



The future of higher education today, series 2

Episode 1: What does a successful higher education merger look like? – Transcript

Aaron Porter

Thank you for joining us for the Future of Higher Education Today. The vodcast bringing people together to talk about the biggest issues facing universities and higher education.

This series is produced by Universities UK and Advance HE. My name is Aaron Porter, Associate Director, Governance at Advance HE and I'm hosting this four-episode series with a focus on governing and leading change and transformation in the higher education sector.

Our first episode looks at recent university mergers in the UK and Ireland through four pre-recorded interviews.

First, we'll hear from Gayle Ditchburn, a partner at Pinsent Masons who has provided legal counsel to City University London and the Health Sciences University, amongst others, throughout their merger processes.

Gayle Ditchburn

So, it's really important if you, in anticipation of a merger, even if you've not necessarily signed the deal, exchanged contracts, that when you're communicating with your students that you do contemplate that there may be a merger in the future. Because of course, the awarding body may well change.

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We'll then hear from Professor Sir Anthony Finkelstein, President of City Saint George, University of London, and Lesley Haig, Vice-Chancellor of the Health Sciences University, with campuses in Bournemouth and London.

Professor Anthony Finkelstein

Merger is difficult. But actually, sustaining effective operational partnerships short of merger is almost more difficult.

Professor Lesley Haig

It was very much was a marathon, not a sprint. So how do you look after your people on the way through?

Aaron Porter

Finally, Tadhg Leane will share insights from his previous role overseeing the designation and merger process that created the multi-campus Munster Technological University in Ireland in 2021.

Dr Tadhg Leane

You know, when you jump to merger everybody is impacted. So, it's really challenging from a leadership perspective.

Aaron Porter

We asked the panellists to share their experience with mergers and their reflections on key milestones, unforeseen challenges, stakeholder management, the regulatory process and lessons and advice they would like to share.

Let's hear from Gayle Ditchburn, a partner at Pinsent Masons.

Gayle Ditchburn

It's been a fairly busy last couple of years, I would say, in the higher education sector.

I'll probably say, I've probably done about three mergers in the previous ten years, and then I've done three in the last year. So they were, City University of London's merger with Saint George's to become City of Saint George's, whereby we acted for City, in that case. And then I also advised AECC University College in connection with its merger with University College of Osteopathy, which is now Health Sciences University and then also supported Writtle University College, in respect of its merger with Anglia Ruskin University. And then also, not quite a merger, but also supported German International Higher Education Group, IU Group, in connection with its acquisition of the London Institute of Banking and Finance.

What I suppose is really interesting about all of those transactions is that they cover all the different types of institutions in terms of constitutional structures that you could possibly imagine. So, we've got a chartered university with City. We've got Saint Georges, which is incorporated by a scheme under the NHS act of 1946. AECC, which is company limited by guarantee. UCO a company limited by shares. And then, of course Bristol University College and Anglia Ruskin both being higher education corporations. So literally every type of constitutional structure you could possibly imagine.

So, I mean, I think for both the Health Sciences University and the City Saint George's mergers, the kind of key aim was to obviously complete those mergers by the end of an academic year, being the 31st of July 2024 in that case. So, it was really kind of crucial to work back the timetable from that date. Whereas with Writtle, the aim was simply to complete the merger as soon as possible and as soon as the sort of parliamentary timetable would allow.

So, as you can imagine, in terms of the due diligence that has to be done, that is really extensive and significant. And sometimes that can be done in two phases.

Certainly, there would be a sort of a phase of due diligence where it's a real kind of high level, sort of red line issues that need to be drawn out. The kind of real, you know, risks that the merged institution would have to face if the two institutions were combined. And then a sort of a second phase due diligence, subject to those that first phase giving the route through to then a decision to merge, then actually going into sort of the more granular detail, as to, okay, what do we actually now need to know in order to effect the merger? What things do we need to ensure that are in place before we can proceed? And so that process is really quite significant. And making sure that's done properly so that we don't then have the sort of later surprises that come down the track.

And I think it's, you know, not until really you've exchanged contracts that then you have sort of full steam ahead. And both parties can then go out to external stakeholders, regulators with a clear, concrete plan.

Certainly, in terms of sort of recommendation, I would say making sure that you think about the timescales and maybe have early conversations with those regulatory bodies ahead of time. They know that you're talking, you know, they know that you're anticipating potentially having a merger. Get them on side as soon as possible and feed them into your timetable and thinking so that they can, you know, that they're already on notice, that you're going to be coming to them and asking them, look, we need you to respond within quite a short period of time.

And I would say one of the key things as well is, the whole communications with students. We know there's a, you know, a real emphasis on, ensuring that students are treated as consumers, that the institutions comply with the CMA requirements. And so, it's really important if you, in anticipation of a merger, even if you've not necessarily signed the deal, exchanged contracts, that when you're communicating with your students that you do contemplate that there may be a merger in the future. Because of course, the awarding body may well change. And it saves a lot of challenges later in terms of then changing terms of conditions, etc. if you've already given your potential students in particular, the heads up that the, you know, the awarding body might change.

