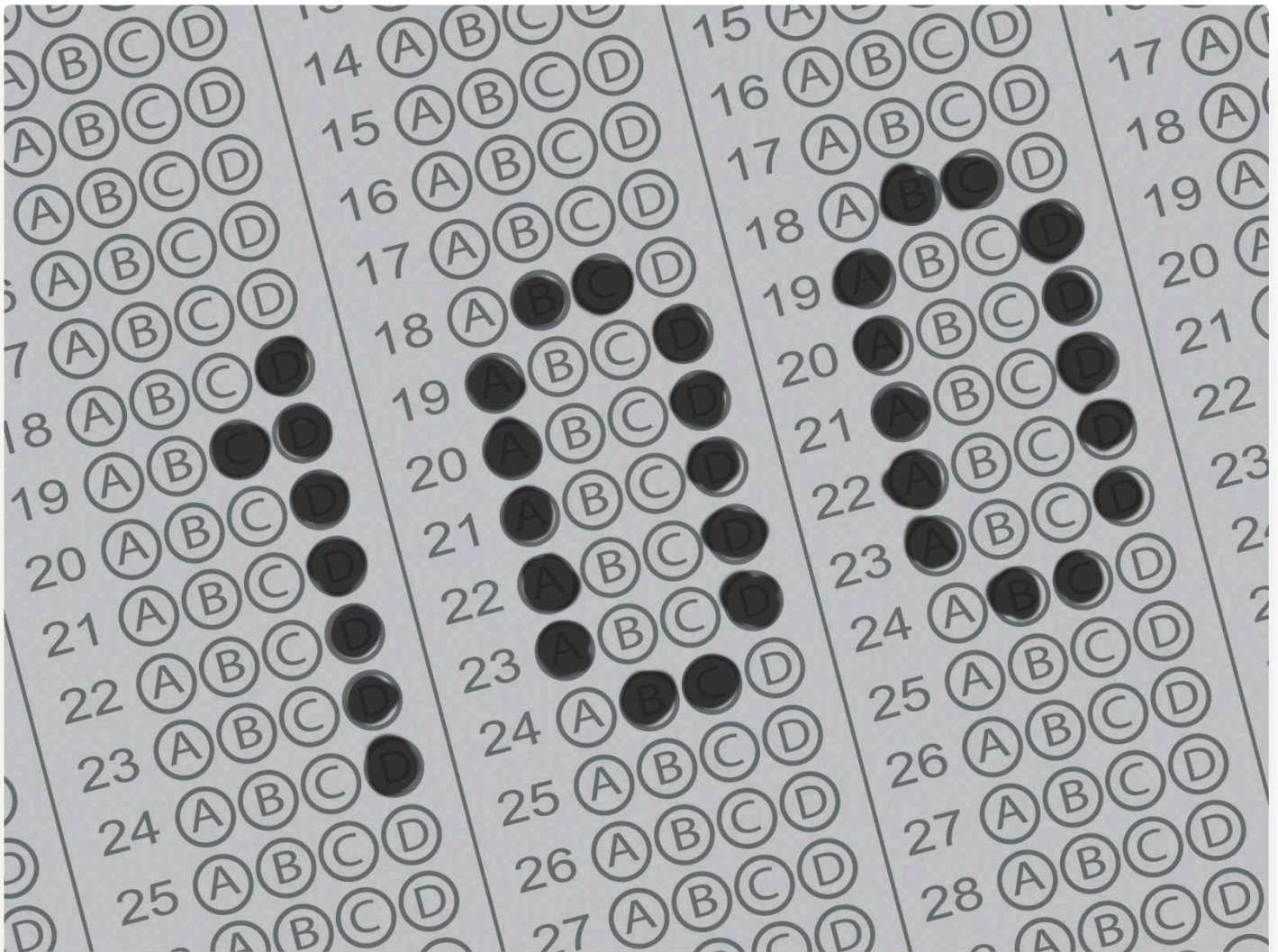
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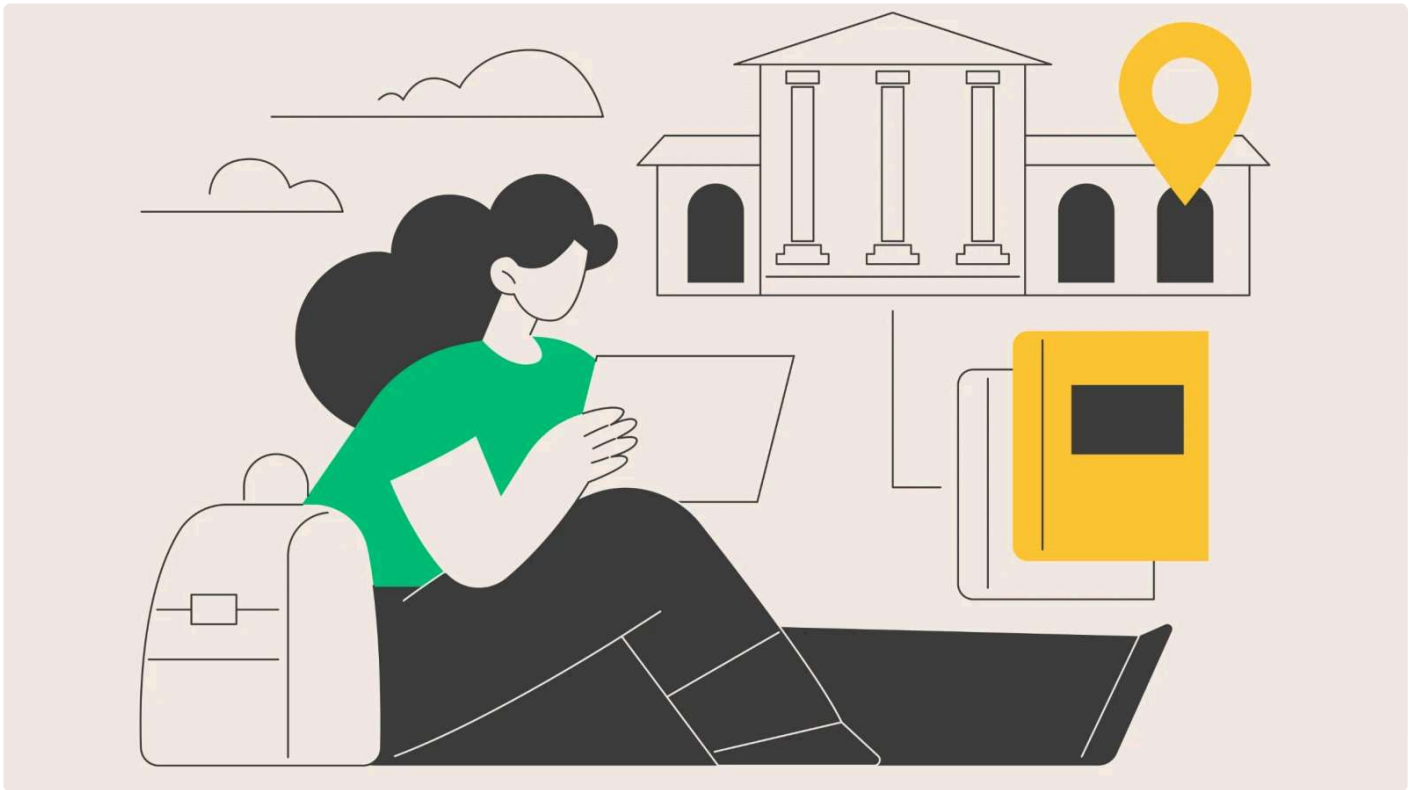


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