



Future-proofing the University

**An approach to strategic
collaboration**



Spring 2019

Introduction

Why now?

Meeting the needs of students, communities and taxpayers, both now and in the future, are key questions facing Universities. Providing the best education, research and civic engagement – fulfilling the ambitions of what it is to be a University – can be threatened by disruption, just as in any other industry. So there has probably never been such a strong imperative to really step back and think about the different options open to a University to meet those future needs. Some of which will almost undoubtedly lie outside of the University.

Buffeted as Universities are by a plethora of external, internal and policy changes, and when, for some, financial sustainability is a real concern, different collaborative and commercial models are something many Universities are looking at in one shape or another. However it is also interesting to note that, for a sector that prides itself on collaboration, there are remarkably few examples of sharing of services; partnerships or indeed mergers at an operational level. Whilst there have been mergers, the last significant ones were Manchester and UMIST in 2004 and UCL with Institute of Education in 2014.

While collaboration is to some extent built into the sector's DNA, often it is not considered in a strategic context up front. The result can be unstructured activity, with resulting challenges in effective oversight and governance; poor monitoring in place and subsequent lack of visibility around delivery of intended aims and, in the worst case, can lead to financial and reputational issues.

Given uncertainties ahead, strategic thinking needs structure, it needs tools and ideas to help shape the discussions that lead to the best outcomes. This report provides one such framework for thinking about disruption and future-proofing the University. Inevitably, there are more questions than answers, but the process of asking the questions it poses should lead to better debate, and ultimately, outcomes.

Here at KPMG we have a wealth of experience in education, across other sectors and across the world. We've worked with public, private and third sector organisations to help shape strategies and respond to current and future real-world events. Our work is always tailored to the situation in which our clients find themselves. Drawing on our experience and talents, we help to build the right solutions for people and organisations.

Through our work, we've supported major organisational changes through collaborations, mergers and acquisitions in many contexts. We've seen those that work well, and those that don't. We know that there are essential features of collaborative activity, and no quick fixes.

From our experience, we've learned that, as a serious and considered strategic activity, successful collaboration means getting some fundamentals right:

- Create and **communicate** a strong, clear, vision and engage staff in the process
- Win over key **stakeholders**: for Universities, that means academic and professional staff, students, alumni and the local community. Consistently across all organisations involved
- There are **no quick fixes**: place an emphasis on planning with a long-term future integration plan
- Do the **due diligence** to interrogate the short-term and long-term benefits and spot issues which can be incorporated into planning
- Focus on the **structure** and the **people**. If you can identify the future leadership team, let them lead
- Have **patience** to achieve long-term objectives and check back to see if the goals are being delivered; and
- Once started down a particular path, don't let personal agendas or entrenched cultures derail well thought-through strategic intent

We appreciate that adapting Universities to be Fit for the Future can be difficult. But as this report shows there is an increasingly pressing need for Universities to think creatively - and, crucially with a strategic vision - about their futures. This report aims to support Universities consider each strategic aim and objective through a broader lens of the best way to deliver your desired outcomes: alone or in collaboration with others.

If you'd like to know more about how the KPMG team can help you think through, and deliver collaborative

activities, we'd be pleased to hear from you.

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Fix the roof while the sun is shining

The time is right for the UK's Universities to build into their strategic thinking what the opportunities (and the threats) of collaboration, alliances, mergers or acquisitions could mean for their institutions.

Times are hard, and getting harder, for the vast majority of the UK Higher Education (HE) sector. When assessing how to get from here to a sustainable future for your University, there is value in thinking about the work of the institution through a different lens. In thinking about different commercial models and collaborations, it is worth considering their impact on the University value chain. As the government puts more pressure on widening participation and also on technical routes than Universities might look to those who have (or are perceived to have) more experience in this space (FE; colleges). As the industrial strategy looks to increase the total value of research spend to 2.4% of GDP then increased partnership with Industry will be required. As devolution and a focus on 'place' increases so Universities need to consider their role as Anchor Institutions¹.

None of this thinking is new but we have used this backdrop to develop a framework in which new commercial models can be considered and developed.

- **Doing what you do more effectively:** are there more effective commercial models to drive efficient delivery?
- **Downstream value chain:** are there different way of reaching your customers?
- **Upstream value chain:** how are you set up to maximise research impact; employability and interaction with business?
- **Collaboration with other HEIs:** are you stronger alone or combined with someone else?
- **Threat of substitutes:** are you agile enough to counter the threat of new entrants and models?

Happily, there's a wealth of examples and advice out there to support these discussions. This report aims to

stimulate that strategic thinking and to highlight some of the important things to take account of. Drawing on examples from the HE sector in the UK, and abroad, as well as other sectors, it's possible to identify some of the key pitfalls and routes to success.

Working with others – especially in formal structures – can offer important benefits. At the heart of the discussion must be how that collaboration achieves better outcomes. Better for students, for staff, for communities. If there are better outcomes to be had from working together than alone, it's definitely worth progressing the conversation.

It's not sufficient to have an abstract discussion about idealised group structures or perfectly integrated systems. The reality is inevitably much messier, and likely more expensive, than that. As well as thinking about the models which can work best, Universities should consider the conditions in which those collaborations happen. Where possible, avoiding forced mergers as a result of financial dire straits is preferable. Pursuing an acquisition approach without a overarching and realistic strategic aim should also be avoided. On the positive side, thinking pro-actively and being armed to take opportunities as they arise is a valuable capability.

