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Strategy to Join the Elite:

Merger and the 2015 Agenda at the University of Manchester

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This project has analyzed Swedish universities, set in terms of internationalization and new demands.

The project addresses questions about the on-going structural changes to the Swedish research and education system. There are three themes. The first theme raises the question about financing, the second about the universities as strategic actors and thirdly how universities interact with society, in particular the knowledge link between universities and businesses.

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STRATEGY TO JOIN THE ELITE: MERGER AND THE 2015 AGENDA AT THE UNIVERSITY OF MANCHESTER

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INTRODUCTION

The logo of the University of Manchester incorporates a date of establishment of 1824 but this display of pedigree disguises the much more recent foundation of a new university by Royal Charter² on 1st October 2004. This new university, immediately the United Kingdom's largest, was formed through an effective merger of two institutions, the Victoria University of Manchester³ (VUM) and the University of Manchester Institute of Science and Technology (UMIST). At the time the use of the term 'merger' was discouraged as the project was not principally driven by the typical merger objectives of rationalization and achieving scale. Rather the aim was to create a new institution that would drive towards a much higher position in the pantheon of world elite institutions than either of its predecessors had achieved in modern times but with a distinctive identity that did not emulate the UK's so-called Golden Triangle of Cambridge, Oxford and the leading London Universities, nor the highly-endowed US Ivy League.

This chapter will examine the rationale and expectations for the most ambitious project in British higher education and track the process of change. A particular focus will be the blueprint for this transformation, known as the 2015 Agenda – a set of evolving goals and performance indicators. Progress to date and the challenges, expected and unexpected, that have surfaced will be discussed. In an ongoing project and with an insider's viewpoint there

is no possibility of arriving at an objective assessment but some conclusions about the experience will nonetheless be drawn.

RATIONALE FOR A MERGER AND NEW UNIVERSITY

The history of the two universities had been one of an unusually close relationship. UMIST, which as its name implies was principally a technical university but with a large management school, had its origins in 1824 (the aforementioned establishment date) when a group of prominent local citizens established a Mechanics Institute for the education of the workforce. By 1883 it had become a Technical School but from the point of view of the relationship, a key stage came in 1905 when it acquired the status of the Faculty of Technology of the Victoria University of Manchester and hence was able to award degrees. Formal University status came in 1955 when the institution received its own charter and funding stream from the University Grants Committee (an agency which distributed core funding to universities at arms-length from the government). Nonetheless the close relationship with VUM and the joint Manchester degree persisted until 1993 when the then Vice-Chancellor Professor Bob Boucher led a move to complete independence with any cooperation to be on the basis of equal but separate institutions.

The Victoria University of Manchester was a much larger comprehensive university which had begun with a bequest from the Victorian merchant and philanthropist John Owens in 1851 and gained a Royal Charter in 1880. An illustrious history with pioneering Nobel Prize winners such as the physicist Ernest Rutherford and the economist Arthur Lewis had flattened out to a position of being a large civic university of good standing but falling behind the UK's first rank institutions.

The explanation of the merger that was to come involves both an internal and an external rationale. Exploring first the internal logic, conditions in 2001 were favourable for change. Bob Boucher, who had strongly pursued the separation agenda had unexpectedly moved back to Sheffield University from where he had come and had been replaced by a new Vice-Chancellor Professor John Garside, an internal appointee with a different outlook. VUM's Vice-Chancellor, Sir Martin Harris, was approaching a decade in office and did not have long-term ambitions to remain in post.

Perhaps more relevantly, after the results of the 2001 Research Assessment Exercise both Universities were in a mood to contemplate their futures. For UMIST it was apparent that its small size and narrow focus made it vulnerable to potential shocks, for example in the supply of science and engineering students or in the overseas student market on which it was heavily dependent. This was not a strategy of desperation; the institution was on an upward trajectory with new buildings, increased student numbers and entry into biological sciences from its traditional base in physical sciences and particularly engineering.