As well I think the OFS, you know, certainly was probably on a bit of a learning journey itself as part of, you know, some of these transactions because they hadn't necessarily, as a regulator, experienced having to go through some of these sort of merger processes.

So, it was around kind of yeah, everyone sort of being as supportive and collaborative in terms of, sort of process and weaving our path through.

Aaron Porter

Now we'll hear from Professor Sir Anthony Finkelstein, President of City Saint George's, University of London.

Professor Anthony Finkelstein

I think probably the start for the background was my arrival at City and an opportunity that that presented for the institution to consider again its strategy.

Central to that strategy was the development of a distinctive positioning for legacy City as we now know it. Which is that City is very much an institution for business practice in the professions. We see ourselves as a professional school. We build leaders for the world of work. We do research at the frontier of practice. We're open and engaged. We're sort of the opposite of an ivory tower. And we're very proud of the fact that what we do is, we take students, many of them from first generation in higher education with diverse backgrounds and get them great jobs in the city of London and beyond in London. By that means, transform lives and opportunities for families.

So given that position for the institution, it was clear that there were further professional opportunities, which we did not at that time have the opportunity to develop.

There was also an appreciation that in the foreign higher education environment, that scale was going to be important. That it gave interdisciplinary opportunities. That it gave resilience, and it gave a whole range of things.

I was actively looking for opportunities to extend our professional sector of programs and activities and became aware that, potentially, Saint George's might be an interesting opportunity to forge a combination with.

Well, I mean, the first thing is I was very fortunate to have an excellent council who really stepped up to the role of being a board. They were supportive, but sharply challenging. They deployed, many of them are senior professionals, they deployed their knowledge and expertise in support of this and I'm incredibly grateful. I learned a good deal from them. I always felt that they, that I had their support, but that they were putting the best interests of the institution first. So, I was very grateful for that.

I would say that the thing that they particularly were very good at is one they really wanted me to drill down on the risks. That was very effective. They were demanding around the due diligence and really getting good granularity on the due diligence. And that was wise. And they sent my financial plan back several times. And they were right to do so because it wasn't adequate. And as a consequence, through multiple iterations we have a financial plan that is as robust as is possible in the broader circumstances.

They're experienced people who could see the ups and the downs. They could see the funny side of things. And, yeah, they it was a very, it was a very good process.

The first thing I think the thing I would say is start with strategy and start with what you want to be. A partnership which reinforces your distinctive proposition. There's nothing more attractive than being uniquely yourself and proud of yourself and authentic with your identity. And then if you're, you know that says absolutely that your merger has to be authentic.

You know, the costs show up faster than any efficiencies that you might think. And of course, there are other, you know, legal and operational requirements which mean that you can't necessarily secure those efficiencies in the, in the short term.

I think the other bit, which maybe again is a useful lesson is it's not always on the balance sheet. You can look at the balance sheet of any university and you can go, oh, well, it's a bit rough, but they look like they're okay.

Quite frankly, I think merger is difficult. But actually, sustaining effective operational partnerships short of merger is almost more difficult. And the doing of merger is difficult. But, once you are a combined institution, you have opportunities that are you know, substantially greater.

And then the last observation, which is sort of, you know, blindingly obvious, it's all about people. It's always all about people. It's about people, their interests, their responsibilities, their understanding, their status, all of these things are an important part of that and shouldn't be neglected.

Aaron Porter

Now we'll hear from Lesley Haig, Vice-Chancellor of Health Sciences University.

Professor Lesley Haig

I mean, it was very much really driven initially by the University College of Osteopathy who were looking at various, obviously I wasn't part of all of their discussions, but from certainly what we understood, very strategic options in terms of their future operations to sustainability, etc., at a time when they still had plenty of time to make decisions. This was no fire. We made very clear about that.

You know, everything takes much longer than you expect. Of course, because you're, you know, you're in your head actually you just need to find an answer to a question. But of course, that then sits in someone else's inbox. So, like everything, so the contingency that you need to build in terms of time is critical.

Nerves get extremely jangled by the people that you would least expect, I think, interestingly. So, keeping a cool head and I think surrounding yourself with people that are also keeping cool heads because actually this is just a journey. So, there's highs and lows in this journey, and it's inevitable that there'll be times when it's it feels impossible. I think it was sort of, I'm relatively good in those situations. So I just, you know, that was fine. I sort of, you know, huge bumps in the road that come along that almost derail, that's kind of interesting. But actually, in hindsight, feel like they're not that big, but at the time they feel really huge. So, I think just expect those and ride them.

Even though I think we paid quite a lot of attention to the cultural piece and communication, it really is everything. The absolute sense of loss felt by certain people was even more catastrophic than I could have imagined. But, you know, you can be sympathetic and work things through, but you can't change it. But being available, I think is and so I think we were relatively good at that. But even that, I

haven't foreseen that the level of loss I think that people would feel. So, I think that sense checking and consistent messaging is really, really important. Not over promising. Being really transparent and upfront as much as you can be but keeping the narrative really simple. You're making it very, very clear exactly why this is happening. Because again, they'll all make some, you know, actually it's happening because institutions are failing or this is, you know, they'll fill in every single gap that you leave.