Collaborations, mergers or acquisitions are not a substitute for a University strategy which pursues excellence in teaching, research, knowledge exchange, public engagement and civic purpose. But they could be a means which enables those ends, and does so by providing a stronger platform for success. However, we can't consider collaborations without also addressing personalities: egos and culture are often the blockers when it comes to getting organisations to work together. We can't ignore this, nor should we accept that personal position can come before the greater good for the institution.

¹The UK's Industrial Strategy, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf, p. 66.



Future-proofing the University is a way of thinking about the disrupted environment in which Universities work. The future conditions for Higher Education globally will only be more complex, interconnected and challenging than Universities have seen in the past. How institutions fit within this landscape should be at the forefront of discussions for Universities leaders and governors.



Why act now?

Disruption isn't just about the impact of technology – though of course that will be a force for major change – but also about regulation, the economy and the social role that Universities play.

What this report does is offer a framework for thinking about how to future-proof the University by looking at the current forces of disruption. It's designed to be used within Universities, by senior management teams and governors, to think through what the range of responses might be.

Universities in the UK are facing unprecedented disruption. And with that, opportunities that weren't available before. The forces of competition and marketisation have placed individual institutions – and the systems of Higher Education – under great pressure, and granted new freedoms. Scrutiny of performance through external measures – excellence frameworks for research, teaching and knowledge exchange – has intensified the need to deliver (and be seen to deliver) across all the missions of the University.

In England especially, the arrival of the Office for Students (OfS) simultaneously removes the implicit underwriting of the HE sector through a funding council, while increasing the regulatory burdens on Universities. OfS has a statutory duty to give regard to institutional autonomy, but it is this very independence of institutions which leaves them, more so than ever, the masters of their own fate.

The tertiary review of funding (2019) in England poses additional challenges for Universities and (as we write) there is great uncertainty about future changes to the business models. Following the removal of controls on student numbers, the recruitment and retention of undergraduates has become an even more important component of Universities' funding. The effects of competition have led to more demarcated winners and losers; the stratification of the sector is apparent for all

to see. And to cap it all, the potential for large increases in pension costs across the sector has further narrowed surplus forecasts. So perhaps now really is the time to think about more radical options.

Why consider collaborations in response to disruption?

There's value in taking a deliberately broad definition of collaboration. There are few whole-organisation mergers, and in many cases such radical steps would not be to the greatest advantage of the Universities involved. In preparing this report, we've drawn on the experience from other sectors: the core messages from leaders who've been part of mergers, acquisitions and other formal collaborations – as a consequence of the external disruptions like those facing Universities – is act now, before you're forced to. And don't underestimate the resources required for successful collaboration.

It's good governance

If done right, the questions should focus a University's strategic thinking: there is value in asking the questions, even if the answer is that collaboration isn't right for a particular institution at this point in time. There is often a value (of time as well as cost) in discounting options as much progressing the right ones for an individual institution.

How to use this report

We've used a checked framework for thinking about a University in its context and unpicked it across five dimensions as you'll see from the diagram on the next page. Each one is unpacked to help an institution think through what this could mean in its own context. Throughout we have tried to take a 'customer' lens: be it students (UG/PG); staff and employees; 'place' as a recipient of benefit or indeed UK plc in the context of the drivers of, for example, increased research.

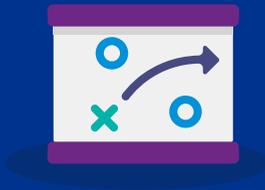
The five sections don't have to be considered sequentially, nor equal time given to each element: this should be in part a diagnostic exercise to determine where more thought, research, external advice and action should be taken.

Focus on the customer

Strategy should focus on the University's beneficiaries. How can students, research end users, communities, academia be best served?



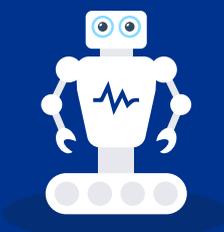
Does your strategy meet the needs of future students?



Does your strategy respond to, and shape, the future of work?