At VUM, while some areas such as life science were thriving, there were concerns about the long-term viability of investment-hungry physical sciences and engineering for similar reasons to those for UMIST, and a more general realization that the current model probably offered no better future than maintaining the present position. On the positive side finances were in better shape than for most universities and the University was the most popular in the UK in terms of numbers of undergraduate applications.

The campuses were contiguous, a unique situation in the UK for two research-led universities. Despite the recent withdrawal of UMIST from a number of shared services, social connections were strong and two major joint ventures, in business and management and in materials science, showed that joint working was possible. The first of these was a federal arrangement, The Manchester Federal School of Business and Management was an umbrella that linked UMIST's Manchester School of Management (MSM) with VUM's Manchester Business School and two more specialized management-related subjects, VUM's School of Accounting and Finance and the research institute PREST. The arrangement involved a series of committees which aimed to avoid duplication and promote new teaching and research ventures. The material science departments of the two institutions were joint, sharing a building and facilities such that even in a single corridor academics of both affiliations could be found.

However, favourable the internal circumstances, the impetus came primarily from a perception of growing external pressures and challenges. Explicit attention was subsequently given to six of these:⁴

Increasing complexity of research problems demanding broader interdisciplinary solutions and teams of critical mass with access to modern infrastructure;

Increasing importance of the knowledge economy and the recognition of the role of universities in contributing to business and the community;

Changing nature of course provision, with rising student fees being accompanied by greater emphasis on quality, relevance to employment and student choice;

Globalization of higher education increasing competition for students, top quality academic staff and research funding;

The need to modernize governance and management structures to make decision-making more streamlined and agile; and

A recognition of limited resources for both teaching and research and increased selectivity in funding mechanisms.

A more specific external logic lay in the shape of the UK economy. Despite several years of relative prosperity, the UK is essentially a uni-nodal economy with a very strong concentration of activity in London and the South East. This is also reflected in scientific investment – the Golden Triangle mentioned above and most public and privatized government laboratories. Other cities have lacked economic dynamism and past generations of regional policy have failed to make any real impact. Present policy is people-centred with an emphasis on skills and flexibility and more recently a concept of ‘Science Cities’ adding a knowledge economy dimension.

Greater Manchester has been seen as the main national success case in terms of regeneration, based on a highly coordinated strategy among local authorities working with business and professional leaders. Cultural and sporting institutions (including hosting the Commonwealth Games - a sporting event second only to the Olympics - and the world-brand of Manchester United Football Club) have featured strongly in a shift from traditional industries to a service-based economy with some key high-tech establishments such as Astra Zeneca’s research centre on the outskirts. However, to pursue a strategy of a sustainable transition to a knowledge-based economy the city-region would need access to a world class academic institution, driving change through contributions from its research and training activities.

In the light of these challenges a Joint Working Group was established chaired by Dr John Beacham, a former ICI executive and government adviser with regional affiliations. Its remit was ‘to consider various ways to develop a closer relationship between UMIST and the Victoria University of Manchester in order to build on existing strengths, with the aim of achieving world class standing in research, scholarship and teaching across a broad range of disciplines.’

When the group began the way forward could have been one of several options considered. The *status quo* of no increased cooperation was regarded as a base case which was not acceptable in itself but would be used as a reference point against which to judge other options⁵. The other options were:

- *Grassroots collaboration*: separate institutions but encouraging individual academics to collaborate in research or teaching. This was seen as relatively easy to implement on a small scale but creating confusion and numerous ad hoc demands on issues such as regulations when scaled up;
- *Federal collaboration*: provision of an overarching structure for collaboration between separate institutions. The experience of the materials and business collaborations suggested that this would have relatively high transaction cost and present a confused view to the outside world;
- *Trade model*: separate institutions but making identities more distinct through combination of common departments and allocation to one or other institution. It was considered that agreement on respective specialisms would be hard to achieve;
- *Combined institution*: a newly constituted combined university.

