

## **Case Study 4: The University of Manchester and the University of Manchester Institute of Science and Technology**

### **Introduction**

1. This case study is about the process leading up to the merger between the Victoria University of Manchester (VUM) and the University of Manchester Institute of Science and Technology (UMIST) which was agreed by the Councils of both Institutions in March 2003. It is to be implemented from October 2004 as the Courts of both Institutions have agreed to petition for a new Charter to replace both existing charters.

### **History and Background**

2. Both VUM and UMIST share much common ancestry and until 1994 they retained a formal, closely collaborative, relationship. UMIST had been the Faculty of Technology of VUM and had awarded VUM degrees. UMIST's computing services were supplied from VUM and the two libraries collaborated through a consortium arrangement involving other Manchester institutions (the Consortium of Academic Libraries in Manchester – CALIM). However, UMIST had its own Charter and had always been a distinctive separately funded institution.

3. In 1994 UMIST 'felt no need to continue within the formal relationship' and decided and approval was granted for it to award its own degrees. For a time students were able to choose which degree they wanted - VUM or UMIST. However, academic and support links persisted. Among others there was a federal School of Management, joint Department of Materials Science, and joint services including careers, counselling and accommodation.

4. During the late 1990s, UMIST saw the need to emphasise its separate identity and, in particular, to expand its activities in the life sciences. The view from VUM had been that this was 'not the final chapter' in collaboration between the two institutions'. In addition, the appointment of a new Vice Chancellor at UMIST generally coincided with a new senior management team with new Secretary and Registrar, new Finance Director and new PVCs.

5. This background indicates a long history of often quite close collaboration but taking different forms at different times.

6. By 2001/2002 VUM had 22,000 fte students and UMIST around 6,500. VUM's total income was £328m and UMIST's income was £117m. In the 2001 Research Assessment Exercise (RAE) VUM had 31 out of 46 areas of research submitted rated 5 or 5\*, and UMIST had 9 out of 20 rated 5 or 5\*. The two universities made a joint submission in Civil Engineering and in Metallurgy and Materials: one of the joint submissions received a 5 rating and the other a 5\* rating

### **Genesis of Merger Proposal**

7. There was strong realisation at many levels within the two institutions that the external world was changing and becoming more competitive regionally, nationally and globally. Well before the 2003 Higher Education White Paper was published both universities recognised that they would need the kind of market presence and reputation that stems from research strength in depth and of a sufficient critical mass to compete effectively. They faced very strong competition from the Golden Triangle

of Oxford, Cambridge and London and internationally and wished to compete effectively on this stage.

8. There was also a strong impetus for improved competitiveness in teaching, although not so strong as that for research. This too required the sort of market presence and reputation derived from sufficient size and strength in depth to provide the investment needed to deliver improved student experience, a wider range of options and more complete portfolio of courses.

9. Initial informal discussions took place between the two Vice Chancellors and two Registrars on increased collaboration. At that point the issue of merger was not in play. VUM, conscious of the potential sensitivities at UMIST of VUM's intentions, left it to UMIST to take the agenda forward at this stage. Internal discussions amongst Heads of Department at UMIST revealed a surprisingly strong desire to explore increased collaboration with VUM. This enabled the debate to move to a higher level and at this stage both universities involved their Chairmen of Council. The two universities also decided for different reasons to extend the period of appointment of their respective Vice Chancellors to dates which fell more or less at the same time, thus providing an opportunity should much closer collaboration be favoured.

10. A history of significant collaboration, although it had ebbed and flowed, taken with a mutual recognition of the competitive realities for higher education institutions provided fertile ground for discussions on closer collaboration to be taken forward.

### **Process**

11. The process fell into four distinct phases:

- An initial phase between October 2001 and February 2002 to consider the options
- The second phase from March 2002 to October 2002 to develop the case for merger and get agreement from both institutions and outside stakeholders to the point of no turning back
- A third phase between October 2002 and March 2003 to secure the necessary external funds (see paragraph 16)
- A fourth and continuing phase to carry through the legal processes and resolve essential practical issues to enable the merged institution to operate from October 2004

12. At the initial stage, building on the discussions that had already taken place, the two Vice Chancellors established a working group with an independent chairman, John Beacham, a senior independent adviser to DTI who was well known to both universities. This group comprised the two registrars and four academics selected from each institution. Equal membership was an important principle. There were, however, no lay members on this group which, with hindsight, some of those involved thought might have been a mistake.