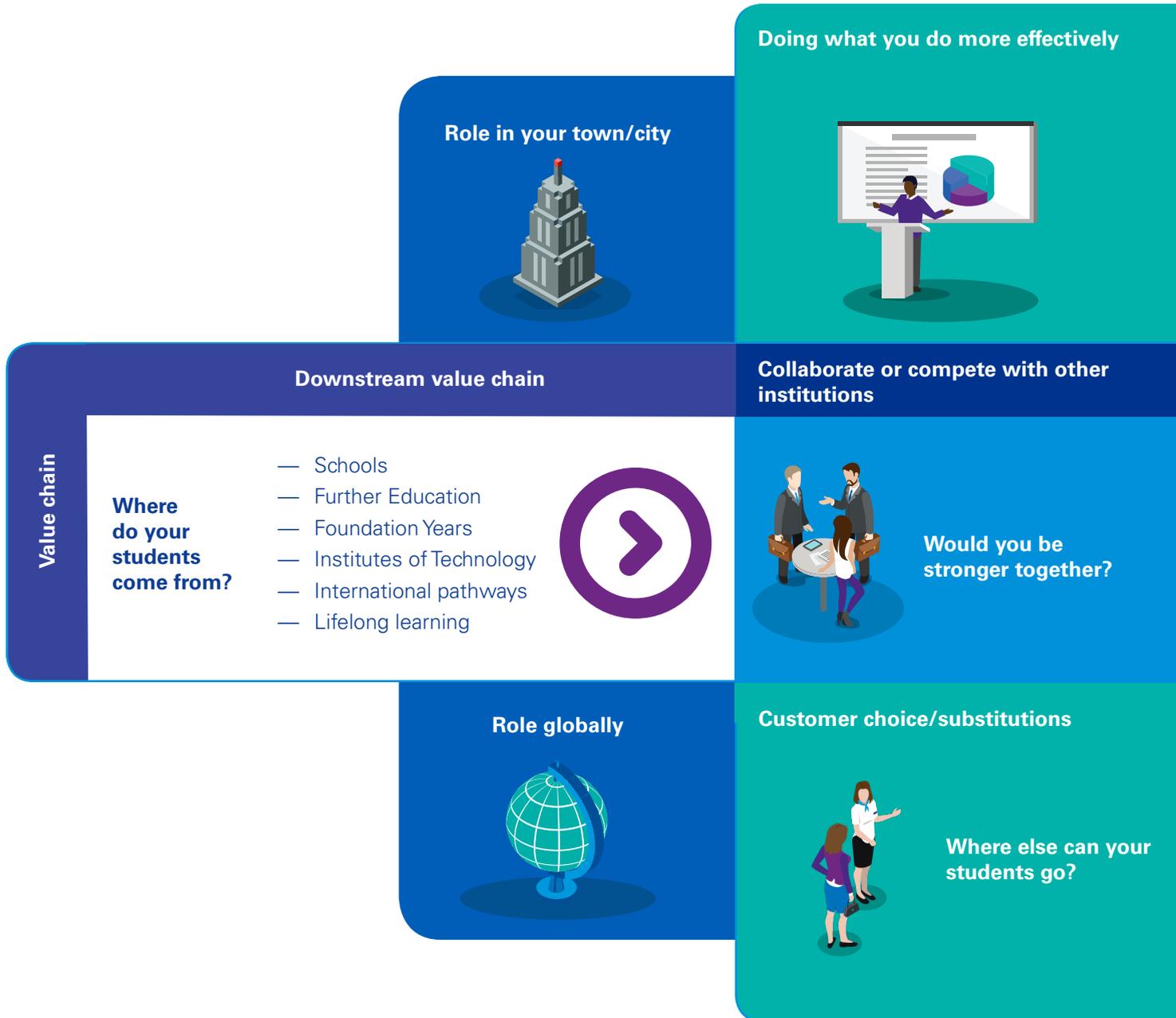
Do you provide value for money? For individuals? Taxpayers?



Does your strategy leverage technology to improve outcomes?

A framework for collaboration

The University value chain



- Place-based shared services (eg: with council, NHS)
- Shared services with other Universities
- Estates partnerships
- Energy generation/district heating
- Back office outsourcing
- Different employment vehicles
- Greater use of local buying power

Role in UK plc



Upstream Value chain

- Mergers: local/national
- Group structures/federation
- Franchise/degree validation
- Research/academic partnerships
- Acquire a competitor?
- Divest of non-core activity



- Partnerships with industry (Research, learning and employment)
- Partnerships with the other local anchor institutes eg: NHS (research, learning, key worker accommodation)
- Spin outs and commercialisation
- Corporate CPD

- Tlevels
- Private University provision
- On-line provision
- Apprenticeships
- New entrants
- Corporate programmes

Role in your region



The model draws on Porter's "five forces" approach from his 1979 article on sector competitiveness (<https://hbr.org/1979/03/how-competitive-forces-shape-strategy>)

Downstream value chain

To meet the needs of future students, it's important to understand where they're coming from and who they are.

Not just to understand the future supply, but also to know how best to serve their needs. Engagement – which could include formal collaborations, mergers or group structures – should mean developing a detailed and sophisticated understanding of the student population which means the University can deliver what's needed.

Many Universities have student populations dominated by standard-age undergraduates, and most have a large majority UK-domiciled students.

They're coming to University from schools and colleges, often local to the University, or from pathway programmes developed by or alongside an HE provider. Working within these suppliers of students can both secure student supply and help develop curricula and pedagogy which is responsive to students' needs and attractive to students' wants.

Actively working within pre-University education can also have major benefits in terms of a University's 'local offer', embedding its work more widely in communities and reaching a broader cross-section of the population. These structures could provide a platform for research – in education, health or other aspects of public policy for example – by lowering the barriers to getting organisations to work together across institutional boundaries.

What form might with the downstream value chain take?

To date, this area has seen probably the most obvious outward examples of different commercial models; collaborations and mergers. With the student as the most obvious example in the value chain, and enhanced consumer choice, then Universities have been proactive in finding different routes to their chosen market. So whilst much of this exists and is well-known, it is often reactive rather than considered against clear strategic aims:

Schools: In England, Universities can take on academy chains or open free schools. This could improve the standard of education locally while also providing efficiencies in back office functions or shared facilities.

Further Education: The increasing political interest in breaking down the barriers between HE and FE to build a coherent 'tertiary' education system potentially make working with FE more attractive than ever. There are several group structures where Universities have merged with FE colleges, or where there is longer-term and more strategic relationships. Initiatives such as the Institutes of Technology will only increase this model.

Pathways: Universities often partner with private

providers and establish international foundation colleges on campus, with the private provider undertaking all recruitment to the college from their international network of recruitment agents.

Local vertical model: The natural progression of working with schools and colleges is to establish a localised supply chain with schools, sixth forms, FE colleges and University all in a group structure. This provides both scale and associated efficiencies as well as a focus on local needs and a consistent 'step up' process for the students who can progress through the different parts of a single system. The focus can also be more on local skills requirements – i.e. working with key employers across all the skill levels they need – as providing more transparency for learners.

In a new model in this space Lancaster University have recently partnered with the Class of 92 to create University Academy 92 (UA92). This game-changing higher education offering is supported by a strong group of employer partners including Microsoft, KPMG and Lancashire Cricket Club. It is very clearly aimed at providing a new option to students with a huge focus on widening participation; life skills and a different way of learning focused on local needs.



