

Paper Title

**Challenges and Proposed Solutions for  
Mergers & Partnerships in Higher Educational Sector**

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# **Challenges and Proposed Solutions for Mergers & Partnerships in Higher Educational Sector**

## ***Abstract***

*Many significant developments had been observed in the area of Mergers & Partnerships (M & P) in various industrial domains in last few years; however, not much of this kind of partnerships were seen in the area of higher education sector. There is an absolute need to explore M & Ps in the educational domain also to equip the global talent pool to meet the upcoming global needs, economic complexities & technological changes. Additionally, there is a huge potential for the educational business in the global market and M & Ps certainly play a significant role to meet such a high-growth market segment in the global environment. The objective of this paper is to highlight the key concepts of M & Ps in the higher education sector and take these thoughts to wider audience for further application.*

*The focus of this paper is to review the available literature / papers on M & P in the field of Higher Education (HE) and consolidate the various challenges faced by the global educational institutes. This paper also covers proposed strategic solutions based on the identified issues and formulate some guidelines for further research and customization of integration & collaboration processes to make future M & P more productive and successful. The challenges and solutions discussed in this paper are based on consultations with various academic & integration experts in the field of higher education, review of existing literature and author's experience in the relevant domain. Although, the paper is based on theoretical aspects, the concepts are valuable for experimenting in future research in the area of Mergers & Partnerships in the field of higher education.*

**Keywords: Challenges, Higher Education, Mergers, Partnership, Solutions.**

## **Introduction**

Mergers and Partnerships (M & Ps) have significant importance in the field of higher education. Motives for executing M & Ps include acquiring assets or capabilities which the university does not possess. Costs could be reduced by optimization of operations and growth might be increased by offering wider range of courses. Increasing competition among different institutes encourages the universities to explore new offerings. In few cases, it is also encouraged by the government for consolidation of fragmented institutes. Though there are certain benefits through M & Ps the combined entity may face certain challenges because of differences in cultural fitment, governance policies and power mapping. These challenges might lead to high failure rates and

raise the costs of M & Ps relative to other strategies. Leadership factor plays a very important role in success of M & Ps.

Merger is a combination of two or more entities into a single entity. Whereas in partnership, two or more entities working together for a common cause. In fact, partnership is the first step towards a merger. Both the managements can make themselves comfortable in a partnership environment to pursue merging process at a later stage. The rationale behind merger or partnership is to achieve the envisaged strategic objectives. Some of the reasons could be improving the course curriculum, make available more experts in wider subject domains, enhancing the quality of research, expanding the capacity of seats for students, more competitive in the market and also optimize the costs. The universities should ensure the right need to get into mergers or partnerships. The universities should consider multiple factors such as economies, government regulations, staff readiness, student interests, cultural fitments and industrial needs before initiating the process of merger or partnerships. Many mergers and partnerships fail mainly because not enough attention is given to the due-diligence process before proceeding on merger or partnership deals.

Broadly mergers can be classified as vertical, horizontal and conglomerate. In case of vertical merger there will be a buyer-seller relationship between the 'Acquiring' and 'Target' entities. In case of horizontal merger, both entities will be offering similar products or services. In case of conglomerate merger, there is no relationship in the product or services. Merger can also be classified as friendly or hostile. A friendly merger results from the agreement between the management of two entities to be combined into one. In a hostile merger, the acquiring entity will try to gain control of the targeted entity by making an offer to buy some of the shares of the latter in the open market. In such an eventuality, the management of the acquired entity might not agree to the combination and control which could be a crucial issue.

Mergers can broadly have four phases' viz., Evaluation, Due-diligence, Integration process and Post-merger activities. Dedicated focus & thorough planning is required in each of the above phases to make M & Ps more successful. However, few problems are expected during M & P process such as –identification of right partners, legal compliance requirements, selecting right time for merger, addressing the staff and student issues. All these factors need to be addressed before hand. Without a clearly defined vision, mission and well defined goals, mergers can have a profound negative impact on the students, faculty, and staff of the educational institutions brought together by mergers & partnerships.

