

P[./Case Study 3: Aston University and the University of Birmingham

Introduction

1. This case study examines the merger proposal between Aston University and the University of Birmingham originally put forward in 2000 but which was not in the event pursued.

History and Background

2. Aston University was formerly a College of Advanced Technology (CAT) and was granted University status in the mid 1960s following the publication of the Robbins Report on the future of higher education in 1963. It has particular strengths in engineering, certain subjects associated with medicine such as pharmacy and vision science, business and modern foreign languages. The University of Birmingham was founded in 1900 and is a large broad based university, including a medical school and is perhaps the University for which the title “redbrick” was coined. Aston’s main campus is just to the north of the City Centre and the University of Birmingham’s main campus is in Edgbaston just to the South of the City Centre.

3. There is a third university in Birmingham, the University of Central England that was not involved in the merger discussions. It is a former polytechnic that received university status in 1992.

4. In 1999/2000 when the discussions about merger got underway Aston University had around 6,600 students and the University of Birmingham had 25,500. The income of the two institutions was respectively £46m and £245m.

Genesis of the Merger proposal

5. Although there had been some informal collaboration over the years the two universities had largely gone their own way until the mid-1990s. Nevertheless personal relations between senior academic staff and the two Secretary/Registrars were good. The idea of exploring closer collaboration both academically and in administration therefore fell onto fertile ground. In 1998 in the light of specific suggestions for increased collaboration, the Senior Management Groups of the two universities discussed the issue and subsequently there were meetings between senior lay officers and the Vice Chancellors of the two universities and meetings between the two registrars to discuss the issue of closer collaboration. Out of these discussions it was agreed to establish a **Joint Task Group** consisting of the Vice-Principal, a Pro-Vice Chancellor and the Registrar and Secretary of Birmingham and the Senior Pro-Vice-Chancellor, one Head of School and the University Secretary- Registrar of Aston to examine the advantages and disadvantages of increased strategic collaboration between the two universities. At that stage merger was not on the agenda.

6. The Joint Task Group was supported by academic working groups assessing the potential for collaboration in languages, engineering, business and health sciences

with a further working group on administration. During the course of this work it became clear that the issue of increased collaboration (particularly in relation to the two Business Schools) could not be addressed without examining a closer institutional relationship, including the merger of the two universities and the two Vice-Chancellors agreed that the working groups could consider the potential additional gains from merger and any difficulties.

Process

7. While the **Joint Task Group** was not originally established to consider the merger, of the two universities it was in effect able to clear the ground of the more straightforward issues that needed to be addressed if merger was to proceed. It was also able to build on the evidence of complementarities identified by the academic working groups. Indeed the business working group provided strong arguments for merger of the two business schools which in turn brought institutional merger onto the agenda. The Joint Task Group produced two reports to the two Senates and Councils between February 1999 and June 2000.

8. In the summer of 2000 in the light of the advantages of merger identified in the second report of the Joint Task Group, both universities agreed to establish a **Joint Strategy Group** to take forward consideration of the case for merger. This Group had equal representation of three senior lay members of Council, the Vice Chancellor with support from the Registrar of each university, but this Group was not able to meet until October 2000. The objective of this stage of the process was for both universities to agree in principle whether there was a basis for proceeding to merger. It was agreed that this process needed to be undertaken with dispatch.

9. Following the decision to establish the Joint Strategy Group the two Vice Chancellors issued a joint statement to staff and students setting out the case for the merger of the two universities. The principal argument was that it represented a more effective and efficient way of enabling staff and students of the two universities to achieve their academic ambitions. The statement offered a view of the external environment faced by higher education and summarised the evidence of the academic complementarities and financial health of the two universities.

Issues

10. The main issues raised during the merger discussions were:

- The name of the institution
- The legal form of the merger
- The position of the two Vice Chancellors
- Academic complementarities
- Comparability of Research Performance
- Financial issues
- The role of HEFCE

- Third party interests
- Communication and Consultation
- Time
- Unforeseen changes
- Trust

11. Title could have been an issue because of the strong intention to avoid actions that might suggest that Birmingham was taking over Aston, but it was accepted by all concerned that it would be foolish in the extreme to lose or weaken the brand name, the University of Birmingham.

12. The legal form of the merger was a much more difficult issue. Two alternatives were considered:

- The double dissolution model with a new Charter and Statutes for the merged University
- Using one of the existing charters and effectively reconstructing it to serve the merged institution.

