Future proofing higher education, 25 January 2012

Collaborations, alliances and mergers in HE:
Preview of main findings and lessons learned

David James, HEFCE
Session objectives & learning outcomes

1. Present the main, high-level findings from the project

2. Consider HEFCE’s position in relation to the sector’s CAM activity

3. Help you develop some ideas for further discussion within your institutions
Consultation paper: context and findings

- Why this project?
- The ‘CAM spectrum’
- Methodology
- Main findings
- HEFCE’s policy
- Consultation
Why have we undertaken this project – and now?

• Many institutions are interested in CAM activity
  – A time of exceptional change in HE (→ next slide)
  – Some believe CAM activity might help institutions to adapt
  – Merger activity across Europe and in Wales – govt role
  – But, little is known about what works and what doesn’t
  – Little guidance directed at HE specifically

• Existing HEFCE guidance (2004):
  – Explicitly covered mergers only
  – Focused on financial issues
  – Does not clearly reflect the sector’s experience

• HEFCE has an interest in the sector’s sustainability
The ‘CAM spectrum’

HARD

- Full merger (including takeover)
- Joint venture
- Joint faculty
- Strategic alliance or partnership
- Federation

SOFT

- Global university network or association
- Collaboration with local authority / NHS
- Purchasing consortium
- Flexible

Flexible
- Lower risk
- Part of organisation
- More easily unwound
- Less costly to achieve

Fixed
- Higher risk
- Whole organisation
- Not easily unwound
- Costly to achieve
Methodology

Stage 1
Literature review
- HE: little evidence about long term results & impact
- Few formal reviews by institutions or funders
- Private sector: many mergers “fail”

Stage 2
Direct research
- 9 case studies (inc. 2 overseas)
- Questionnaires to other institutions
- Interviews
- Review of sector and case study data

Questions we asked
- Were the objectives clear?
- Were they met?
- What worked well?
- What problems arose?
- Advice to others?
Main findings and lessons learned

The rationale for CAM activity

The process for CAM projects

Forms of relationship

Evidence to inform decision making
The rationale: why institutions engage in CAM activity (typical explanations)

- Responding to external drivers (e.g. government policy)
- Improving the scale, range and quality of research
- Improving the range and quality of learning & teaching
- Achieving synergies
- Obtaining capacity and expertise
- Strengthening market position
- Acting to prevent competitors seizing an opportunity
- Gaining financial strength – acquiring assets and income, or achieving economies of scale
Forms of relationship: lessons learned (1 of 2)

- Base CAM on the core purposes of institutions
- Ensure the proposal meets a clear strategic need
  - ‘Strategic narrative’: what you want to achieve
  - ‘Power of a simple, forward-looking idea’
  - But, external funders may complicate institutions’ objectives
- Be realistic about synergies and efficiencies
- Balance risk sharing against the project’s inherent risk
- Pay attention to the brand
- Note that all relationships require time, effort, trust and leadership
Forms of relationship: lessons learned (2 of 2)

Merge or collaborate?

**Mergers**

- **Size** in and of itself – rarely a good argument
- Focus on what will be gained & lost by achieving scale
- Be honest about relative size, strength or status
- ‘Merger of equals’ → costly compromises?
- Opportunity for wide-ranging change
- Issues about geography and distance

**Collaborations**

- An alternative to, or step toward, merger?
- Take ‘unmistakeable steps’ to maintain momentum
- Consider how management & governance structures and processes interface with existing arrangements
- Ensure the business model works for both parties (HE/private sector partnerships especially)
Evidence to inform decision-making: lessons learned

- Consider and present **real options**, not a fait accompli
  - **Assess** them objectively and consistently
  - Actively engage with **dissenting views**
- **Students’ interests** and needs should be a priority
- Prepare a rigorous **business case** and focus on the **vision**
  - Don’t allow financial analysis to drive the decision
- **Affordability** is a key issue:
  - Investment, transition costs, savings, economies of scale, funding
- Invest in proper **due diligence**
  - Be prepared to renegotiate or withdraw
- Mergers are **costly**:
  - Not often a route to short-term savings
  - Intended benefits may become evident only after **many years**
The process: lessons learned

- **Key individuals** make a difference and drive the process
- Develop a **shared vision** first, then act
- Set up a **Joint Working Group**
- Agree a **Memorandum of Understanding**
- Set up a separate **project team** and actively manage change
- Identify and deliver ‘**big wins**’ – they change perceptions
- Consider the organisational **culture**
- Manage **expectations** and keep them realistic
- **Communicate** regularly and consistently – a two-way process
- Transition involves **friction** for staff & students
Outline of a process for developing CAM activity

1. Opportunity or problem
2. Joint Working Group
3. Project team
4. Options review
5. Consultation with stakeholders
6. Business case (for external funding)
7. Review & revision of proposal
8. Memorandum of understanding
9. Preferred option & its feasibility
10. Implementation plan
11. Approvals (internal & external)
12. Monitoring & evaluation
13. Joint Working Group
14. Project team
15. Options review
16. Consultation with stakeholders
17. Business case (for external funding)
18. Review & revision of proposal
19. Memorandum of understanding
20. Preferred option & its feasibility
21. Implementation plan
22. Approvals (internal & external)
23. Monitoring & evaluation
HEFCE’s policy – Principles guiding our action

**Project aim:** to help institutions make better decisions, but neither encourage nor discourage CAM activity

- **Objective** assessment
- **Strong and sustainable institutions**
- **Institutional autonomy**
- **Open & constructive relationship**
- **Student choice & the student experience**
- **Collective interests of students & the public interest**
- **Diverse and dynamic sector**

14
Consultation

Why we are consulting:

• Can we improve this guidance?
  → Are there significant omissions?
• Do institutions want detailed briefing guides?
  → In which areas?
• How might HEFCE and the sector continue to disseminate the lessons learned?
Consultation - responses

• Response form at: www.hefce.ac.uk (under ‘Publications’)
• Email to: CAMconsultation@hefce.ac.uk
• Consultation: late February to late May 2012
• Results published: July 2012
Questions for group discussion & feedback

1. Which, if any, of the project’s main, high-findings did you find unexpected? And why?

2. How do you think HEFCE should position itself in relation to the sector’s CAM activity?

3. What role do you think CAM will have in the sector’s development in the next 5 years?