All M & Ps are fundamentally unique in nature, each responding to a specific set of circumstances, issues and local dynamics. Effective planning and consistent communication are the keys to success for all mergers. Before a closure deal is finalised, dedicated efforts and sufficient time is required to analyse the M & P. Some of the critical success factors for mergers & partnerships are - shared vision for the resulting merged

university/institute, continuation of regular work by the staff with least disruption of the original schedules, clear and consistent communication, advance planning, consideration of cultural parameters, retain branding, operational independence and control on cost.

The objective of this paper is to study the various research papers available on mergers & partnerships in higher education, identify the issues or challenges and list out proposed solutions.

## **Literature Review**

Susan & Peter <sup>[2]</sup> opine that ‘change leaders’ must take multifaceted roles in a situation of considerable organisational complexity and their roles will change depending not only on the scale of the collaboration but also on its scope, including the number of organisational boundaries to be crossed. Mergers are complex and have high set up costs, so careful prior evaluation of the opportunity is necessary. The culture of two universities and their attitudes towards each other can be changed by timely top-down communication.

Mohamudally & Padachi <sup>[3]</sup> indicated that the landscape of the Mauritian Tertiary Education sector has evolved over the past decade with the emergence of cross border education. This has been made possible with the efforts of the government through the knowledge cluster to attract foreign investors in territory education. Foreign institutions have partnered with local private providers under the different type of mergers. The study has brought into light, the fact that vertical mergers (mergers between institutions providing different programmes in different fields) are more prominent in the Mauritian landscape. This can be explained by the fact that with a competitive market, the private institutions aim at tapping the maximum students by offering a large variety of courses and programmes in different disciplines.

Kristen <sup>[6]</sup> has presented a case study of the Minnesota higher education institutions. In his paper, he identified various attributes of corporate mergers and reports, the impact of these mergers have on organizational culture. Without a clearly defined and concisely communicated vision, mission, and well defined and obtainable goals, mergers can have a profoundly negative impact on the students, faculty, and staff of the educational institutions brought together by restructuring.

## **International View**

Mergers have received a great deal of scholarly attention, because the way national governments have used mergers, partnerships and collaborations to initiate systemic restructuring of higher education. Many countries have affected such changes. A variety of different models and mechanisms have been used by higher educational systems in many countries to achieve restructuring and increase levels of institutional collaboration. Drivers of these efforts are many to increase efficiency and effectiveness, coping with rapid and substantial

growth in student numbers which in turn brings heavier demands on institutions, deal with problems of non-viable institutions and institutional fragmentation, differentiate course offerings to cater for greater student diversity and to improve the quality of graduates

In 1991 five institutions – two universities and three colleges of advanced education in the state of South Australia were reduced to three and integrated into the University of New South Wales (UNS). Reform of higher education systems resulted in breaking the binary divide between universities and non-universities in Australia and United Kingdom. At the same time, in Norway, creation of the new college sector led to creation of a binary system. From the literature review, it is clear that where culturally different institutions are brought together, expert leadership is needed to keep the cultural conflict to the minimum level and develop new loyalties, high morale and a sense of belongingness within the newly created institution. Many universities are struggling to survive in the current South African higher education scene and feeling the pressure within themselves as well as from the governmental programmes for creation of fewer and larger institutions,

### **Indian Perspective**

India offers several direct and obvious benefits to US colleges and universities. India and the United States share some common challenges, representing opportunities for fruitful joint research and scholarship. Partnering with Indian institutions may be a source for increased global presence and prestige resulting in larger enrolment and in some cases boost the revenues. India is a major source of graduate students in science and engineering, who are crucial to research programs in US universities. Every year, Indian colleges turn out 50 lakh graduate students who are the potential source for higher education and research. Cultural differences are narrowing down with the increase in mobility and connectivity US universities currently engaged with Indian colleges and universities through student exchange, research collaborations and joint or dual-degree programs; they also collaborate on development initiatives with non-governmental organizations. India was the largest origin of international students studying in the United States during 2001–2009.