The preferred option of the Joint Working Group was the dissolution of the two existing universities and the creation of a single new chartered university. It was concluded that neither university was likely to achieve world-class status in all disciplines on its own or to compete realistically with the very best universities. To overcome a future of, at best, incremental growth a strategy for a step-change in performance was needed and this could only be achieved through the combined new university option. The overall aim of this process of integration would be to enhance research excellence at international level, to increase student choice through new and interdisciplinary courses and to contribute to the economic well-being of the region.

PROCESS OF CHANGE

The processes of decision and of implementation were both of necessity complicated. The internal approval timetable began in April 2002 when the governing bodies of both universities agreed to proceed to a due diligence phase. This ran until the following October and the activity was given the name Project Unity. Due diligence was undertaken through a managed structure involving over 250 staff, students and lay members with support from specialist advisers on issues such as pensions and finance. A communications infrastructure was set up to keep internal stakeholders informed; this involved open meetings, briefings and newsletters with a dedicated website. Project Unity operated in all of the key dimensions needed to design and operate a university: governance and administration; research; teaching, learning and assessment; estates; human resources; information systems; and finance.

Ambitious goals and detailed proposals were set out in each case. No policy, procedure or structure from the 'legacy institutions' was retained by default – all were designed or selected on the basis of the needs of the new university. The estates strategy was particularly demanding in financial terms, involving several new buildings and refurbishments and a better external environment, both to allow co-location and more generally to support the research and teaching mission of the new university. The strategy eventually was realised as the largest capital programme ever undertaken in the British university system and at one point was the country's second largest capital project of any kind. The dominant visual image was a forest of cranes. At this point, however, the issue was to find the finance to allow the project to go ahead.

A total cost of around £300 million was estimated, the bulk to be spent on estates. Most of this was to come from the formula allocations due to the universities from the Funding Council, from the universities' own reserves and disposal of surplus assets (in the UK older universities at least normally own their own buildings and estate). Specific funding was sought from the Funding Council's Strategic Development Fund (the lion's share of which went to this single project). In addition the Office of Science and Technology – responsible for the Research Councils – provided £10 million in support of specific research projects in Photon Science and Neuroscience and a substantial contribution was made by the regional authority, the Northwest Development Agency.

For many universities a financial undertaking on this scale would be out of the question. Why then was it possible to mobilise a public investment on this scale? For the answer it is necessary to recall the arguments made above concerning the external logic for the merger.

In this environment, the case for this extraordinary investment in support of a second node in the economy received a sympathetic hearing at both national and regional levels.

On the basis of the due diligence exercise the academic and overall governing bodies agreed in general to proceed in October 2002 subject to securing external funding, and with more precision in March 2003 at which time full integration was set for 1st October 2004. By July 2003 dissolution of the two universities on 30th September 2004 was agreed subject to the Charter being granted. The process was not quite as smooth as this timetable implies. Staff concerns about potential job losses had been largely allayed by a guarantee of a two-year moratorium after Foundation and that in any event there would be no compulsory redundancies, though an early retirement and voluntary severance package was available on a selective basis. At the level of the governing body of UMIST there had been some opposition to Project Unity with concerns about losing the distinctive heritage of the institution and of selling science short. Eventually the doubters were won round to secure full approval.

During the transition the challenge was to keep both universities operating normally so as not to disrupt research and the student experience but also to initiate the structures of the new University. The adopted solution was to create a Company Limited by Guarantee (CLG), a form of not-for-profit organization) with powers derived from both governing bodies and advised by both academic governing bodies. An Interim Executive Management Team reporting to the Board of the CLG, chaired alternately by the two vice-chancellors, oversaw a programme office which in turn ran a series of projects. The new structure of the University emerged at this point with four large Faculties (in three cases on the scale of medium-sized universities) and a limited number of large Schools (initially 23)

which would in many cases consolidate departments and disciplines. The four Faculty Deans, also University Vice-Presidents (accompanied in a matrix structure initially by four 'policy Vice-Presidents in the areas of research, teaching and learning, innovation and knowledge transfer, and external relations), would be budget holders, along with the Registrar and Secretary. Until such time as the Deans could be appointed, Interim Faculty Leadership teams and an interim acting Dean (from another faculty) would develop the structures.