Working closely with the downstream value chain can be a mechanism for ensuring that the University meets the needs of future students while also becoming more resilient to changing student demands, local needs or employer requirements.



University Campus St Albans is a joint venture between the University of Hertfordshire and Oaklands College

“The rationale for UCSA was to enter a Higher Education ‘cold spot’ but also specifically to focus on part-time provision given the precipitous fall in numbers. The campus offers an honours degree in three calendar years or a top-up degree in one calendar year. However, it is also flexible in delivery, offering pathways for students wishing to accredit prior experience in the workplace or seeking to top-up credit achieved through a Foundation Degree or Higher National Diploma.

We’re not trying to compete with existing provision but offering a different set of learners the opportunity to access the University’s expertise where there was a perceived – and actual – gap in the market. The ‘back office’ is largely delivered through the college via a service level agreement and the middle office – regulation matters, for example – via the University. It has an independent board and chair including the

University’s vice-chancellor and the College’s principal. Funding for courses comes from the apprenticeship level, learner or an employer.

“We chose a joint venture model to be more agile and responsive to learners’ needs. We run a low cost model. With low overheads, we can be demand-driven, scaling staff on an associate basis as necessary. We’ve also developed a flexible credit system to build on learners’ existing skills and qualifications. This is the future of learner-centric, employability-focused collaboration between a University and a College.”

Stephen Fox, Director of Education, University Campus St Albans



Upstream value chain

Just like the need for understanding where students will come from, Universities need to understand where they will go.

That means having a detailed understanding of local, national and international labour markets. What are the skills graduates need now? And how can Universities make sure that their graduates are adaptable for the future?

An increasing focus on graduates' outcomes, and on the impact of research beyond academia make active engagement with the upstream value chain a non-negotiable part of a University's operation. Future-proofing will mean building mechanisms so that understanding of the world outside Universities is drawn in systematically and across the full range

of academic disciplines. In return, Universities should shape the work of businesses through their research and teaching innovations which capitalise on new technologies, processes and approaches. The greatest value will be for those Universities that don't just respond to industry needs but work in partnership for long-term mutual benefit.

Many Universities already work well with local businesses or nationally where they have a specialism. Embedding this good practice across a University can be a challenge; there is a strategic decision to be made about the role that working with the upstream value chain has for a University, what investment and incentives that will take, and what the ultimate goal should be for the institution. So, in looking at this area it will be important for Universities to consider what they will not do as these ventures can be time and resource heavy; often will require new modes of provision or working and thus, often, directly impact on the academic 'core'.

What are the opportunities in working with the upstream value chain?

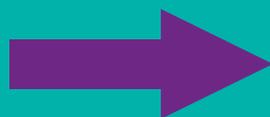
Industrial strategy: the government's industrial strategy, nationally and locally, provides an opportunity for Universities to identify and meet the needs of industries. A focus on productivity, high-value jobs – particularly higher technical roles – gives Universities a major opportunity, based on working with individual businesses or employer groups, to meet the workforce challenges of the present and future.

Research: investment in research and development – to 2.4% of GDP by 2027 – will continue to have a focus on economically-valuable activity with increasing expectations on Universities to work collaboratively with business. Establishing long-lasting formal and informal relationships will be an

essential investment for Universities in order to take advantage of future funding streams.¹

Lifelong learning: the world of work is changing at an ever-faster pace. Universities will need to develop ways of responding to the re-training needs of future populations. That can mean refining a professional development offer, unbundling existing content into bite-size chunks for busy workers, delivering content online or in the workplace, or working to develop and deliver new standards such as apprenticeships. Considering how to meet the needs of adult; part-time and those wishing to re-skill will be of increasing importance. It also almost certainly cannot be achieved alone or within existing structures.

¹The UK's Industrial Strategy, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf, p. 66.



Working more closely with the upstream value chain can ensure that the University understands and can shape, as well respond to, the current and future needs of industry.



The Dyson Institute of Engineering and Technology is a new model higher education provider based at Dyson’s technology campus in Malmesbury, Wiltshire

“At The Dyson Institute, we’re doing something genuinely different. We’re taking the highest quality students through an innovative programme which combines study and work within a high-performing community. We draw on the wealth of expertise, cutting-edge technology and ambition of Dyson to equip our students with the best possible education in engineering.

“Initially we’ve been working with the Warwick Manufacturing Group (University of Warwick) but we’re working fast towards getting our own degree-awarding powers. The Higher Education and Research Act (HERA) 2017 is a major enabler for new providers like us. We have due respect for the traditions, quality and standards of existing universities combined with the ambition, innovation

and creativity of one of the world’s most successful engineering businesses. Together that’s a powerful combination, especially when combined with a mission to improve access to the engineering profession for all social groups and providing a pathway for more women in STEM careers.

“HERA makes new providers less reliant on incumbent universities – when businesses want to innovate, want to educate the next generation, they can leverage their own resources to do so without having to wait years. It’s a powerful piece of legislation which is benefitting our Undergraduates, Dyson and the UK. I hope others take the opportunity to support our HE sector also.”

Duncan Piper, Director, The Dyson Institute of Engineering and Technology



Doing what you do more effectively

You don't have to go it alone.

Many Universities already work with a large number of external providers, such as joint ventures, for constructing and operating student accommodation. While these are tried-and-tested models, Universities could apply the principles to other areas of the institution's operations.

In many other sectors, commercial partnerships, joint ventures and outsourcing are a commonplace model. The aspirations for shared non-academic services in the HE sector haven't reached their full potential, especially when considering the potential upside of scale with multiple Universities working together. And Universities don't just have to work with their fellow Higher Education institutions but could build shared services across different public, private or third sector organisations.