13. The group was invited to consider increased collaboration in its widest sense. Three main types of model were discussed by the group:

- Organic growth
- A federal structure
- Start again with a new university.

14. Although most members of the group started out with an open mind on these types of option, the group recommended the most radical option of combining the two existing universities into a new university. This view was influenced strongly by the

need to secure benefits on a relatively short time scale: organic growth through increased collaboration could not deliver quick benefits and a federal scheme might add significant costs while delivering fewer benefits than a single university.

15. The report was presented to the two Vice Chancellors in February 2002. There was immediate pressure across both institutions for the release of the report. However, it was decided that it was essential to release the summary and main conclusion of the report indicating that the development of a single new university was the preferred option to all stakeholders simultaneously. The release was planned very carefully. Although the senior lay officers of both Councils had been consulted about this approach and agreed to it, some lay members of UMIST's Council expressed concern that this approach was contrary to the principles of good governance since it had provided no opportunity for consideration of such an important matter by the two Councils before the preferred option was made public. This increased pressure to publish the full report. Thereafter the two universities sought to avoid this kind of difficulty by arranging for key decision taking meetings of the two universities to take place simultaneously and that all documentation was available to the two communities.

16. It was originally agreed that the decision in principle would be taken in March 2002 by both Councils with the final 'no turning back' decision in October 2002, but the final decision was delayed because there was no assurance in October of the investment funding that the two universities sought from HEFCE and other stakeholders. It took until March 2003 to secure that assurance of funding sufficient for the Councils to agree to proceed.

17. The period from March to October 2002 was characterised by frenetic activity by a series of joint groups to develop proposals towards developing the vision of the new University and how it would work, covering academic strategy, human resources, legal and governance issues, Estates, Finance/business planning/Due Diligence and Communications. The two universities bid for restructuring and collaboration funding of £125,000 each to support the process by paying for each to have a project manager. There was also a Project Monitoring Group during this phase comprising the two Chairmen of Council, the two Vice Chancellors, the two Registrars and senior academics.

18. Once the two universities had agreed to proceed to establish a new University in March 2003 they started to plan in earnest for implementation in October 2004. They agreed to establish a Company limited by Guarantee with representatives from both universities which is empowered to take forward key issues like the appointments of the first Chairman of Council and of the First President (Vice Chancellor) of the new University. This phase also includes the legal work necessary to revoke the two existing Charters and to petition for a new one to create the new University. This needs to be accompanied by a Private Act of Parliament to transfer to the new University the assets and liabilities of the two existing universities. The final stage for the two Courts of the two existing universities was to agree to the revocation of the two existing Charters and petition the Privy Council accordingly. This has now taken place and the first Chairman and President have been appointed.

### **Issues**

19. The main issues that arose during the process (not in any particular order) were:

- The name of the new University

- The legal form of the merger
- The position of the two existing Vice Chancellors
- Communication
- Managing the Process
- Relations with HEFCE
- External Stakeholders
- The Investment Bid
- The assimilation of staff
- The position of the academy
- Relationship/Trust.

20. The **name of the new University** was recognised as a significant issue and it was decided to defer that decision until after the main issue of whether or not to create a new University had been decided. Subsequently staff from both institutions were invited to express preferences from a list of ten possible names. (*The preferred choice was the University of Manchester*).

21. VUM was very conscious from the outset about the sensitivity that would attach to the decision about the **legal form of the proposal** and both universities wished to avoid any suggestion that the development of a new University was a take over. The 'double dissolution' model under which both existing university charters are dissolved and a new Charter is created for the new integrated University was seen by both parties as the best way of delivering this. It would have been possible to use one of the existing charters as a basis through stripping it back and then reconstructing it for the new University's requirements. In theory the end result could be the same, but in practice that solution was probably not saleable. On the other hand double dissolution is an expensive and a time-consuming process especially as in this case it requires the promotion of a Private Act of Parliament to transfer the assets and liabilities of the two existing universities to the new University. There has also been some public unease from a small number of individuals that the new Charter is a vehicle for increased managerialism in the new University. In the end only 18 voted against the proposals, mostly lay or long retired staff; only some 5 or 6 were current staff

22. The **position of the two existing Vice Chancellors** was made somewhat easier than might have been the case. Both universities for different reasons decided to extend the periods of appointment of their respective Vice Chancellors to dates which fell more or less at the same time. This provided a window of opportunity once it had been decided to move to closer collaboration and ultimately to establish a new University to allow a new leader to lead the new institution. This removed a potential problem at a key point in the process.

