

Capita Consulting

Collaborations, Alliances and Mergers – the research and the reality

13th June 2011



Session objectives

- Draw upon research evidence from institutional mergers in HE and FE in the UK, overseas HE and Private Sector
- Assess and draw out key factors from that research that drives success or otherwise of institutional mergers
- Lessons learned and main issues - institutions should consider and address when contemplating collaborations, alliances or mergers

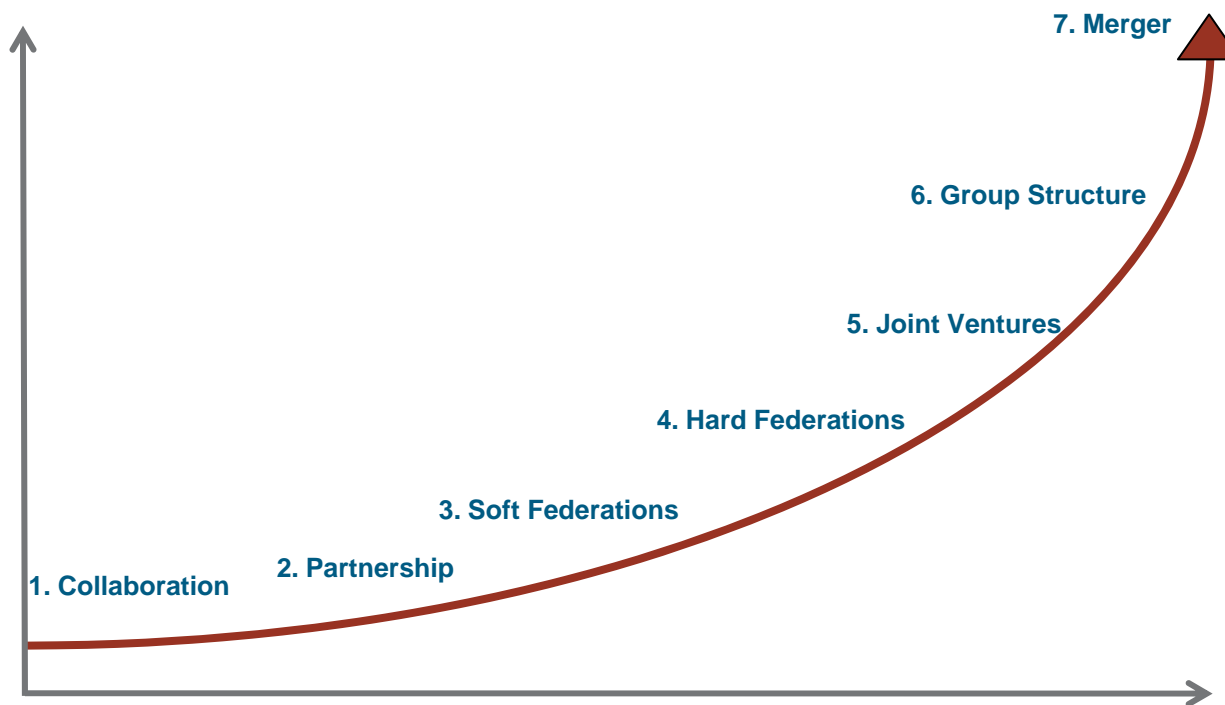
Trends and drivers for mergers in HE/FE

- Recent trend for strategic mergers, sector led and generated
- Drivers for change:
 - Political pressure to reduce (eg NI; Wales)
 - Government allowing financially weak institutions to fail
 - Reduced public funding
 - Enhanced competition between institutions and internationally
 - Student experience - need to improve and differentiate
 - Role of Private Sector – levelling of playing field