Finding new – and more efficient – ways to run Universities should be more effective, building financial resilience for a University in the face of challenging circumstances. But savings shouldn't be the only goal: what can working more effectively do to improve the student experience? The staff experience? To provide the best conditions for excellent teaching, research, knowledge exchange or community engagement?

In addition, decisions around outsourcing need to be consistent within the context of a Universities' wider strategy, and the relative importance of the role as anchor institution for example. Indeed the University, via its supply chain, may choose to use its substantive buying power to support areas such as local employment, Living Wage or key worker accommodation and these aims could be delivered in partnership with other locally based institutions.

What can operating more effectively look like?

Universities should use the framework to input their own strategic priorities and map against them the current delivery model. The simple question in this space is then to consider that service against 'make-share-buy' options in each instance and challenge embedded ways of working against that core strategic mission.

Estates and facilities: Universities have outsourced facilities management, either just for their own campus or creating corporate structures to offer services to multiple institutions. This offers an opportunity for scale for the outsourced entity – which could be owned by one or more Universities – and the prospect of revenue generation from other clients.

Off-site support: some Universities have located support services in more cost-effective locations. Running IT service centres, finance or HR functions, for example, in areas where supply of high-quality

staff can be ensured but with lower costs than in city centres can be a route to more efficient service. This can take place in the UK or overseas depending on what's required to meet the University's needs on cost and quality; operating across time zones could more easily provide for a 24-hour service to students.

Automation: digitising processing – such as finance systems or HR – can be a more efficient and consistent way of delivering necessary functions. Investment in technology can be a route to savings in the longer term.

Shared services: for a collaborative sector there are remarkably few shared services across operational areas, either across Universities or with other anchor institutions in a locality. With the pressures on the sector, and more widely, there will undoubtedly be an increased appetite to revisit these discussions and work to see if some of the barriers (real and perceived) can be overcome.



Doing what you do more effectively



- Place-based shared services (eg: with council, NHS)
- Shared services with other Universities
- Estates partnerships
- Energy generation/district heating
- Back office outsourcing
- Different employment vehicles
- Greater use of local buying power

Identifying ways of making a University more efficient is an essential task. Pursuing value for money as well as service quality should be high up the agenda for strategic development.



King's College London's Service Centre in Cornwall provides a range of services to the university's community of students, academics, researchers, professional staff and affiliates, totalling in excess of 40,000. Located in Quintrell Downs near Newquay, the Centre has been running successfully since 2015, now employing 140 staff from the Cornwall area, serving the King's community 24 hours a day, 7 days a week, 365 days a year.

Supported by The Local Enterprise Partnership, King's Service Centre was established to provide improved and efficient levels of service to the College in a more cost effective way. This initiative has been successful, providing high-quality professional employment to the local community consisting of opportunities for apprentices, graduates, experienced IT and administrative staff. The staff training and development programmes, combined with socially responsible local initiatives (such as beach cleaning) have created a thriving and

award-winning Service Centre in the heart of Cornwall.

In 2019 an additional building will be occupied to accommodate the continued growth of the Service Centre.

**Gareth Wright Director of IT Services
King's College London**



Threat of substitution

The world is changing at an ever faster pace: Universities need to keep up.

This can plainly be seen in technologies including artificial intelligence, machine learning and augmented reality. Many jobs that exist today won't be around in the coming years, or will have been totally transformed as the world moves on. Professionals such as law and accounting are already seeing seismic shifts as technology replaces routine functions and perform increasingly sophisticated tasks.

Preparing the University to engage with the future of society is a crucial strategic task. Universities, as the engines of research and innovation develop and adopt new technologies and ways of working. They must equip students to be adaptable to the emerging workplace and their role in it.

Maintaining a curriculum which is at the forefront of research will be ever more important. Incorporating external innovations into the student experience will maintain currency, even when it might feel like the world is moving on too quickly. That will mean an increasing emphasis on staff development and industry engagement to embed new developments meaningfully into the curriculum.

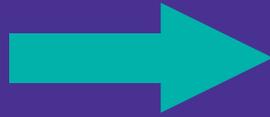
What does future-proofing the University look like for customer choice?

Online: the most obvious choice for Universities is to enable the maximum flexibility for the delivery of education. Rather than expecting students to come to a campus, learning experiences can be delivered to the students in ways which fit with their lifestyle and circumstances. Many Universities already do this, but it has yet to become the norm. As collaborative and social elements pervade blended learning, the experience will become less distinguishable from the traditional model. And as online learning develops, there will be increasing competition from overseas providers, and new market opportunities in other territories.

Industry partnership: the apprenticeship levy has provided some stimulus for Higher-level apprenticeships. The role of Universities in

accreditation of higher technical training has been questioned, privileging the employer perspective. Universities could reassert their value through effective industry partnerships which provide greater benefits than each part going it alone.

Flexible location: for students who want face-to-face provision, but are not able to relocate, the University could come to them. Some providers are already opening new premises in 'cold spots' to become the default choice for underserved students. HE doesn't need to be delivered in a single location, fixed forever by accident of history, but could be more mobile to reach students – in workplaces, for example – or wherever they are.



Customer choice/substitutions

Where else can your students go?

- Tlevels
- Private University provision
- On-line provision
- Apprenticeships
- New entrants
- Corporate programmes

The pace of technological, social, environmental and economic disruption mean that Universities need to run faster to keep up with developments. But maintaining pace is essential to future strategy to avoid being left behind.