The key appointment of President and Vice Chancellor (a new title with more international currency) was made such that the chosen candidate, Professor Alan Gilbert, would have time to shape the institution before taking operational control. In practice he was present for eight months before the inauguration as President and Vice-Chancellor designate.

During this period, in his own words he had:

‘several months free from the burden of day-to-day operational management in which to build a senior leadership team, develop the “step-change” agenda in consultation with colleagues across the merging institutions, and design the kinds of governance and management structures that the embryonic institution would need to facilitate its ambitions.’ (Gilbert, 2007 pp182-183)

In terms of process the merger was close to being an unqualified success. At the time of writing, four years on, few staff refer to or identify with the legacy institutions except occasionally as geographic descriptions of parts of the campus. There was little or no disruption of students and courses and the new Schools became quickly operational. Probably the only area of significant technical setback was with IT systems – the systems supporting finance and student services were changed simultaneously with the merger and

that proved too much to digest, with frustrating delays impeding many activities and even basic services such as email proving troublesome. It took some time before these problems could be resolved. For universities elsewhere contemplating mergers it is useful to summarize the success factors, though these may not be replicable. In essence these were:

- A clear strategic rationale;
- Universities similar in research standing;
- External support and resources (again with a strategic rationale);
- Internal support from staff and students (in part an outcome of a good communications strategy;
- Contiguous campuses;
- Both Vice-Chancellors retiring so no dispute about the CEO position.

For the remaining parts of this Chapter the story will not be one about a process of merger but rather about the subsequent efforts to create a world-class university on a new model. However, the consequences of issues created by decisions during the merger phase will occasionally be revisited.

THE 2015 AGENDA

It is quite common for universities to project their mission statements by means of their public websites and other media. Far rarer is the presentation of an operationalized strategic plan but any visitor to the University of Manchester's website will find there a document called 'Towards Manchester 2015'. Although updated in minor ways on an annual basis, this has represented from the start the blueprint for the transformation or 'step-change' that the University is seeking to achieve. It originated as the President's

pre-merger planning document and it was endorsed by a series of planning conferences in the Spring of 2004 and by the Board of the Company Limited by Guarantee, and again by the Board of the new University early in 2005 on the advice of the Senate.

The formal mission is set out in terms of a target:

‘To make The University of Manchester, already an internationally distinguished centre of research, innovation, learning and scholarly inquiry, one of the leading universities in the world by 2015.’

Academic, social, ethical and moral values are stated and used as a foundation for a vision that puts ten adjectives in front of the word institution and explains each of them.⁶ However, the core of the document is the 2015 Agenda itself, a set of nine goals and strategies and accompanying Key Performance Indicators that if achieved will constitute the ‘preferred future’ for the university by that date. Why nine? According to the President they reflect years of engagement in trying to challenge strong, large, research-intensive universities to take on step-change improvement.⁷ The choice of nine reflected his judgement of what the cardinal goals were, though in a couple of cases they could have been conflated or separated for presentational purposes. The goals are summarized below, the first four in more detail:

Goal One – High International Standing

To establish The University of Manchester by 2015 as a world renowned centre of scholarship and research, able to match the leading universities in the world in attracting and retaining teachers, researchers and “critical mass” research teams of the highest quality, and as a higher education brand synonymous with the finest

international standards of academic excellence, and with pioneering, influential and exciting research and scholarship.