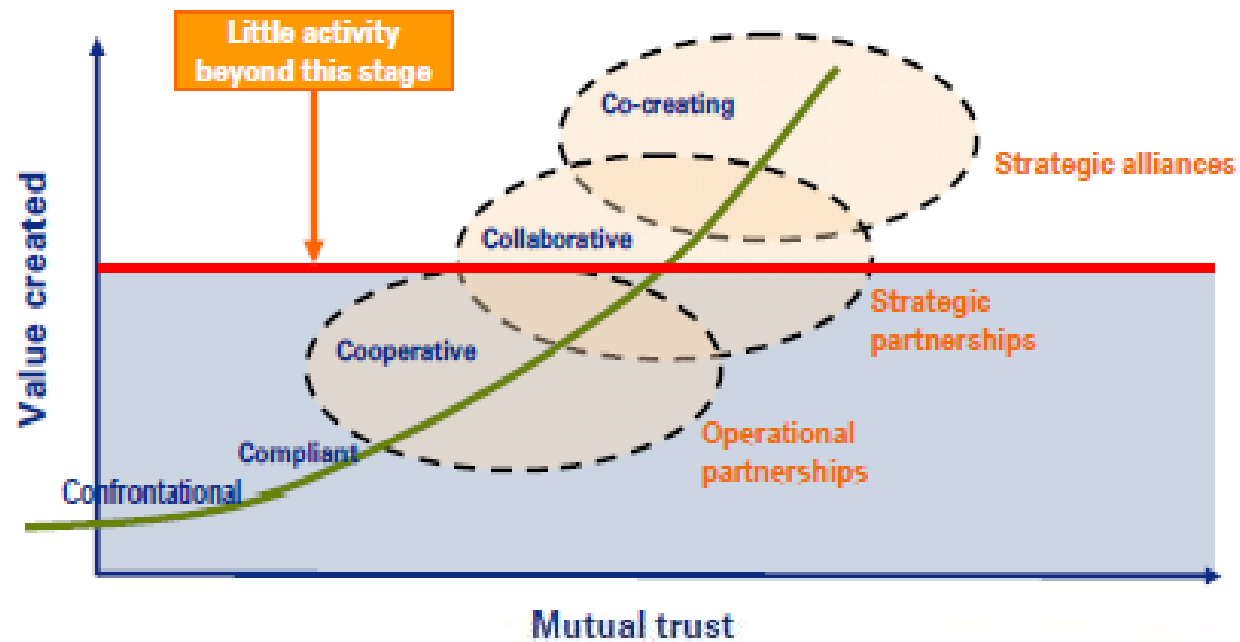
Other drivers for collaboration, alliances and merger

- Resolve financial instability
- Address quality issues
- Increase participation
- Support economic regeneration
- Achieve academic synergy / viability
- Increase research capacity (and standing)
- Improve student experience
- Realise efficiencies (better estates utilisation or shared services)
- Foster innovation
- Share risk
- Improve (national and international) competitiveness