23. **Communications** has been an issue throughout the process. Both institutions established a reference group to act as a sounding board for staff questions and to provide information. The Public Relations Officers from the two universities worked well together in dealing with external inquiries and Press interest. Information was also communicated by e-mail and in writing on a regular basis to all staff and every member of staff was given the opportunity to attend an early meeting about the proposal. The two universities also established a Trades Union forum which was

intended to provide another opportunity for airing issues with staff. Although the two sets of Trades Unions had not previously worked closely together the forum rapidly developed into a negotiating group. This posed its own difficulties in negotiating issues for an institution that did not yet exist.

24. Between the in principle decision in March 2002 and the intended date for the final decision in October the key senior staff most involved had a huge workload. This period was highly fraught politically with large numbers of meetings of various types, involving different groups. There was also an enormous volume of paper flowing to and from the various working groups. Although each university was able to appoint a project manager with financial assistance from HEFCE, they were concerned throughout as to whether they had the skills and capacity in-house **to manage a project of this magnitude to create a new University and to manage the two existing universities, simultaneously.**

25. The universities went to great lengths to engage **external stakeholders**. The 2002 Commonwealth Games for example provided an excellent opportunity to exploit networks and engage local, regional and national interests – wining and dining played an important role. The two Public Relations Officers worked overtime. The City Council was supportive throughout and discussions with the Regional Development Agency proved very fruitful. Local MPs lobbied the Secretary of State and the Minister of State on behalf of the universities. The Science lobby was engaged directly through discussions with amongst others David Sainsbury, the Minister for Science.

26. The two universities **involved HEFCE from an early stage** and bid successfully for money from the Restructuring and Collaboration Fund to pay for the project managers and to contribute more widely to the costs of managing the project. However, the negotiations with HEFCE over the investment funding required to deliver the business plan (£80m) for the new University were challenging and by the time the two universities had set to take the final decision in October 2002, HEFCE were not in a position to make a decision. HEFCE did agree in the end to make a major contribution to the investment funding, but the two universities concluded that HEFCE was simply not geared up to deal with projects of this magnitude – ‘they treated the project as if it were a bid for funding for a new Chemistry lab’. The Prime Minister’s Office and the Treasury were directly involved on a number of occasions, as were Ministers and senior civil servants in several Departments. Margaret Hodge and David Sainsbury proved particularly supportive, but in reality all government agencies played their part in creating and supporting a climate of opinion in which the merger could be funded to go ahead.

27. HEFCE is apparently addressing this issue of how to improve its own operations to deal with very large projects of this kind. The recent draft guidance on handling merger proposals might be the first fruit of this review.

28. The securing of the **£80m investment funding** to support the business plan was a critical issue. The Council of UMIST in effect made it a deal breaker by tying their agreement to proceed to the specific sum. VUM’s Council were prepared to be a little more flexible. It had been hoped that HEFCE would be able to provide a specific commitment by the key meeting date of 23 October 2002, but as noted above this did not prove to be possible and this delayed the decision on creating a new University. Fortunately, the earlier work on engagement with external stakeholders now bore fruit. The North West Development Agency (NWDA) came forward with an offer of

£35m, contingent on matching central government funds which was an absolutely vital piece of the jigsaw. The full involvement of NWDA senior officers and those from the Government Office for the North West were central to this decision. The central government contribution was augmented by offers of contributions from OST and DTI .and by March 2003 HEFCE were able to commit the necessary funding to bring the total to some £80m. However, all of the promised funds are only payable to the new University

29. Once the decision to merge had been taken **the assimilation of staff** into a new staffing structure became a central issue. The two universities had adopted a policy of no compulsory redundancies before the establishment of the new University and strongly urged the new University to continue that policy for two further years. However, it was not clear that all staff believed the strength of this commitment. For the most senior administrative posts (other than the Registrar and Secretary post which it was decided should be advertised), it had been agreed if neither of the relevant existing postholders met the quality thresholds to go for open competition. The issues and possible futures had been explored with all senior members of the administrative staffs of both universities and by and large they had adopted a very positive attitude and recognised that there were clear advantages in the development of the new University and that it offered career development opportunities.

30. It had been decided to go for a four faculty structure for the new University. The most difficult areas would be those where there was subject overlap, particularly where there were significant differences in current RAE or TQA ratings.

