Opportunity, Strategy and Effrontery: Understanding the Manchester 2015 Agenda

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Does Size Matter in a Competitive Global HE Market?

- Size is only one of the many variables that determine the quality, viability, impact, influence and reputation of a university.

- Size creates disadvantages as well as advantages, and there is probably a point beyond which, for almost any university, size becomes, on balance, a disadvantage.

- With those provisos, however:
  - Size is an important determinant of institutional power;
  - Economies of scale are available in higher education; and
  - Size does confer strategic benefits upon all but the most elite and privileged of universities.

- None of these competitive advantages justifies the pursuit of scale for its own sake, but together they produce a strong case for considering strategically sensible institutional “mergers”.
The Anatomy of a Merger
The University of Manchester

Some Sources:


The Anatomy of a Merger
The University of Manchester

- Established on 1 October 2004 by new Royal Charter: a charter for a 21st century university.

- The Victoria University of Manchester and UMIST were dissolved on 30 September 2004, with the new institution assuming responsibility for all their staff, students, assets, obligations, liabilities and on-going commitments.

- Importantly, this was a double dissolution, not a merger.

- The goal was step change transformation, not scale for its own sake.

- The new University has from the outset been driven by the ambitious goals, testable strategies, measurable targets and annualised key performance indicators (KPIs) of the Manchester 2015 Agenda.
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- **Opportunity**
- **Strategy**
- **Effrontery**

**THE GOAL:** EMPHATIC STEP CHANGE IMPROVEMENT
“gap analysis” and the WHY NOT culture

You can’t cross a chasm in small steps
U. of M. Institutional Profile (May 2008)

- The UK’s largest university in terms both of income and enrolments
- 35,489 students, 26,160 undergraduate, 9,329 postgraduate.
- 290,000 living alumni, including over 215,000 with whom we are currently in personal contact.
- 11,589 staff, 5,996 of whom are academic and research staff.
- Annual income of £740 million, up 25% since 2004.
- Total audited annual research expenditure of £395 million, up from £269 million in 2004.
U. of M. Institutional Profile (May 2008)

- 48th in 2007 on ZhaoTong Shanghai Index of international research universities, VUM was 78th in 2004 and UMIST in the 200s.

- Applied research, knowledge and technology transfer and innovation seen as normal and highly valued extension of fundamental research activity:
  - Fundamental and applied research given parity of esteem in promotions policy;
  - Generous IP policies favouring creators and investors;
  - Strong IP management and business development support;
  - Good “proof-of-concept”/early seed funding support;
  - UofM late-seed fund with first close of £35 million (March 2008);

- Three conspicuous technology transfer successes:
  NeuTechPharma sold to Novatis for £305 million in 2007;
  Renovo undertook successful IPO on the LSE in 2007, securing a market capitalisation of over £400 million, and subsequently licensing one of its 6 patented drugs for over US£825 million; and
  IT company Transitive, now California-based, has become a major software supplier to Apple and IBM.
U. of M. Institutional Profile (May 2008)

• Goal of six “iconic appointments” (Nobel Laureates or equivalent) on staff by 2015, at least two of whom are full-time;

• At least three such iconic appointments by December 2007;

• A major capital programme designed to create a completely state-of-the-art campus by 2015;

• Note: £403 million of this capital programme completed on time and within budget in 2008.
The University of Manchester
19th Century Main Building
Old Quad
University Place
University Place Main Lecture Theatre
Core Technology “Incubator”
Core Technology “Incubator”
Core Technology “Incubator”
Arthur Lewis Building – Social Sciences
Arthur Lewis Building – Social Sciences
Alan Turing Building
Alan Turing Building – Photovoltaic Cell Panels
Existing Building Refurbished (Chemistry)
John Rylands Library
Reflecting on the Manchester experience, 2003-2008

Conceiving, planning and implementing the Manchester “merger” has meant confronting:

- The disadvantages of scale;
- The advantages of scale;
- The relationship between scale and other variables in higher education; and
- The case for institutional mergers.
The Disadvantages of Scale

• Governance and management alike become increasingly difficult as scale increases in complex, loosely-coupled organisations;

• Systemic problems of planning, direction, control and quality assurance become correspondingly greater;

• Learning relationships tend to become more impersonal as scale increases; and

• The idea of a university as a universitas – a collegial, scholarly community – is increasingly difficult to sustain.
leadership in the academy

The Anarchic Symphony
The Disadvantages of Scale

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The Idea of Institutional Power

• Institutional power means brand strength, political and cultural influence (direct and indirect), impact on ideas and policy formation, capacity to transcend short-term policy and/or funding perturbations, etc.

• For most universities, institutional power – brand strength and influence, nationally and internationally – correlates highly with SIZE, measured in various ways.

• These include (i) the extent to which they are research-intensive (a major determinant of scale of funding); (ii) the numbers of students and families they engage; (iii) the extent of their impact on local consumer demand, labour markets, housing markets; (iv) the influence of their alumni as leaders in the wider economy and society; and (v) the volume of their knowledge and technology transfer activities.

• Indices that tend to correlate with institutional power therefore include scale factors such as total research expenditure and/or output, numbers of students, graduates and employees, annual income and expenditure, extent of alumni networks, etc.
Institutional Power in Research

• The research power of university reflects its:
  - overall research capability and total expenditure on research;
  - the volume of knowledge it creates, and of the knowledge and technology it transfers into highly innovative sectors of the economy; and
  - the overall scale of its contribution to wealth creation and economic growth

• The key measures of research power are these overall impact criteria, not productivity measures such as funding grants/papers/citations-per-researcher.

• Few, if any, contemporary universities exercise high levels of institutional power without being research intensive.
World Class versus World Leading Research

• All valid research is world class – knowledge is either universally true or it is not knowledge.

• World class research – hard to prioritise, hard to sustain (researchers mobile) and costly and inefficient in the sense of having to provide infrastructure for “here today, gone tomorrow” research foci.

• World leading research – “critical mass” in the sense of being self-sustaining – a net beneficiary of global mobility of talent – world leading concentrations justify major strategic investments.
The Relative Importance of Scale

Scale is only one of many variables that determine the quality, viability, impact, influence and reputation of a university.

The others include:

• National/international reputation and “brand” strength;
• Foci of “world leading” research and scholarship;
• Strength of asset base, including endowments;
• Scale and sustainability of recurrent funding;
• Quality of staff and student constituencies;
• Effectiveness in leveraging these human and material assets (doing the right things) – the strategic dimension;
• Efficiency in such leveraging (doing things right) – the management dimension;
• Institutional culture and leadership; and
• Political support + and policy alignment within the national HE environment.
Conclusions

1. Scale is an enabling factor, worth pursuing to the extent that it promises to:
   - Increase reputation and “brand” strength;
   - Support the emergence of significant foci of “world leading” research and scholarship;
   - Create a more competitive, sustainable asset base;
   - Enhance the quality of the constituencies from which the institution draws its staff and students; and
   - Generate greater long-term political support and policy alignment within the national HE environment.

2. Increased scale can have debilitating consequences for:
   - Strategic development – effectiveness in doing the right things; and
   - Management efficiency - doing things right.
Conclusions

3. Scale alone is probably not a sufficient justification for institutional mergers in higher education, for a merger is a precarious option. The realities are that:
   - Post-merger re-structuring is at once necessary and fraught with risk
   - Melding legacy cultures is the primary post-merger battleground
   - It is a measure of these risks that 75% of corporate mergers fail

4. The greatest strategic opportunities afforded by a merger (and the best implementation strategies) involve the bold exploitation of discontinuity.