

University of Manchester

The Anatomy of a Merger

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Background

- 1824 'Manchester Mechanics Institute' eventually evolves to be 'UMIST'.
 - Specialising in science, technology, and management
- 1851 'Owens' College created. Evolves to be the 'Victoria University of Manchester'
 - Covers all disciplines
- Both institutions reflect industrial wealth and civic pride of the city of Manchester
- 1905: UMIST is 'Faculty of Technology' of VUM
- 1955: UMIST is independent University

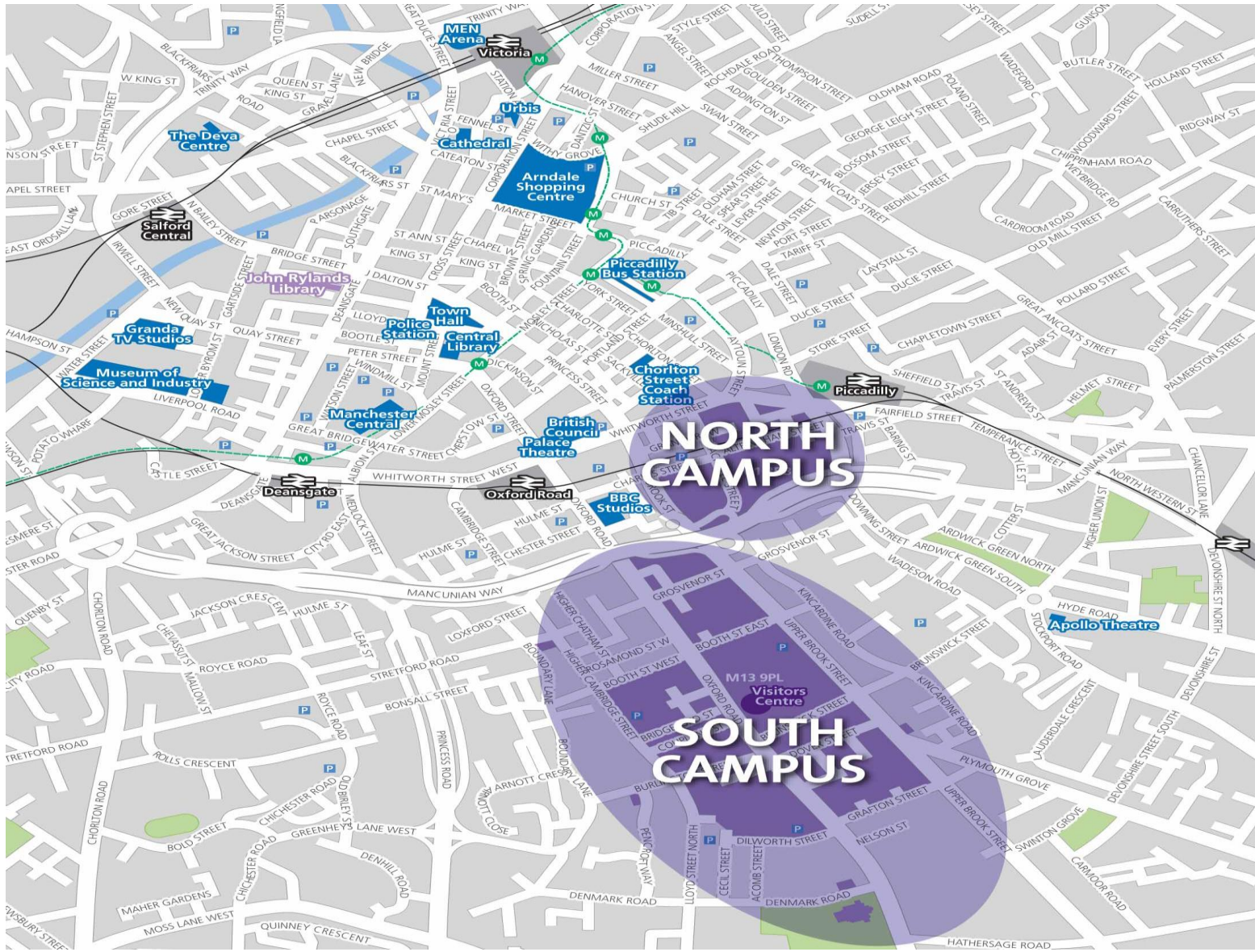


Owen's College, opened 1851. Incorporated in 1904 with Victoria University (which had been founded under a charter granted in 1880 and reconstituted in 1903)



TECHNICAL SCHOOL, MANCHESTER.