There are degrees of partnership

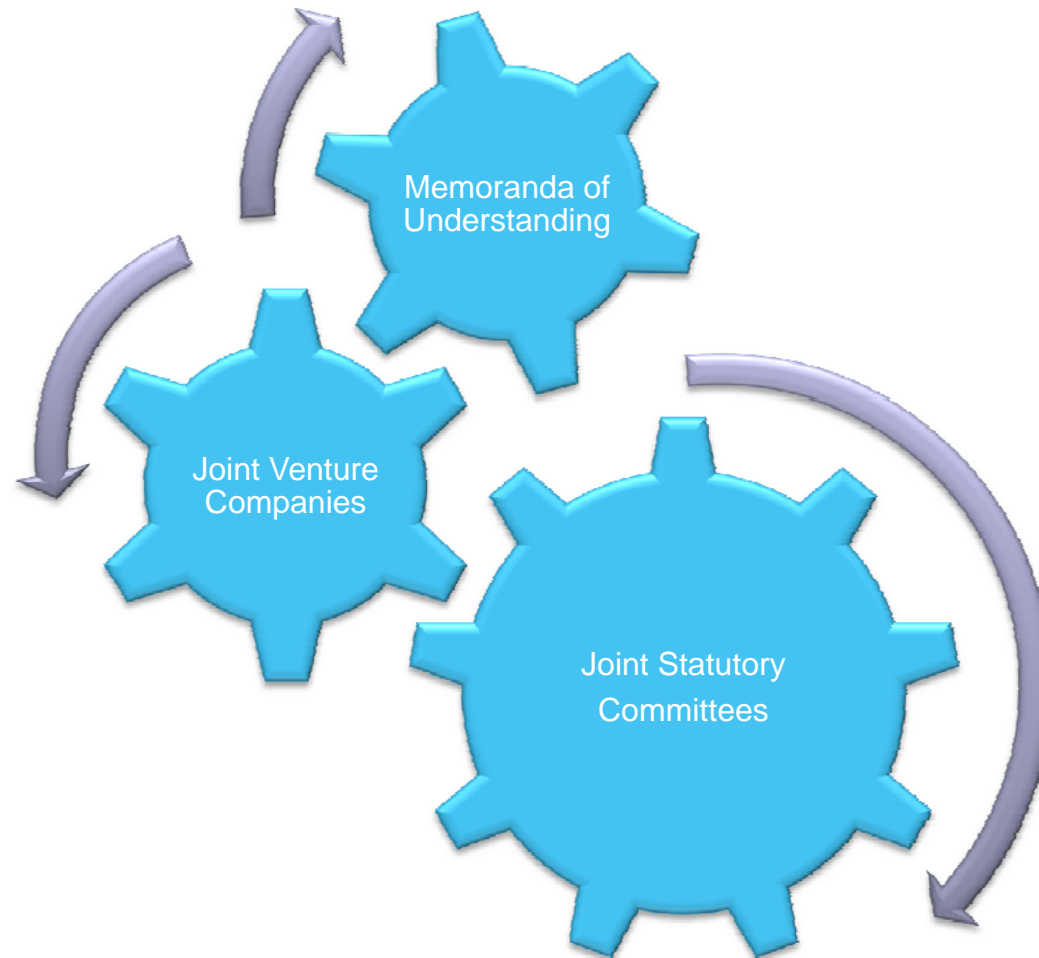


There is a continuum of trust



Source: Based on work by Tony Lendrum, *The Strategic Partnering Handbook*, 3rd ed., Sydney: McGraw-Hill, 2000

There are different vehicles for closer working



Lessons from Private Sector merger

- Drivers for M&A in Private Sector are financial
- 50-75% of mergers fail outright or do not achieve expected benefits
- Mainly due to poorly managed post-deal integration:
 - Lack of appropriate planning (direct correlation between quality of planning and success of merger)
 - No clear vision and strategy
 - Lack of open communication
 - Whole range of people and cultural issues

Success factors – Private Sector mergers

- Allocate sufficient resources to establishing strategic objectives and a clear vision
- Successful mergers have direct correlation with amount and quality of planning involved
- Carry out sufficient due diligence and involve external professional experts
- Run dual companies for a transition period, then move to a new company not identified with either legacy company
- Over-communicate especially with employees – make it a group experience and check what support is needed
- Understand emotional, political and cultural issues which arise
- Managers should lead by example and monitor own reaction to the change
- Faster is not always better for integration – initial 90 day period is crucial so plan accordingly

Critical success factors for mergers in other sectors

- HM Treasury's 5 Case Business Model for Public Sector organisations
- NAO lessons from Ofcom merger – framework and good practice cautions on challenges and highlights lack of available guidance

Experience of HE mergers in other countries

- **Finland** - major structural development through cooperation, merger and decentralisation of the universities
- Objectives - to enhance international competitiveness and develop knowledge-based economy
- Following international trend of creating larger, stronger, more competitive units to produce efficiencies and excellence

Experience of education mergers in other countries

- **US** – mix of state level non-profit universities and private institutions
- Trends of state governments cutting back public universities – and corresponding higher tuition fees; and increased marketisation of HE
- Increasingly close collaboration between Public and Private HE
- Public university mergers - to strengthen weak institutions and merge with state colleges into state-wide multi-campus institutions
- Private university mergers – strategically driven