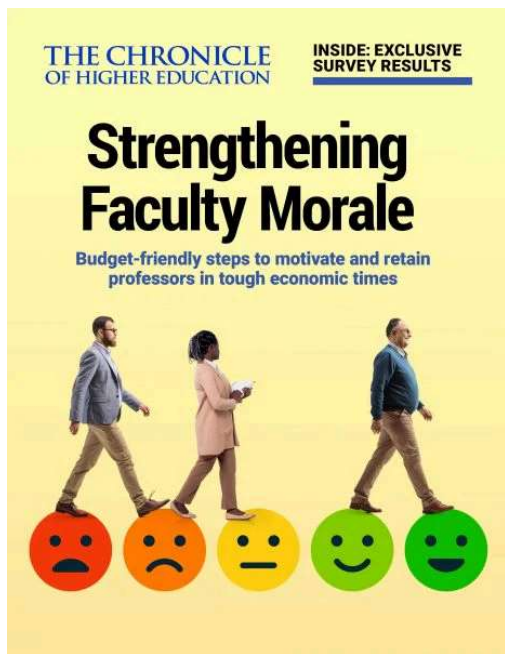


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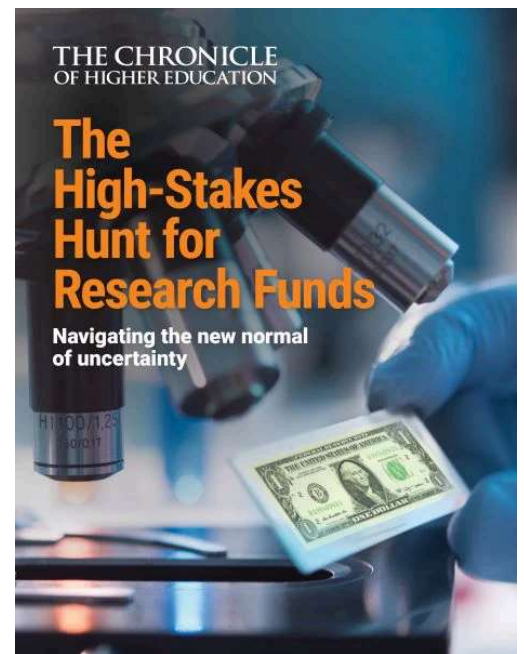


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