13. The first was the desired option of Aston University and they considered the issue a deal breaker. They saw it as the way not only to avoid any sense of takeover, but also to ensure that the kind of change which the merger represented applied to the whole merged university and not just to those parts where there was significant overlap and complementarities between the two universities. Birmingham agreed to double dissolution in principle but Privy Council Office advice later made it appear a difficult and expensive solution. This issue is considered further below.

14. The two Vice-Chancellors were strongly supportive of the merger proposal as can be seen from the kind of statement which they jointly issued to staff. Nevertheless, the issue of their own positions post-merger was not clear. The discussions about closer collaboration had post-dated the appointments of the two Vice-Chancellors and the dates of termination of their contracts were not aligned. Birmingham alerted Aston to the fact that it would need to set the wheels in motion to appoint a new Vice-Chancellor with effect from October 2001 if planning blight were to be avoided. It was agreed that Aston's Chancellor, Sir Adrian Cadbury would sit as an observer on the Selection Committee. This issue also was a potential deal breaker and is considered further below.

15. The academic working groups demonstrated strong synergies in the academic provision of the two institutions:

- Aston's Pharmacy and Vision sciences with the University of Birmingham's medical and health sciences Schools
- The two Business Schools. Neither could then claim to be in the UK top five. A combination of the resources would enable significant investment to provide the City of Birmingham with a Business School of National and International standing

- In Engineering, the Engineering Council's 'SARTOR' requirements for student entry onto approved BEng and MEng programmes across the broad range of engineering disciplines might have given rise to some difficulties. Together it would be possible to maintain a broadly based Engineering School in Birmingham of the top rank
- Both Universities have high reputation in language teaching and European studies. Coming together would further enhance that reputation.

The academic basis for merger was thus very strong.

16. There were some concerns initially on the part of staff at the University of Birmingham that Aston University might significantly dilute the overall research rating of the merged University, but although Aston did not have the 5 or 5* rated departments that Birmingham did, over 80% were rated 4 and the ambitions of both universities for the 2001 RAE were broadly similar. Research comparability was not in the main a live issue.

17. Although a full due diligence was not undertaken because the discussions were halted before that stage was reached, neither of the Finance Directors detected any financial problems. Both universities had strong balance sheets and an initial analysis of the financial benefits of merger suggested that merger could potentially deliver over £10m in recurrent savings over the first two to three years which would be available for re-investment in academic developments. Furthermore both universities were planning on making substantial investments in their business schools in the near future.

18. There were also indications that with merger it would be possible to attract substantial outside investment from the region towards the development of a single Business School for Birmingham. This prospect was definitely a potential win/win for the merger.

19. HEFCE officers were privately supportive of the proposal and indicated that they would be prepared to consider a proposal for funding, but the discussions did not reach that stage. However, given the strategic importance of this merger proposal some of those involved wondered whether HEFCE might have become more proactively engaged at an earlier stage.

20. The management of the relationship with students and extended stakeholders is clearly very important during the pre-decision period. The students at the University of Birmingham were opposed to the idea but their opposition was not very focussed. The University sought to keep the Officers of the Guild of Students briefed on developments and they (unlike the student body as a whole) were well disposed to the merger proposal. The student body at Aston University on the other hand took a principled stance against the merger despite more open consultations. The students were very keen to preserve the status quo.

21. There was a keen interest from the local business and professional community, the City Council, Government Office for the West Midlands and the fledgling Regional Development Agency for the West Midlands. These stakeholders were mostly very supportive of the merger proposal, but the merger proposals foundered before concrete expression could be given to this support.

21. The two universities had a somewhat different approach to consultation with staff. Aston had a full consultation process starting off from an enlarged Senior

Management Group taking time out to enunciate the principles for implementing merger. The six principles were:

- any integration/merger must be on the basis of double dissolution;
- there must be an agreed vision;
- there must be appropriate new management and academic structures;
- there must be geographical coherence on a subject basis;
- the interest and well-being of existing and future staff was of prime importance (although there was **not** a commitment to no redundancies);
- there should be agreement prior to integration on subject spread.

23. All staff at Aston University were consulted on these issues by the Vice Chancellor on an open basis including the possibility of some redundancies and staff were supportive. At Birmingham University the discussions tended to be focussed on Senate and council, although there were open meetings for staff and students at which the issues were discussed, as part of the normal process of discussing University developments.

24. Time was clearly an important issue because both universities were holding back from their own development decisions while the discussions were proceeding. This inevitably caused a degree of planning blight which was particularly marked for Aston University which quite separately needed to develop a new strategic plan. Time was also an issue for those senior managers in both institutions who had to carry the heavy management load of taking forward the merger discussions while continuing to do their existing jobs.