Online Education Services (OES) partners with universities to bring their degree programmes online OES is an online programme management company majority owned by SEEK Ltd (ASX:SEK) whose purpose is to help people live more fulfilling and productive working lives and help organisations succeed.

“Historically, universities could meet all students’ requirements on their own. But this looks increasingly less likely in the future as we move towards the digitally integrated fourth industrial revolution, and the rise of ‘Education 4.0’. The benefits of planned, diverse collaborations become quickly apparent and offer wider digital benefits for the whole institution. In the past, it was considered sufficient for the University to hand over ‘content’, usually in the form of PowerPoints or textbooks, to be ‘digitalised’. Such activities in practice do not lead to outstanding learning materials and processes. Instead, the valid concerns and high aspirations of the academics for their knowledge to become accessible are fully and sensitively addressed through joint design.

Our first partnership with a University was born out of SEEK’s ambition to redefine how education is delivered online to support non-

traditional students, and the vision and positive culture of Swinburne University of Technology to set the benchmark. This very successful partnership was due to collaborative design and development, focussing on academics’ knowledge, threshold concepts and authentic assessment and reimagining these with optimal technology into a fantastic opportunity for remote students. New approaches to curricula, pedagogical ‘design and build’ methodologies ensure full engagement for all contributors - academics, educationalists, information and technology specialists. Confidence and trust are built through shared development leading to transformational thinking in action for teams and exceptional outcomes for students. What is also important is that both partners seek to share benefits and risks, and create something sustainable and new, in a way neither would be unable to achieve alone.

Future-proofing means building partnerships through which universities can achieve their ambitions for educational provision, reputation building, global footprints, and doing more for less.”

Andrea Burrows, Managing Director UK, OES

The M-word

To really future-proof, a University must think about what formal collaboration could look like.

It should be a useful exercise to play through what it would look like if the University went this route. We've seen in many sectors – in the UK Further Education sector especially – mergers and takeovers when organisations become unsustainable. Better to consider what successful collaboration can look like before ending up in a situation without a choice. Preparing an institution for opportunities that might arise could be a useful as there may not be much time to respond if a chance presents itself.

The point of scenario planning is to recognise that collaborations don't usually operate in a perfect and rational environment. They are real life events, which occur as a result of histories, local politics, personalities, economic headwinds and luck or accident. Preparing the University to take advantage

of serendipitous events also builds capacity to try and engineer the conditions for effective collaboration.

While there are a wealth of examples – some successful, others less so – of mergers by necessity, there are fewer cases of strategic, larger-scale collaborations. One of the risks of pursuing a collaboration agenda is doing so for its own sake, rather than for the greater strategic aims of the institution. What should always be asked is what benefit would a collaboration have for the core mission of the University? Would students benefit? Or the research quality? What about the local community or businesses?

Underlying the question of the University's appetite for collaboration will be its approach to risk and the ambition to move beyond the existing operations. Even small-scale collaboration can be disruptive and pose risks – legal, financial and reputational – so shouldn't be undertaken without full consideration of those aspects. The potential rewards should be weighed against the risks involved, and thought should also be given to the risks of doing nothing.

What does collaboration look like?

The main lesson is to have considered the question before the opportunity arises or is created: a lot of time and energy can be wasted flying kites. Or indeed having an institution ready to move on a pre-identified opportunity when it arises can give a distinct competitive advantage

Mergers and acquisitions: building group structures, working across multiple sites or consolidating where providers are co-located can increase a University's resilience, broaden the offer of a single institution and rationalise provision to operate more efficiently. It would be possible, for example, to operate a group with a more research-intensive University, a teaching-focused provider, small specialised HE provider, FE college and

academy chain. Or to build a group of Universities which operate under the same banner nationally or internationally. These options require new or adapted corporate structures, and ambition to rethink how best to operate as a University.

Formal alliances: there are ways of working together, for example in partnerships for particular purposes, which could realise some of the benefits – e.g. accessing new student markets or obtaining a critical research mass – of more wholesale collaboration while minimising the amount of change. This could include joint campus developments, research alliances and franchised provision.



Collaborate or compete with other institutions

Would you be stronger together?

- Mergers: local/national
- Group structures
- Franchise/degree validation
- Research/academic partnerships
- International expansion
- Acquire a competitor?
- Divest of non-core activity

Collaborations can be the platform by which Universities can become more efficient and effective, better meet student and industry needs and build the platforms for investment in innovation.



University of South Wales Group combines a University, a conservatoire and a Further Education college

“The then University of Glamorgan merged with The College Merthyr Tydfil in 2006 and the following year the Royal Welsh College of Music and Drama joined the group. Experience from these two small mergers meant that we were well placed when it came to discussions in 2012 about a larger merger with the University of Wales Newport.

Never underestimate the time and energy that merger will take. It’s a disruptive activity, one which has significant opportunity costs as well as providing exciting opportunities. For us, following the merger with Newport we re-named as the University of South Wales as the scale and reach gave us a greater footprint and visibility in the region. Managing across campuses and different types of provision isn’t easy, but it means that we can serve different communities and do so with a stronger organisational and financial platform. Keeping the conservatoire operating under its own brand also allows it to retain its special

position nationally whilst enjoying the benefit of being part of a larger entity.

We had significant support from the Welsh Government for our mergers. While political – and the associated financial – support is important, it’s also essential to get the personalities right, making sure that the future leadership of the post-merger entity is agreed at the outset. It cannot be emphasised enough that the ‘red lines’ must be agreed otherwise the merger process will come unstuck quickly. Future-proofing universities is about finding the corporate structure which best delivers the mission; for us that’s a comprehensive multi-campus group and house of brands approach. It gives us a great platform from which to explore new opportunities.”