31. Clearly the Company established to act for the new University has an important role to play in these issues, but for the moment they continue to have to be managed by the existing senior managers of the two universities. The appointment of the first President of the new University is a key milestone in helping to resolve these issues.

32. The attitude of the academy and the communities more generally of both universities to the development of the new University has been seen as a crucial issue throughout and the senior management have made enormous efforts to keep them well informed and to retain their support. In general the academy of both universities has been supportive. There was some initial concern from some VUM academic staff about RAE relativities but the RAE results in both 2001 and 1996 demonstrated clearly that UMIST's performance across its range of subject areas was not out of line with that of VUM. Now, as the process moves forward to the senior academic appointments the goodwill is likely to be tested. One article in the Higher in Spring 2003 suggested that there were doubts about the balance of powers within the new Charter, but that this was the view of a small minority was confirmed by the overwhelming support in Senates, Councils and Courts of both existing universities.

33. It is clear that the good personal relationships that have been established between the key players in the two universities and the trust that has developed have been important factors in successfully negotiating many pitfalls. VUM has taken considerable trouble to allay fears of takeover on the part of UMIST and UMIST has been prepared to take difficult decisions based on a long-term view (e.g. the name of the new institution). VUM has also had to face down fears about possible dilution of its financial strength from the merger. Both partners have agreed to synchronise key decision taking meetings to avoid the untimely release of information. Without this level of personal chemistry and trust it must be doubtful whether those concerned

could have sustained the level of commitment required to complete the process on the agreed timetable.

### **Deal Breakers**

34. The following issues were potential deal breakers:

- The legal form of the merger
- The availability of the investment funding required to support the business plan
- The attitude of the academy of the two universities
- The sheer enormity of the task

35. The legal form of the merger was an important issue psychologically. Both institutions recognised the dangers of anything that looked like a takeover of UMIST. The two universities avoided this pitfall by agreeing to the double dissolution solution, even though it was the more complex and expensive route compared to reconstructing one of the existing Charters.

36. The availability of the investment funding to support the business plan for the new University was clearly a potential deal breaker. The UMIST Council made it a condition of agreeing to the merger tied to the specific sum. VMU's Council was prepared to be only slightly more flexible, and the merger could clearly have been blocked on this issue.

37. It was recognised throughout that the support of the academy of both universities was essential to the merger going forward. If the academic staff had turned against the proposal it would not have happened. Considerable time and effort was spent in seeking to prevent that outcome. Furthermore some key issues such as consideration of the name of the merged University and its academic structure were left until after the decision to merge had been taken. This approach was a tactical success.

38. It is clear that senior managers in both universities were very concerned about whether they had the resources to carry through the process and cope with the continued day-to-day running of their universities. If the process had broken down at any stage it seems possible that both institutions might have felt bound to draw back.

### **Some Conclusions**

39 The following conclusions emerge from this case study:

- This merger proposal was based on a history of collaboration but derived from a shared view of the changing environment in which higher education operated and particularly a shared recognition of the importance of size and strength in depth to be a successful player in the international research arena.
- The fact that the two universities were both research intensive and shared broadly the same missions provided a good basis for discussion about increased collaboration, including merger.
- Joint structures demand equal representation from both partners whatever their relative size. There has to be recognition that the smaller institution has more to lose. The issue of losing one's identity and all that a smaller cohesive culture stands for is absolutely key. The larger partner may have

things to lose, but these are easier to manage for a large institution that is getting larger than for the smaller partner

- It is worth allowing the smaller partner to take the lead initially to allay fears of takeover
- An independent person to chair initial joint discussions is very helpful
- The whole process requires careful stage management but even the best-laid plans can go awry.
- Ensuring the support of academic staff is vital. This requires careful consideration of the tactics to be used in the process.
- Bringing external stakeholders on Board through networking activities is an important element in success and can deliver substantial benefits. It is vital to obtaining the promise of the financial support required to allow the merger to proceed
- The merger process is extremely demanding of key individuals in both universities who already have demanding jobs, including in particular the two existing Vice Chancellors. It is essential not to under-estimate the level of commitment required. The appointment of project managers clearly helps, but it is not in itself the whole answer.
- Within this context, good personal relationships between the senior managers in both universities is also essential
- Members of Council are key stakeholders. Not only do they take the decisions but they also need to be involved fully so that they are well placed to take those decisions and thereafter provide a source of support for the decisions.
- HEFCE has not been well geared up to cope with very large scale mergers of this kind.
- The name of the new University is important but should be left until after the decision to merge has been taken