I was trying it out on people before I went kind of large. You know, so actually finding a small group trying it out on staff association. Trying it out on this. And, so that was, I think, very useful. And then obviously in several media at the same time. So, recording something and putting it out on a comms but keeping the same messaging again and again. So, they got fed up with it because actually how that gets portrayed then to other people, they'll all fill in the gaps. And when you're dealing with heritage institutions where there's so many alumni, whispers just get elongated. So that's I think that's one thing. And that's really from the board. They've got to have the same language all the way through. So, giving them information, giving them the lines, making sure the presentations all have the same thing is I think that's I guess one of my key things really.

I think one of the things I realised is there's definitely a change curve and for those of us that are really heavily involved are right at the front of that curve. Most people aren't. Most people are on the tail, if you're lucky, depending on how much they dip in and out. And actually, you know, watch the tail because the tail will catch up. And while you're in celebratory mode, other people definitely aren't. And there will be people around that, and I've heard this from various professions, that would pretty much rather it have closed down than had merged.

So you are dealing with people that, you know, at the end, you just have to kind of, you have to kind of go with your instinct and make sure that you're doing the right thing for your employees, for the institution, because there will always be a tail of people that just that really, really don't want it at all. So, I would, you know, urge caution for the rest of the sector thinking that mergers are things that you just go through and they're relatively transactional. They are incredibly emotional experiences for everybody involved.

But you know, it is really time consuming and it's expensive. So, you're getting additional resources in, this clearly, because there'll be some transactions, legal fees as to clearly transactional charges, you know, taking on new assets that may or may not be in various states of repair or not. There's all sorts of things behind that.

I guess it's that sort of sense that it very much was a marathon, not a sprint. So how do you look after your people on the way through? I think we managed it, but there were people that, you know, were feeling that they were being pulled in different directions. Because we had, you know, we had to keep the pace going. And I think you can obviously, it's quite tricky isn't it, because you look then back, you know, we put in a business case for this very early spring. We're now eight, nine months later, the whole, we've got a new government, things are changing. So, in good faith, you can only deal with what you've got in front of you at the time.

But you've got to be confident.

Aaron Porter

Let's hear from Tadhg Leane at the multi-campus Munster Technological University.

Dr Tadhg Leane

My role was first and foremost towards the designation process and there were certain criteria, etc. around that. But then also, as part of that, I was also, for my institution, we were merging with one other institution. I was the merger lead for that project.

Yeah, so I suppose taking the kind of helicopter view, we would have been, up until very recently, Ireland would have had a binary higher education system. So, it would have consisted of traditional universities and then institutes of technology. And from about 2008 onwards, the number of institutes of technologies were pushing strongly for university designation. That became the technological university designation process and one of the prerequisites for any application for that designation was that institutions had to merge. So, they weren't accepting any applications from individual institutes of technology. There had to be a consortium, a merger. And so that's how mergers were, I suppose, introduced into the game, as it were.

So, two things, So, the first thing is merge quickly. And there are two aspects to that are really critical. One is leadership. So, in order to merge quickly, you're going to have to make some really big and really difficult decisions. And that has to come tone from the top. And you know, it's really easy to back away from really hard decisions because there's a lot of people going to be impacted. You know, you can use phrases like, you know, you have to break some eggs to make an omelette, but that's all well and good. But if you think you're one of the eggs, it feels very different. You know, when you jump to merger everybody is impacted. So, it's really challenging from a leadership perspective. So, unless you have real courage and real commitment at the leadership level to make those difficult decisions. The second thing I would say is

external advice is absolutely critical. Because again, you're too close to it in lots of situations. So, you need somebody to, to kind of call out that kind of clarity of these are decisions that need to be made. And I would follow that up by saying, well and good to get the advice, but if you don't listen to it, then that's a problem as well. So that would be the key success factors as I would see them.

I think the only other thing that I would say, which is really important, and this doesn't just apply to mergers, but it applies to change management and to the leadership followership dynamic generally is that you need to get very high level of commitment because, and this was certainly if I look at the key mistake that we made, we got very focused on the university designation prize and got very focused on engaging at a national, almost at a political level. And we kind of took our eye off the ball inside the institution, because we thought that the prize was so big that everybody would understand the value in it. And there's a concept, I suppose, in leadership, which is this elastic band concept that if you go too far ahead of the people that you're leading, the elastic band breaks and then you lose them forever.

And there was definitely an element of that in our project where we got too focused on dealing with the issues that we were dealing at a national level, and we just forgot about building that commitment within the organisation. So that we were sure that everybody was with us. And that certainly did cause us a problem. When we eventually turned around and said, guys, we've got the prize. You know, we had a lot of people at home who weren't quite bought in, you know. So that was, that was definitely problematic. So, I would caution against that if you really do have to work and when I say work, actually commit resources and time to building commitment and maintaining that commitment or you will lose that kind of followership that's absolutely key.

Aaron Porter

Thanks for joining us for today's session. And on the next episode we'll be looking at strategic reviews in UK further and higher education institutions, as well as some case studies of successful change programs. Join us then.