Mark Cadwallader, Director of Strategy and Development, University of South Wales

What does it mean for your institution?

Universities must think carefully about their own unique circumstances and what future-proofing means for them.

When the University has thought through, at the highest level, whether it should seek collaboration, there needs to be a further layer of questioning about the capacity to undertake the work required.

- Is decision-making **agile enough** to take advantage of any opportunity that may arise? What would need to change if the answer is no?
- Has the University considered **divestment** as well as expansion? What are the criteria by which it would determine whether this would be a good or bad idea?
- Is there **capacity** in the University to decide what to do if there's an approach to take away part of its provision – for example an academic unit, a building or a campus?

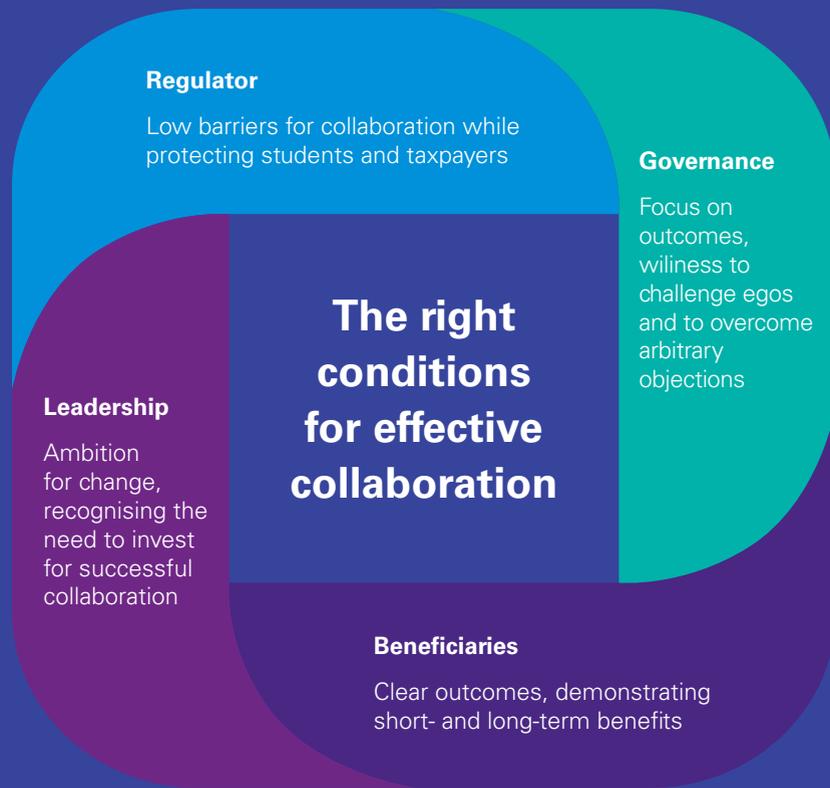
Conditions for success

The most successful collaborations start with a focus on the outcomes to be achieved. With a clear strategic goal, there can then be built a solid transition and new organisation, and there can be the necessary effective communication about the changes involved. Ultimately, there will be people to convince that the plan is a good and necessary one: that means explaining in detail the goals to governors/trustees, executives and throughout the organisation.

Overcoming the cultural inertia of “that’s how we’ve always done it” will be hugely important and will require focused leadership with a vision for what’s possible. This is a critical condition for an effective collaboration. To make it work this clarity of

leadership needs to be combined with:

- **Strategic vision** with a focus on outcomes for beneficiaries
- **Strong leadership**, communicating the vision to internal and external stakeholders
- **Investment in the process**, in preparation, execution and throughout transition



Wheelock College was integrated into Boston University in 2018

“There’s a lot that the UK’s institutions can learn from the US. Anyone who has followed the Higher Education press in America over recent years will have seen the many examples of small colleges closing their doors. Some do so very abruptly which doesn’t serve students, alumni or communities. For me, Wheelock College provides a useful and positive example. In 2016 it approached a wide range of organisations from Universities to property developers to see who would offer the best future for the organisation. The college didn’t wait until the platform was burning, but chose to shape its own future by finding the right partner – or none – on its own terms. “Boston University was chosen as the right partner in 2017 and there followed a process of transition. The name Wheelock, which

goes back to its foundation in 1888, lives on in the BU Wheelock College of Education and Human Development. The students’ experience was managed carefully with detailed individual teach out plans and staff likewise were either reemployed or offered severance.