In some senses this goal is an encapsulation of the rest, as an international reputation is likely to result only from improvement in other key areas. However, there are some actions in terms of positioning (working with leading partner institutions around the world), marketing and promotion and most specifically the appointment of ‘iconic’ scholars and research teams. An iconic scholar is defined as one whose virtuosity has been recognized in ways that provide iconic status within and beyond the international academic community. Nobel prizes are cited as the most obvious criterion and one KPI is the presence on staff of at least five Nobel Laureates (or equivalent) by 2015, at least two of whom are full-time and three such appointments being secured by 2007. The other KPI attached to this goal is clear evidence of improvement in the University’s international and domestic standing as measured by reputable international higher education rankings. The selected measure is the Shanghai Jiao Tong Academic Ranking of World Universities which for all its idiosyncrasies is seen as being objectively based rather than relying on non-reproducible and methodologically obscure peer review elements as do some of its rivals.

Goal Two – World Class Research

To establish The University of Manchester by 2015 among the 25 strongest research universities in the world on commonly accepted criteria of research excellence and performance.

Elite universities are typically judged by their research performance and standing. Apart from striving to create a supportive environment for research and gaining funding for research, the strategy has focused on people, with a heavy emphasis upon recruitment and retention of outstanding individuals. This particular dimension was reinforced by the new University having to encounter a major test of research standing rather earlier in its lifetime than it would have chosen, the UK Government's Research Assessment Exercise (RAE). Since 1986 the RAE has been used to allocate core funding for university research (Barker, 2007). The 2008 exercise, the last of its kind, is grading Manchester's performance over a seven year period, hence a significant part of the period covered was pre-merger, and in terms of publications even more so. Hence, recruitment of virtuoso researchers represented the quickest strategy for improvement against this test. The longer term project of raising further the quality of the entire research activity could only be partly fulfilled at this stage. The University has always been clear that its strategy is driven by its own agenda, not the RAE and indeed it has instituted an external review process which is probably more demanding.

The KPIs under this heading have evolved over time. The initial focus was couched in the terminology of the previous RAE, accompanied by fairly crude quantitative targets (such as the doubling of the number of postgraduate research students and postdocs by 2015). A revised approach matches quantity with quality with the current set being:

- Annual increase in the University's share of the world's high impact research publications;
- Achieving annual increases in external grant income consistent with a doubling of such income (in real terms) by 2015;

- Annual increases in total audited research expenditure (TARE) consistent with the trebling of such. expenditure by 2015;
- Achieving annual increases in the number of postgraduate research students successfully completing their programme within the specified period consistent with doubling the number of completions by 2015.

This list also illustrates Manchester's main advantage. While it can be hard to compete in their own fields with some small specialized institutions, the large University can achieve a leading position on indicators which combine quality and quantity – sometimes referred to as 'research power'.

Goal Three – Exemplary Knowledge Transfer

To contribute to economic development regionally, nationally and internationally, and greatly to increase opportunities for the University and its staff and students to benefit from the commercialisation and application of the knowledge, expertise and intellectual property (IP) that they develop in the University.

There was a determination from the start that the new University would take a fresh approach to what is commonly termed the Third Mission (Larédo, 2007). An early move was to develop an IP policy which gave the most generous terms available to innovators and creators of intellectual property while putting in place an infrastructure for its effective exploitation. To overcome cultural resistance in some quarters of academic life the principal reward system of promotion allows progression through the ranks to full professor on the basis of outstanding performance in knowledge transfer. This was an area where some national KPIs had been discredited, with examples such as counting the number of spin-off firms created taking no account of their size,

profitability or sustainability. These would then be open to manipulation. The more rigorous approach adopted by Manchester has been to set annual increases of 10% in the value of third party investments in university spin-out companies and in the number and value of licence deals done with third parties. Collaboration with business takes place within the framework of overarching agreements with companies wherever possible. This reduces transaction costs by creating a ready-made and consistent framework for pricing, IP etc and maximises the chance of spillovers whereby a relationship based, say, on engineering research may also lead to contracts for executive education in management studies. The KPI for this activity is that the University should increase the proportion of research grant income through industrial sponsorship from its level of 8% in 2004 to 20% by 2015. A remaining challenge is to find a way to consistently measure knowledge transfer of the type more open to social science academics, making a major and sustained contribution to policy and practice.