Position by 2000

- VUM – about 18000 students. Research intensive. Strong domestic and international rating (Jiao Tong 78)
- UMIST – about 7000 students. Research intensive. Strong reputation but more specialised.
- Still collaborating on infrastructure (residences, computing, sport). But competing as independent universities.
- Some disciplines complementary at sub-field level.

Summary of the Changes

- 2004 merger of Victoria University of Manchester and UMIST
- 'Offensive' positioning move to create a large, strong institution to be comparable with *golden triangle* universities
- Dissolution of two prior Royal Charters and new Royal Charter – enabled radical change in all areas of the university
- Academic re-structuring; major capital investment; new corporate ambition

The Strategic Plan: *Towards Manchester 2015*

Mission:

To make The University of Manchester, already an internationally distinguished centre of research, innovation, learning and scholarly inquiry, **one of the leading universities in the world by 2015**

Stages in the Process:

1. Behind the Scenes *Realpolitik*

- 2000 to 2002
- Both Universities do well in the national research assessment exercises, but are aware of limitations on further progress
- Informal discussions between chairs of the two governing bodies and the two vice-chancellors
- Changes in senior personnel and attitudes create potential opportunity on the horizon
- No publicity

Stage 2: Joint Committee to 'consider options' (2002/2003)

- Committee of 8 senior staff (4 from each side) with an external independent chairman
- Terms of reference were to consider all options for organisational re-engineering which could enable the two universities to work together to advance their strength eg.
 - Federal arrangement
 - Shared back-office processes
 - Partial merger
 - Asset swaps
 - Full merger

Report from Committee

- Partial merger, asset swap, federal models etc all have one shared problem
 - The benefits of the new arrangement are likely to be wiped out by the extra cost, bureaucratic burden, and legal complexity of implementing such models.
- The **full merger** is of course much more expensive and risky in the short term, but has much greater potential benefit in the long run
- This would not be true for all mergers, but the proximity of the physical assets and the strategic fit make Manchester a special case.

Stage 3: 2003/2004: Assembling Political and Financial Support

- Two proud and independent Universities each with a governing Council – suspicion – the word 'take-over' is **taboo** !
- Need to convince them that a merger is not simply a response to threat; or a cost saving measure.
- *Need to show that it will release additional synergy and create the 2+2=5 effect*
- This actually needs more investment and a proper business plan

Assembling an Academic Plan: 1

- Simple option was to only look at structure in disciplines where both universities had capability
- Decided against this and went for radical restructuring
- Required a long period of analysis, dialogue, option appraisal. Many committees!
- Completely new structure of four large faculties. Faculties contain schools which are also large

Academic Plan: 2

- Academic plan told us how many staff and students needed to be moved into new structures
- Degree programmes re-designed and plans to migrate students cohort by cohort
- New structures created requirements for new buildings, or refurbishments, or extensions
- So academic plan drove estates strategy
- Estates strategy drove need for investment capital, and also identified buildings for disposal. Initial 5 year plan would cost about £400M

Assembling a Resource Plan

- Support from central government and some public money
- Similar support from regional government
- Identification of surplus land and buildings for disposal
- Detailed talks with banks to raise a significant increase in long term borrowing
- Resulted in a 5 year programme which saw investment of £400M in estate and £100M in 'transition costs' (new IT systems)

Governance and Legal Issues

- UK universities governed by individual Royal Charter. So we negotiated a new one
- New statutes and ordinances meant that we had a clean sheet of paper to design committee structures, regulations, procedures etc. Big advantage, but took a long time....
- Now have modern governance structure with relatively small board of governors

Transition Mechanism

- Company created to oversee transition with independent chair.
- Large project team with formal structure
- Assets old universities maintained legal existence up to day of transition, but forward decision-making transferred to company
- New Vice-Chancellor appointed 10 months before transition date
- On transition date, October 2004, company and two old universities dissolved, new university and new team took over.

After 2004

- Avoided the danger of 'relaxing'
- Accelerated momentum and raised level of ambition with '2015 strategy'
- Difficult period until 2007 with management of new systems, new structures, new processes
- Now – the merger is 'in the past'. Many staff recruited post-merger
- Stakeholders regard merger as great success
- UK HE now has a 'big 5' rather than a 'big 4'

Lessons

- Leadership is vital
- It helps if you are close to each other
- You need a detailed plan and money but...
- Some things will still go wrong – you need to be prepared to manage actively
- A merger which is offensive easier to sell than a defensive one, but you do need to use the opportunity to address areas of under-performance

UMIST

VUM