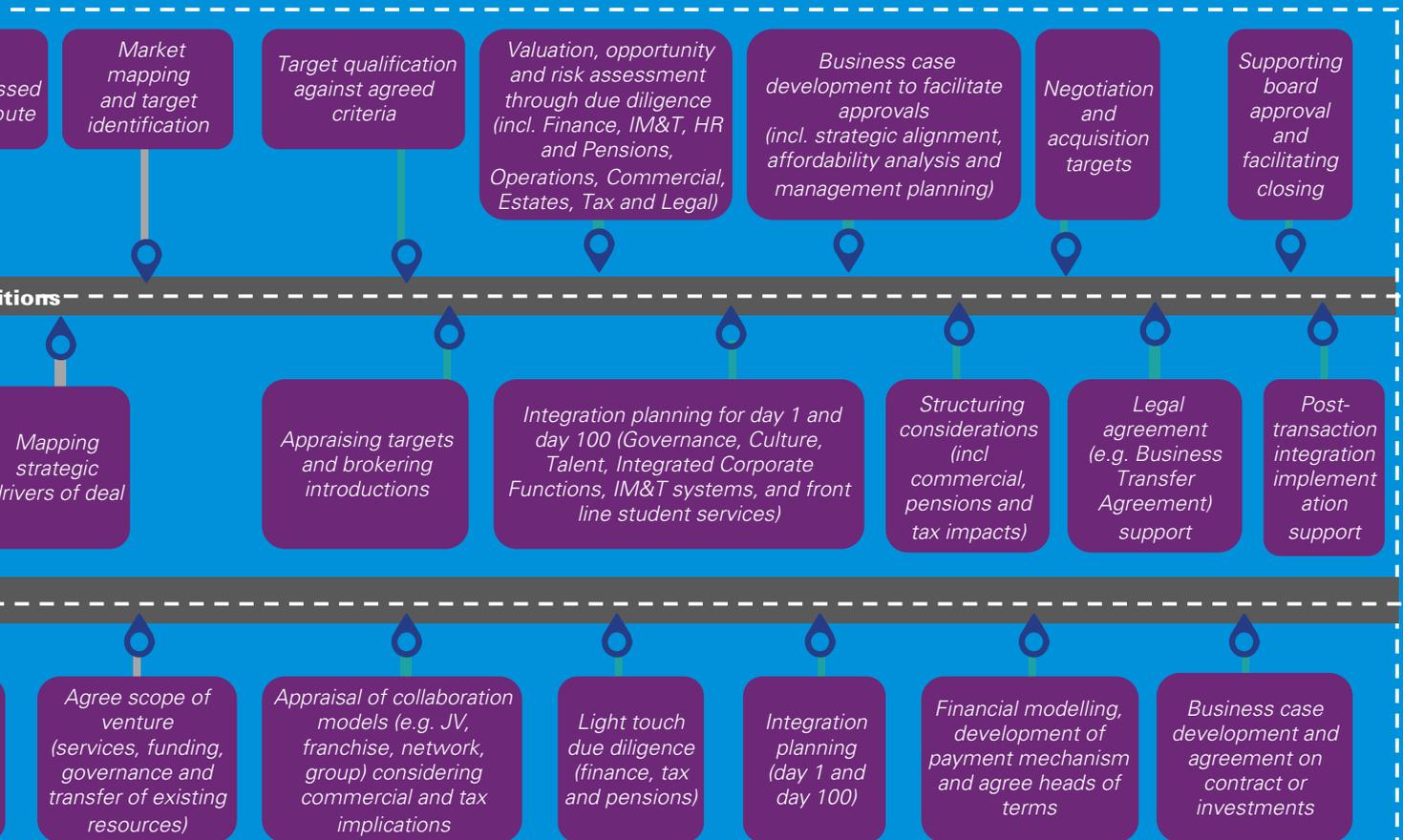
“For struggling institutions, board members and senior leadership must play critical roles in spotting and acting on early warning signs in a transparent manner. For a potential acquirer, being able to move swiftly and decisively is also important. Wheelock had sufficient board oversight and capability to act decisively and hired external help where appropriate. Making the most of the future means identifying strategic questions before they become problems, getting good advice, and taking opportunities when they arise.”

Justine Andrew, Market Director, KPMG

We can support you through every step or decision

We have the specialist skills to support you from formation and refining your strategic objectives through your business plan to implement your agreed approach





Strategy Execution/ Implementation

Customers?

Do we attract more of the right customers? Do we really know our customers? Do we offer the right blend of services? Do we have a good working relationship with others? Do we have a competitive and attractive offer to the market?

Productivity and costs

- Are we as efficient as we need to be?
- Could collaboration make us more efficient?
- Can we quantify the opportunities and risks of collaborating with others?
- Can we ensure a smooth transition?

Size and shape

- Do we have the scale to deliver best in class services?
- Do we have the skills and technologies to deliver future services?
- Can working with others expand our capabilities?
- Do we have the capability to deliver effective collaboration?

Competitor landscape

- Do I understand the competitor landscape?
- Am I clear about how to counter the competition and differentiate our offer?

Final word

The existence of uncertainty is a given. What Universities choose to do about that condition will be determined by their histories and values, their locations, specialisms and the opportunities which present themselves.

If you're not even thinking about the prospects for collaboration, you're missing out. The market conditions make for a more uncertain future, and the regulatory environment means that the opportunity rests with individual institutions. These factors in combination make collaboration – in one or more of its many forms – a valuable and important step to consider.

From the experience of collaboration, alliances, federations, mergers and acquisitions in UK Higher Education, across other sectors and in other geographies, there are some clear conclusions and recommendations:

- Universities should think about **what collaboration could mean for them**: better to think through a range of options so that they can position to take advantage of circumstances
- **Outcomes** should be at the forefront of thinking, not just a focus on cost savings: answering the strategic question “why?” is essential
- The **time taken**, the energy required, and the opportunity costs need serious attention: collaboration is intensive and, to be done right, requires a huge amount of management time and attention
- Integration and **cultural change** will take a long time, and can't be rushed
- High quality **project management**, benefits recording and reporting are essential features, and shouldn't be skimped on

We know from the examples available that there isn't one route to success, and that local context is an important factor. There are so many barriers to effective collaboration that the most idealised vision for what might be achievable will be unlikely to come to pass. But in spite of all the reasons not to ask the questions, there is value in exploring the idea for what it can tell senior teams and governors about their own institution.

Exploring collaboration should be a tool for pushing strategic thinking in Universities: pushing on questions like size and shape, geographic reach, the teaching and research portfolio, and so on, are essential to good strategy formation.

It may be that the result of this questioning results in other outcomes, but the prospect of more radical collaborations should be on the table.



Thank you note

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