To effect a major improvement in India's weak infrastructural academic culture, it is now widely believed that Indian higher education cannot rely on its own traditions of reform but needs to engage critically with global. Partnerships which not only help to meet student demand but also enable the students to develop greater awareness of global issues. International experiences could also prepare them to participate more effectively in the global economy. Fresh thinking about the graduate attributes appropriate for the next stage of India's participation in the global economy can only emerge when Indian academics and administrators are exposed to the world's leading higher education systems which can be both economically productive and socially desirable. Many overseas universities are interested in establishing partnerships, possibly as a way to get a foot hold in In-

dia's lucrative education and training market, given its large middle-class population and their passion to obtain foreign university degrees. Government had also facilitated few strategic partnerships between US & India. The Singh-Obama 21st Century Knowledge Initiative and expansion of the Fulbright-Nehru partnership are the instances in this direction. The Indian government has actively pursued and supported similar programs and initiatives with Canada, Australia, United Kingdom, Germany and other countries.

Besides US, other countries around the world are enthusiastic to establish partnerships in India because of presence of good quality of Indian academic staff who are highly proficient in English language, enthusiasm of Indian professionals for research and attractions for Indian culture and cuisine. European and Australian universities started funding large number of talented Indian researchers. Many countries have started India-specific initiatives in this direction. Examples include:

- Australia - The Government of Victoria has an Indian doctoral program targeting recruitment of Indian researchers, with individual awards totalling about US \$93,000.
- Germany - The German government has promoted opportunities for Indian doctoral researchers in German universities and research centers, charging no fees and offering stipends to cover living costs. The Indo-German Science Express Train, showcasing science, technology and Indo-German projects, attracted 2.2 million visitors during its 15,000 km journey around India in 2008.
- France - The Indo-French Centre for Promotion of Advanced Research was established in 1987 and has supported over 400 cutting-edge research projects, linking French and Indian institutions.
- European Union (EU) - The EU supports partnerships with India, through the Erasmus Mundus program and a special program viz., India4EU, which supports Indian mobility to Europe. The EMMA2012 initiative provides financing Asian academics to spend time in European universities for mutual benefit. In addition, there are research initiatives, such as the joint project between the EU and the government of India for collaborative research in biosciences and water with a budget of €32 million.
- United Kingdom (UK) - UK government and UK universities have in recent years prioritized growing relationships with India, building on significant historic and contemporary ties between the two countries. A primary example of this commitment is the UK-India Education and Research Initiative (UKIERI), a jointly funded Indo-UK program supported by both governments. UKIERI is now in its second phase, with about US \$40 million committed for furthering partnerships.

It is a challenge to summarize the full scope of large number of foreign partnerships across Indian higher education scenario. However, one simple observation is that research cooperation tends to involve India's publicly funded institutions while collaborative degree delivery system is mainly through partnerships with Indian private service providers.

## **Issues & Challenges**

Though mergers and partnerships result in bringing lots of benefits, there exist certain challenges to implement them successfully. Few challenges are: economic changes such as liberalisation of government policies; financial stresses such as increase in costs & managing funds; competitive environment such as private organizations, global comparison & innovative researches; rapid technological changes in the field of electronics, software & manufacturing and student capabilities such as increase in awareness of many factors in the early stages & quick learning skills. Based on above issues, some of the emerging challenges are listed below:

### *a) Lack of proper governance and management structure*

Governance is an important factor to be considered while initiating the merger or partnership process between the two educational entities. From the available literature study, it is observed that few mergers and partnerships are not successful due to lack of governance and organizational structure in place to review, analyse and take correct decisions to implement the process. Some other issues were also observed in post-merger scenario due to non-involvement of senior executives such as Deans, Principals & Head of the departments in the entire merger or partnership process. There were certain issues like empowerment, competition between heads of the two institutes resulting in improper integration of merging entities. Some of M & Ps failed due to improper reorganization and demotion of certain senior management to balance the organizational structure led to desertion of some key teaching/management staff.