Goal 4 – Excellent Teaching and Learning

To provide students with teachers, learning environments, teaching and learning infrastructure and support services equal to the best in the world.

This goal was turned into a strategy by emphasising the need to enhance the Manchester student experience, using e-learning to enrich teaching and learning, listening to students and, in a similar way to knowledge transfer, creating clear promotion tracks based upon excellence in teaching. Key performance indicators are sustained high levels of satisfaction among key employers with the quality of Manchester graduates, as measured by properly validated employer satisfaction surveys; and annual increases each year until

2015 in the number of students enrolled on on-line programmes. The third indicator, annual improvements in student satisfaction with the quality of teaching they receive and of the learning environment they experience in Manchester, has been the source of much concern. The National Student Survey is a government-backed survey on behalf of the Funding Councils targeted at final year undergraduates. Manchester has not performed well in this, possibly because of the focus on research, stoked up further by the RAE.

Concern about teaching and learning has led to a multi-faceted and comprehensive Review of Undergraduate Education which seeks to restore to parity of esteem with research and postgraduate training what many external stakeholders see as the core business of a university. At the core of this is a determination to achieve personalized learning, that is working in small groups with tutors and ensuring a close relationship with an academic adviser, in an era when massification of higher education and the consequent decline in the unit of resource available per student has driven universities away from this ideal.

Remaining Goals

The 2015 agenda looks outward to the community as well as to business and two goals address different aspects of this. Goal Five is that of Widening Participation by 'making Manchester the UK's most accessible research-intensive university by providing international students from economically deprived backgrounds and home students from traditionally under-represented sections of society with a supportive learning

environment in an inclusive and welcoming University community.’ Also in this vein is Goal Nine – More Effective Service to the Community, spelt out as “to contribute to the development of a secure, humane, prosperous and sustainable future for human society and, beginning in its local communities in Greater Manchester, to explore opportunities to enrich the social, cultural and economic development of the communities, regions and countries in which the University works. Conversion of these high level goals to practical action has centred upon two actions. For widening participation the University has devoted a higher proportion of fee income than any of its peers to established merit-based bursaries and scholarships for both home and overseas students from disadvantaged backgrounds, in the latter case from selected developing countries. Community service focuses upon existing students with a flagship ‘Manchester Leadership Programme’ which gives students credits for voluntary work in the local community while contributing to their personal and professional development. Broader regional and community engagement also came into this part of the strategy.

The remaining three goals are more inward looking and focus upon the managerial achievements necessary to drive the other goals. Goal Eight address the critical topic of Internationally Competitive Resources and is stated as being ‘to ensure that the University acquires the recurrent and capital resources necessary to be competitive at the highest international level.’ As noted earlier, without the large endowments of its international rivals the University needs to develop income flows that give it the resource base to achieve its ambitions. Strategies include increased fee income, proceeds from knowledge transfer and a much more organized approach to fund-raising than has been the case historically for British universities.