Critical success factors for education mergers

- Strong educational (not financial) basis
- Need a shared vision, strategic fit and strong leadership
- Examine all collaborative options – rather than be solution driven
- Put in place effective merger planning and implementation process
- Address staff (payroll & pension), student and cultural issues – open communication essential

Critical success factors – education mergers

- Complimentary mission and culture make success more likely – especially evident in HE / FE mergers
- Make realistic cost estimates – don't overestimate potential savings and underestimate level of upfront investment required
- Actively manage benefits realisation post-merger – devise and track measures of success

Assessing intended and actual outcomes from merger

- Increased stability
- Shared identity and common strategy
- More capital funding
- More investment in key areas of research and teaching
- Improved student experience
- Better estates utilisation
- Stronger regional or national voice

Sources

- Botman, S. (2009). Crossing State Lines: New Models for Cooperation in the 21st Century. *New England Journal of Education* , 24 (2), 28-29.
- Brown, N., Denholm, J., & Clark, T. (2004). *Handling merger proposals*. HEPI. <http://www.hepi.ac.uk/484-1114/Handling-Merger-Proposals.html>.
- Cartwright, S., Tytherleigh, M., & Robertson, S. (2007). Are mergers always stressful? Some evidence from the higher education sector. *European Journal of Work and Organizational Psychology* , 16 (4), 456-478.
- Chatterjee, S. (2007). Why is synergy so difficult in mergers of related businesses? *Strategy & Leadership* , 35 (2), 46-52.
- Choi, S., & Brommels, M. (2009). Logics of merger decision-making processes. *Journal of Health, Organization and Management* , 23 (3), 240-254.
- Conditions, E. F. (2007). *Managing change in EU cross-border mergers and acquisitions*. <http://www.eurofound.europa.eu/emcc/content/source/eu08005a.htm>.
- Evaluation Associates. (2002). *Evaluation of collaboration in the higher education sector*. HEFCE. http://www.hefce.ac.uk/pubs/rereports/2002/rd18_02/.
- Fazackerley, A., & Chant, J. (2009). *Sink or swim? Facing up to failing universities*. Policy Exchange. http://www.policyexchange.org.uk/images/publications/pdfs/Sink_or_Swim.pdf.
- GAELWa. (2004). *Review of the terminated merger discussions between the University of Wales Institute Cardiff and the University of Glamorgan*.
- Gerds, J., & Strottmann, F. (2010). Post Merger Integration: Hard data hard truths. *Deloitte Review* (6).
- Harman, G., & Harman, K. (2003). Institutional Mergers in Higher Education: Lessons from International Experience. *Tertiary Education and Management* , 9 (1), 29-44.
- Harman, K., & Harman, G. (2008). Strategic Mergers of Strong Institutions to Enhance Competitive Advantage. *Higher Education Policy* , 99 (1), 99-121.
- HW Corporate Finance. (2007). *Review of the Merger Between Cardiff University and the University of Wales College of Medicine*.
- J M Consulting. (2007). *A New University for the Arts in Cornwall: Merger Plan*.
- J M Consulting Ltd. (2009). *Costing partnerships – collaborative arrangements between HEIs and FECs*. HEFCE. http://www.hefce.ac.uk/pubs/rereports/2009/rd17_09/.