25. Time also proved to be of vital importance in another way with changes to key members of the University of Birmingham's Council and the decision by Birmingham to go ahead and appoint a new Vice Chancellor rather than leave the post vacant until the merger discussions had been completed. These key changes in personnel and decisions that were in part a reflection of the timescale of the process were important factors in the decision not to proceed.

26. Working closely with colleagues from another institution towards a common objective is critically dependent on mutual trust and respect, particularly where it is necessary to address tough issues. That kind of trust and respect takes time to build up, but is very quickly lost if there are changes in key personnel as happened in this case. This difficulty needs to be recognised so that if necessary changes to key personnel are delayed or when unavoidable active measures are taken to ensure individuals have opportunities to get to know one another properly. This is not easy.

Deal Breakers

27. In this example the merger discussions did break down. It appears that there were three related issues that contributed to the breakdown.

- The legal form of the merger and differing views of double dissolution
- The change of key personnel at critical moments in the merger discussion

- Difference in the motivation of the two institutions.

28. There were strong countervailing views on the issue of the legal form for implementing the merger. The University of Birmingham were anxious to avoid proposing a form for the merger that in any sense suggested that it was a takeover of Aston University. The lay officers of the University of Birmingham agreed *in principle* to the double dissolution model in which the existing charters of both universities would be dissolved and a new Charter established for the merged University. This was the solution which Aston regarded as the *sine qua non* not simply because of emotional implications of using the University of Birmingham's existing Charter as the starting point in terms of takeover, but also because they considered that only with a completely fresh Charter would the merger impact upon the whole institution. Indeed the senior managers at Aston University had sold the merger to staff on this basis: **a 21st century Charter for a 21st century University.**

29. However, in the period between the establishment of the Joint Strategy Group in the summer of 2000 and its first meeting in the autumn of 2000, opposition to the double dissolution model hardened within the University of Birmingham based mainly on the advice of the Privy Council Office that double dissolution was likely to be a lengthy and expensive procedure and that there might be easier ways of providing the kind of assurance that Aston sought. There was also concern at the marketing effect of replacing the University of Birmingham's 100 year old Charter. Thus by December 2000 the lay members of the University of Birmingham did not feel able to turn their earlier agreement in principle to double dissolution to an agreement in practice.

30. While it might have been possible to overcome this major difficulty through negotiation if it had been the only major issue between the two universities, it was not the only major issue. In particular the University of Birmingham had to decide in the autumn of 2000 whether to appoint a successor to the current Vice Chancellor or to hold open the appointment pending the outcome of the merger discussions. Given the uncertainty over that timetable, the University of Birmingham decided after consultation that it must move to appoint a new Vice Chancellor. This could be seen both as possibly pre-empting the decision as to who would lead the merged institution and also delaying the whole process since it could hardly be taken forward before the new Vice Chancellor had had time to consider his or her position on the issues. In the event, the incoming Vice-Chancellor when asked indicated his support for the merger proposal.

31. As noted earlier time was not on their side. Both universities had delayed major investment in their respective Business Schools and more generally a range of major strategic decisions were on hold pending the outcome of the merger discussions leading to a degree of planning blight.

32. Any one of these issues in its own might have been overcome, but the three together led to the decision to end the discussions even though the fundamental case for merger remained strong.

Outcomes and Lessons Learned

33. In the light of that decision both universities went ahead with their separate investments in their Business Schools. Aston University was able to proceed with the development of its own Strategic Plan and to move ahead on some of the ideas

that had arisen from the merger discussions using its own resources. Some frameworks for joint provision have been established but little used so far.

34. Given the fundamental synergy of the two universities it is possible that the issue of merger may arise again. However as someone said “if the proposal is to be pursued again neither university can afford a second failure and it is possible that either or both universities may prefer to pursue alternative strategies rather than working with each other”.

35. One of the key messages of this case study is that successful merger discussions are built on a high level of mutual trust. Although in this case the incoming Vice-Chancellor of Birmingham University indicated that he was supportive of the merger proposal changes in key personnel during merger discussions can lead to loss of that mutual trust.

36. There is no simple answer to the question of the appropriate legal form for merger, but agreement on the way forward is of vital importance if merger is to proceed. What appears to be essential is that both parties accept that the proposed legal form reflects as far as possible their individual aspirations for the merged University. This means a willingness to share completely the vision of the merged University and to get buy into that vision from as wide as possible range of stakeholders of both universities.