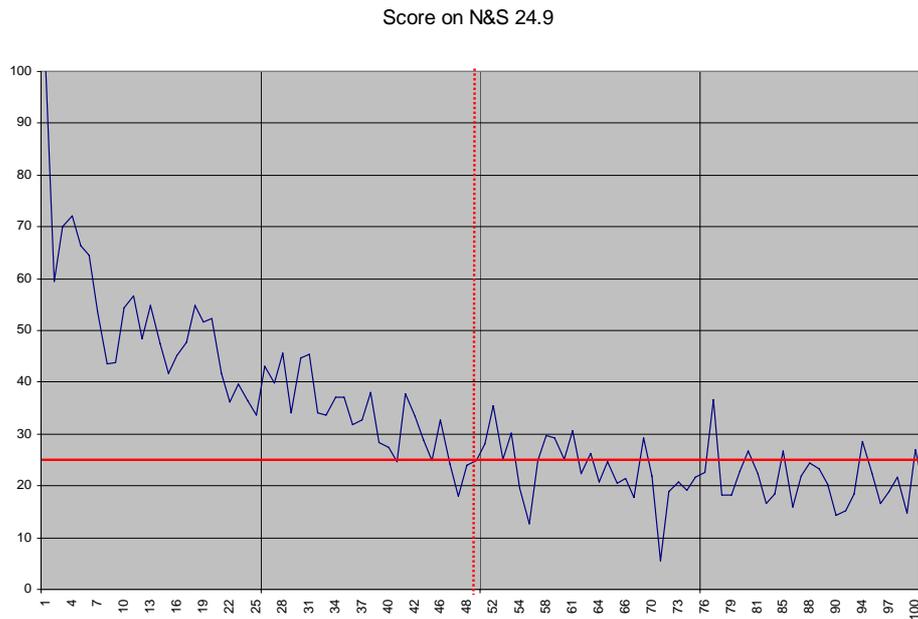
Goal Seven is Efficient, Effective Management and is embodied through efforts to achieve simple flat management structures with a minimum of hierarchy and a rational, simple committee system. Linked to this is Goal Six, Empowering Collegiality, where the key words are 'people-oriented' and 'engagement', no mean challenge in an institution of this size. KPIs are built from a staff satisfaction survey and measures of diversity in the staff profile.

PROGRESS AND CHALLENGES

Almost four years on what has been achieved and what are the major challenges facing the University? Rather than work through all the KPIs some highlights are presented here.

Concerning the goal of high international standing there was an immediate beneficial effect on the position in the World University Rankings with a move from VUM's position of 78 in 2004 to 53 a year later (the scoring system favours scale). Since then progress has been upwards but incremental, reaching 48 in 2007 which places the University ninth in Europe and fifth in the UK. The challenge of breaking into the top 25 can be illustrated by Figure 1 which shows the average number of papers in Nature and Science in the past five years.

IFigure 1 World University Ranking for Papers in Nature and Science



This shows the score of one of the factors in 2006, worth 20% of the total score. At number 50 Manchester is in the midpoint of the top 100 universities shown. What is striking is the fairly flat profile of the lower half and the rapid acceleration towards and within the top 25.

In another dimension of international standing, the university is right on track. Two Nobel Prize Winners, Joseph Stiglitz and Sir John Sulston have taken on part-time positions as have two further iconic appointees, the influential Harvard political scientist Robert Putnam and the novelist Martin Amis. The benefits of iconic appointments were clearly demonstrated when an external donor almost immediately endowed the World Poverty Centre which Stiglitz chairs with a sum greater than the cost of the appointment. Perhaps more importantly is the effect in attracting top class academics and students to work in the University.

Research income has been another area of spectacular growth, rising from £116 million in 2003-4 to £174 million in 2006-7. Total audited research expenditure, which covers all activities, has risen by almost 45% in the same period, to £372 million. Knowledge transfer has shown good progress but has been typical for the sector in that successes are very lumpy – notably the flotation of a spin-off company Renovo which raised £50 million. Achievements against the KPIs are satisfactory in themselves but given the increasing weighting given to knowledge transfer by the UK government, even as a driver of other income sources, this area will need more attention in the future. One spectacular success was the securing of £25 million over 5 years from the supermarket giant TESCO to found an Institute for Sustainable Consumption, the largest single corporate research contract to a UK university.

The challenges have surfaced more at the level of the underpinning goals. In particular, the University faced a large operating deficit in 2006 of around £30 million (out of total expenditure of £611 million), some of which was the result of deliberate investment ahead of the RAE but which also reflected a ‘structural deficit’ of around £10 million attributable to the additional costs from the merger and exacerbated by the two-year moratorium on job losses. The salary bill had been driven up by higher than expected increases across the UK sector and a post-merger growth in staff numbers of some 2,800 staff in 30 months. While much of this had been driven by increased research income it was clear that urgent action was needed improve efficiency and eliminate the deficit. A combination of tighter financial management and an early-retirement/voluntary severance scheme that reduced numbers by around 630 people has drastically reduced the deficit for 2007/8 and a return to surplus is in prospect. Nonetheless, this episode has highlighted the marginal nature of

higher education finance and its exposure to potential shocks. A secure financial future is only possible through continued improvements in productivity and growth of high revenue areas such as overseas students, executive education and full cost applied research.