Sources

- Kaplan, R. S., Norton, D. P., & Rugels, B. (2010, January-February). Managing Alliances with the Balanced Scorecard. *Harvard Business Review*.
- KPMG. (2006). *Shared services in the higher education sector*. HEFCE. http://www.hefce.ac.uk/pubs/rereports/2006/rd15_06/.
- Locke, W. (2007). Higher Education Mergers: Integrating Organisational Cultures and Developing Appropriate Management Styles. *Higher Education Quarterly*, 61 (1), 83-102.
- Mayekiso, T. K., & Snodgrass, L. (2008). Managing Diversity in Transforming Institutions of Higher Education. *The International Journal of Diversity in Organisations, Communities and Nations*, 8 (5), 124-129.
- Moss Kanter, R. (2010, October). Mergers That Stick. *Harvard Business Review*, 121-125.
- National Audit Office. (2006). *The creation of Ofcom: wider lessons for public sector mergers of regulatory agencies*. The Stationery Office (TSO). <http://www.official-documents.gov.uk/document/hc0506/hc11/1175/1175.pdf>.
- Nguyen, H., & Kleiner, B. H. (2003). The effective management of mergers. *Leadership & Organization Development Journal*, 24 (8), 447-454.
- Ofsted. (2009). *Summary review of further education provision in higher education 2003–09*.
- Reich, R. (2004). *The Destruction of Public Higher Education in America, and How the UK Can Avoid the Same Fate*. HEPI. <http://www.hepi.ac.uk/files/SecondAnnualHEPILectureRobertRiech2004.pdf>.
- SFC. (2008). *Guidance to institutions considering merger*. http://www.sfc.ac.uk/information/info_circulars/sfc/2008/circulars_2008.html
- Source Consulting. (2010). *Managing mergers and restructuring in the public sector*.
- Source for Consulting. (2010). *Mergers & Acquisitions in the Public Sector*. Xantus.
- Source for Consulting. (2010). *Public Sector M&A: 10 lessons for public sector restructuring*. Xantus.
- Stewart, G. (2003). College Mergers: lessons to be learned from other sectors. *Research in Post Compulsory Education*, 8 (3).
- Stroope, S., & Hagemann, B. (2010). Managing Change. *Leadership Excellence*, 27 (4).
- Tirronen, J., & Nokkala, T. (2009). Structural Development of Finnish Universities: Achieving Competitiveness & Academic Excellence. *Higher Education Quarterly*, 63 (3), 219-236.
- Venter, M. J. (2009). *Can the centre hold? Managing a university through a merger*. North West University.

About Capita Consulting

Capita Consulting is the management consultancy business of The Capita Group Plc.

- We help organisations to implement their business strategy by ensuring that their people, processes and systems are optimised and aligned at a function, division or enterprise level
- With more than 99 full time consultants and a network of associates aligned to our practice areas working across all of our core markets.

Our practice areas:

- Target Operating Model
- Systems Optimisation
- Transformation & Programme Management
- People & Organisational Excellence
- Process Optimisation

Our market areas and vertical sector teams:

- Local Government
 - Central Government
 - Financial Services
 - Higher & Further Education
-
- We also have access to consultants with specialist skills from across Capita Group (e.g. treasury skills in Capita Sector, IT skills in Capita IT Solutions, BPO skills in Capita Local Government Solutions, etc.)
 - Link to Capita Consulting website <http://www.capitaconsulting.co.uk>

And our team has worked with....

- **HEIs** - Oxford, Cambridge, Edinburgh, Glasgow, Manchester, Nottingham, Derby, Cumbria, Herriot Watt, West of Scotland, Glasgow Caledonian, Edinburgh Napier, Teesside, Newcastle, Leeds Metropolitan, Wolverhampton, Sheffield Hallam, Glyndwr, Cardiff, Glamorgan, Kings College, SOAS, Kingston, Canterbury Christ Church and Essex
- **FECs** – Yale, Burton, Coleg Gwent, South Essex / Thurrock & Basildon (merger), Bromley & Orpington (merger), Matthew Boulton & Sutton Coldfield (merger), Stourbridge, Dudley, City College Birmingham, Somerset, Ayrshire colleges, Southwark, SEEVIC, Merthyr Tydfil, Skelmersdale, Barking
- BIS (DIUS), UUK, HEFCE, HEFCW, SFC, LFHE, HE Academy, DCELLS, former LSCs, Wrexham BC, BANES Authority, Blaenau Gwent, Torfaen CBC