### *b) Alignment of curriculum and maintaining quality of education*

Some of the mergers and partnerships failed due to lack of proper alignment in the course curriculum. Specifically this scenario was observed in cases where the acquiring and target institutes have similar course and syllabus. It is observed that the M & Ps were easier where curriculum complements rather than overlaps. Certain issues were also noticed in maintaining the quality of education. Out of merging partners, one institute providing good quality education and other institute not maintaining the overall quality after merger or partnership was an issue. This scenario resulted in significant reduction in student intake. The institute which went through multiple M & Ps experienced number of curriculum problems and confusion in the minds of both the students and staff. More curriculum related issues were observed where the partners are different in size and level. In case of cross border M & Ps, it is noticed that curriculum in one country could not properly fit into another country and led to failure in intake of the students.

### *c) Effect on student achievements in evaluation*

It is noticed that different universities follow diverse evaluation models and after M & Ps, the evaluation model of one university does not fit into another university. In the process, the students faced difficulties in

receiving good rankings to compete with other universities. The higher level top ranking universities followed stringent rules & policies to award degrees to the students as compared to lower ranking universities. When the M & Ps took place between such dissimilar ranking institutes/universities, the lower ranking institute always faced problems to meet the qualification criteria of higher ranking universities.

*d) Impact on university or institute staff*

One of the general concerns which most staff experienced after M & Ps is the security of their job. The re-organization and reduction of redundant staff after M & Ps led to attrition of key teaching staff due to panic situation. This impacted to maintain sufficient teaching staff on the one hand and complete the syllabus as per schedules. The senior management did not take the staff in to confidence and concentrated on the financial and business aspects of M & Ps. This situation led the staff to lose their confidence in the newly formed entity and relocated to other universities / institutes.

*e) Influence of culture*

Contrasting and conflicting cultures resulted in certain issues. These aspects were always underestimated and often ignored at the planning phase. Cultural clashes occurred in most of the mergers specifically it is significant in the case of specialist colleges. Small colleges had a relaxed under-managed friendly ethos and subsequently faced conflicts in a more business-like larger college culture. It was also clear that this kind of cultural issues unique to the respective institutes remained within for a significant amount of time. College culture and organisation also affected both before and after merger with the loss of some of the best and most flexible staff.

*f) Role of communication*

Communication between all parties, particularly stakeholders, must be open, transparent and effective. In certain cases, it is noticed that the communication flow from top to bottom was not very effective and the staff is not very clear about M & Ps strategy intent followed by the Universities. This has resulted in many good staff members to look for alternative opportunities. Appropriate involvement of staff and representatives of students is very much essential in the M & P process. Senior management was not readily available, most of the times, to counsel the staff about new directions.

*g) Financial implications of merger*

A merger might prove financially beneficial or otherwise; but it is always fraught with economic uncertainty. Many of the case studies demonstrated the appearance of financial setbacks after merger, although, no particular pattern emerged from the research. It was often apparent that even where formal assessments suggested that the merger of a weak college with a strong one would cause no major financial difficulties to the merged institution, some impact was subsequently felt during the next two years. Costs of maintaining several

campuses are significant and this should not be underestimated in the financial decisions made at the start of the merger process.

h) Operational issues:

It is observed in some cases that the operational teams were re-organized to optimize the administrative expenses. This re-organization impacted certain functions as some of the operational team members were not trained properly in those activities. Subsequently, it impacted the academic cycle and business functions. Also in some cases the operational policies are changed after M & Ps and followed the policies of the acquiring university. Some of these policies are not well suited to the target institute/university thus affecting the admission & evaluation process. This situation resulted in some students pursue their further studies with other institutes/universities.

### **Proposed Solutions**

Following are some of the suggestive solutions to make mergers and partnerships successful in higher education sector.

a) Strategic planning

For a successful M & Ps vision needs to be very clear about the rationale behind the decision and its final outcome after implementation. This is a part of the strategic planning before deciding the M & P. It should be identified at the beginning and articulated in the proposal / consultation documents and refined through merger implementation keeping in view the overall objective. The details of strategic planning depend on the size, geographical locations, economies & type of merger or partnerships.

b) Governance and leadership

Structured processes and workflows are required to implement the M & Ps to reduce the ambiguity in the clearly defined roles & responsibilities. Participation of key stakeholders needs to be ensured from both the entities to balance the processes and policies to manage the existing as well as the proposed systems effectively. This can provide the desired reassurance to all stakeholders that the interests of all the parties will be taken care of even after implementation of M & Ps.

c) Strategic objectives

The proposed vision has to be effectively translated in to clear goals and objectives at strategic level. These will form the basis for M & P implementation process and helps as a guide at operational level. Cascading goals and objectives from top to bottom is very important. These objectives should be reviewed at frequent intervals during the final stages of M & P implementation and just after implementation to receive feedback for taking corrective actions.