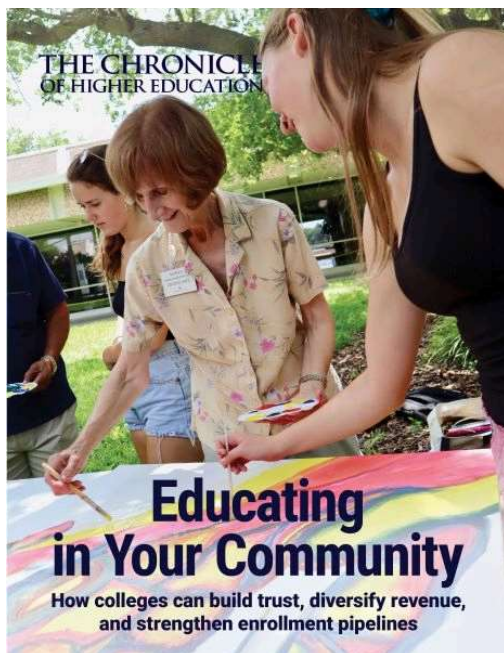
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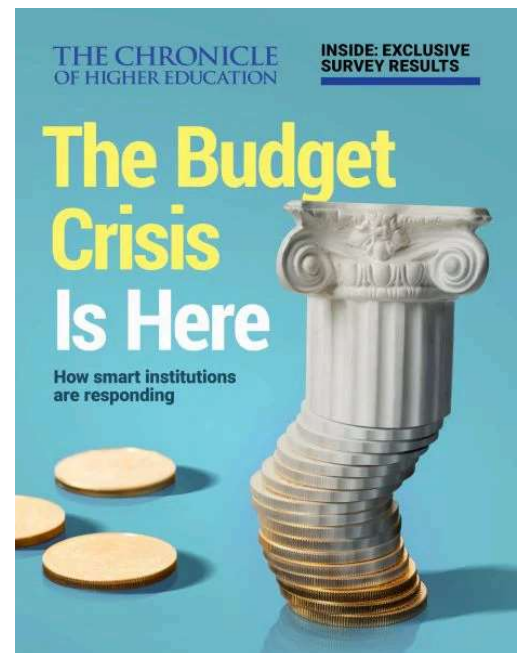
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