Performance in the first two of these has been below the demanding targets set and means that redoubled efforts will be necessary in the future if the planned course is to be maintained. All of these areas are highly competitive markets in which only the best will prosper.

Part of the productivity challenge lies in a need to rebalance staff time. Success in research depends upon freeing up time without reducing the quality of the student experience.

While students undoubtedly benefit from research-informed and research-led teaching, the rising fee rates have fostered a consumerist attitude which does not tolerate any hint of neglect. Solutions can only lie in increasing the efficiency of teaching, including effective use of online learning, use of Graduate Teaching Assistants, and consolidation of uneconomic course options. The latter challenge should be easier in a large University where wide choice can be sustained through the presence of such a large number of specialisms. However, all of these measures depend upon students perceiving the kind of personalized teaching and learning environment that is being sought through the current Review and staff perceiving that excellence in this dimension of their work will be rewarded in the same way as research excellence.

Productivity also lies in administrative efficiency and here there is a careful balance to be struck between relieving academics of as much of the administrative burden as possible while not creating a large and expensive bureaucracy which drives up overheads on research and teaching. Overall the administration is many ways a model for others. Its

management of the merger was far better than is often witnessed in the private sector⁸ and the main phase of the capital programme is largely complete in time and under budget.

At the time of writing seven years remain to achieve the 2015 goals. In the timescale in which reputations are built this is a rather short period. It seems likely that the attraction of that date will diminish as it approaches even if targets are being met – the middle-to-long distance always appears more inspirational – and it would not be surprising if a major renewal of the concept became necessary about midway to the present end-date. It also needs to be emphasised that there is not a fixed target at which point the status of top 25 is achieved and all can relax. The nature of the modern university and the expectations society and the economy place upon it is itself evolving. Manchester is seeking to redefine the rules for excellence, not only because the Golden Triangle and the Ivy League are clubs closed to new members but also because those institutions in their present form may themselves not be fit to meet the challenges likely to be imposed upon Western universities. While the verdict is clearly still open the hope is that the maxim of the Industrial Revolution will hold once more, “What Manchester does today, the World does tomorrow”.

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¹ This chapter is the view of an 'insider' who was involved but not at the centre of activity. It is a personal interpretation and does not represent the view of the university. I would like to thank those colleagues who provided key inputs, notably Rod Coombs, Alan Gilbert, Albert McMenemy and Alistair Ulph. Any errors or misinterpretations are entirely the author's responsibility.

² A Royal Charter is a means of incorporation granted by the Sovereign of the United Kingdom on the advice of the Privy Council. The UK's older Universities derive their legal identity by this means, and though largely dependent upon government funding, are independent not-for-profit bodies with their own governing bodies with responsibilities similar to those of a company board.

³ This was the formal name of the predecessor institution, reflecting its Victorian foundation, but it was almost universally known by the same name as its successor, the new University of Manchester. Prior to the merger UMIST staff and students almost universally referred to it as "Owens" after its historic college origins.

⁴ List based on table in business plan for the merger.

⁵ Left unstated was the further factor that the status quo could have degenerated into unproductive local competition.

⁶ In detail, the statement is that as one of the world's leading universities, Manchester in 2015 will be a people-centred, research-led, innovative, learning, liberal, independent, international, inclusive and engaging institution, and finally a Manchester institution.

⁷ Personal communication 23.8.07

⁸ A study by the author and colleagues of the effects of industrial mergers on R&D activities of firms – the closest analogue to universities in a business merger - found that companies typically underestimated the issues involved and did not subsequently achieve the improvements in innovative performance that they expected (James et al, 1998).