#### d) Operational aspects

As a strategy, it is required to form few working groups to identify operational gaps during implementation of M & Ps and take immediate corrective actions. There should be at least one group for each of the main support and management functions viz., Information Technology, Human Resources and Finance & Accounting. These groups should be given specific tasks based on the executive decisions and keeping in view the strategic vision. These groups are not only crucial for tapping into 'on-the-ground' knowledge, but also good for building relationships and communication channels between the managements from the two merging institutions.

#### e) System synchronization

As a general rule, mergers aim to achieve standardisation of systems. This does not just refer to information technology alone, but also applies to other operational systems, including: registration and attendance systems, human resources, finance and support services. A common view should be articulated so that staff and learners will have access to the same quality of service in all the sites. Detailed synchronization plans, with specific actions and responsibilities, can be drawn up to guide the process. Depending on rationale for the merger and relationship between merger partners, the systems and procedures for the merged entities will vary.

#### f) Manage curriculum

The level of attention paid to the curriculum in the lead-in phase varied across colleges. If curriculum review is a core objective of merging, then it is likely to be integral to early planning. In particular, some mergers keen to implement some changes before the start of the new academic year to mark and make themselves visible 'the new era brought in by the merger'. This appeared to be particularly true where quality in the partner college had been low. However, if curriculum overlap between the two merging institutions is limited and merger drivers concentrated on synergies in other areas, then its review is likely to be left until further down the line.

#### g) Communication Process

While there may be a will to minimise disruption of staff through the planning stage, communication to keep people informed is absolutely crucial. It is important for staff and stakeholders to understand the strategic intent and planned impact of merger, and that there should be constant and consistent communication throughout. Techniques for communicating with staff included, issuing regular newsletters and having 'open-door policies' through discussions to address and educate staff. Communication with the local community can also be important since these are the potential customers.

#### h) Staffing & reorganization

Staff anxiety about job security and resultant disruptions should adequately be addressed at the beginning itself. One benefit is that it is easier to manage and respond to staff anxiety if there is a clear understanding.

People need to understand why changes are being implemented and what it will mean for them. Establishing a management structure for the merged institution is often a priority, because it can be important to have clear leadership at the outset and management buy-into subsequent changes implemented.

#### i) Local branding

The intent to retain local branding may be particularly pertinent where the college in question is small or specialist and serving a defined community or group. Experts suggest that the key is to strike a balance between retaining the 'local feel' while simultaneously injecting quality from the stronger band. The balance between the two will depend on local perception of the college's pre-merger and sometimes there might be a need for a re-brand. The notion of local branding may be less relevant in a large metropolitan context

#### j) Funding

The merger process is expensive involving certain costs. In addition to the significant costs associated with harmonising systems and materials, there may be consultants' bills and redundancy packages to pay. Further, if the merger is with a struggling college, there are likely to be significant investment requirements. Expenditure may be offset in the short term to some degree through cost savings and rationalisation. A thorough appraisal of systems, procedures and documentation is advisable prior to the merger whenever possible. Costs of maintaining several campuses are significant and this should not be underestimated in the financial decisions made at the start of the merger process.

### **Conclusion**

M & Ps are highly contextual, and part of ensuring success is related to the specific dynamics. However, some common themes of good practices emerge in relation to the implementation phase. Effective planning and consistent communication appear to be the key to most of the M & Ps, besides full appreciation of the time and resources required. In addition, findings suggest that it is important to convey a message and feeling of parity through all processes and protocols in case of M & Ps between 'equal partners'. A thorough due-diligence is required prior to merger to ensure cultural fit between both the entities. The proposed solutions in this paper will be a guide for further research in M & Ps in higher education.

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