

KEY NOTE SPEECH ON MERGERS BETWEEN UNIVERSITIES IN KENYA AS A SUSTAINABILITY STRATEGY

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On the Occasion of Tangaza Day 15 March 2016

The Chairpersons of the Board of Trustees of Tangaza and Marist,

The Chairpersons of Governing Councils,

The Principals,

The Faculty and Staff,

Dear Students

Invited guests,

Ladies and Gentlemen.

Let me start by thanking you for inviting me. I have been enriched by the liturgy for the day. I have been informed that the signing of the Memorandum of Understanding [between the Marists and Tangaza] will be done at some future date.

1. THE UNIVERSITY SECTOR AND ITS ROLE

The higher education sector is important. It prepares the human capital for a country, undertakes research, disseminates knowledge and advances innovation. If the mission of universities is to be achieved, their very survival must be guaranteed. This topic comes at a time when the university sector, both public and private, is faced with significant challenges in relation to resources and strategies for providing their core business. This is reflected explicitly and implicitly in various ways. At the centre of our topic is the sustainability of universities. Merger is one among various other strategies which would be implemented to achieve sustainability.

In Kenya there are 23 chartered public universities with 10 public constituent colleges; 17 chartered private universities with 5 private constituent colleges (all five are under Catholic University of Eastern Africa); 14 institutions with Letter of Interim Authority and 1 registered private institution. The total number is 70. It is a reflection of the growth in the demand for university education.

The growth in numbers has not been matched by resource allocation. Most of the public universities were given land and facilities by the government. In addition they get resource allocations and have access to bilateral and multilateral donor arrangements. The resources are not sufficient and universities have been challenged to take in more students because of the output from secondary schools. In responding to this, public universities run parallel programmes. This has seen the enrolments surpass the capacity of facilities and human resources. The universities have also opened various campuses. Some of the campuses are in areas and in forms that do not meet the prescribed requirements.

Several of the private universities are faith-based. They began as theological colleges and have expanded into universities. Others have been founded by business people. Public and private universities and institutions of higher learning face critical challenges to their sustainability.

The following are some examples:

- Inadequate financial resources for carrying out the core business of the university. This affects the development of physical facilities and up-keep of the existing facilities; beginning of new academic programmes; payment of salaries (most universities have arrears of payments for part-time staff); research, its development and application; etc.
- Inadequate human resources in quality and quantity. This is accompanied by uncompetitive salaries and terms of employment which in turn causes mobility from the university sector to other better employers or academic staff engaging in teaching in several universities, consultancies and other auxiliary income generating ventures.
- High enrollment and inability to meet the threshold for faculty: student ratio. This stretches the faculty and affects the quality of teaching, mentoring and supervision of academic work and research.
- Several of the universities have taken loans to buy buildings usually within the proximity of the catchment for students. Although there are some who are able to service the loans, some are struggling and attracting the possibility of foreclosure.
- Financial distress is rampant in universities. Most of them cannot pay their obligations and they face financial, operational risks which threaten their survival.
- Some of the students graduating are not adequately equipped for the market place. In fact, some employers would prefer students of one university over those of another or others.
- There is stiff competition among the universities for students. This has led to significant advertising and undercutting among the universities. The move to central business districts is an attempt to be near the consumer.
- Though the purpose of the Universities Act was to create a level playing ground, the public universities have advantages that the private do not have.
- While accessibility of university education is desirable, affordability is a challenge. This is coupled with the possibility that a student may not be admitted to the specific academic programme that he or she prefers.

The key question, in light of the foregoing is:

What should universities do in order to ensure their sustainability and thereby safeguard their positioning to carry out their mission? This question is the preoccupation of the governance and managements of many a university.

We now turn our attention to advancement strategies, among them merging.

2. ADVANCEMENT STRATEGIES

The internal and external environments of organizations change consistently, in multiple dimensions, in complex ways and at varied speeds. This reality is especially challenging to leaders and managers of organizations that are traditionally conservative or in stable environments such as universities, churches and church organizations, such as religious congregations. The advent of strategic management, its advancement

and application in diverse spheres has caused leaders, managers and stakeholders to embrace the need to pay attention to the changes and to align organizations and plan how to navigate through them.

Organizations must anticipate changes and develop strategies to respond to them, the main goals being: keeping the organization relevant to those it is serving, adding value and giving return to those who have invested, complying with the regulatory exigencies, standing out to the competitors, guaranteeing a stable and sustainable growth.

Higher education and its demand and supply is characterized by several suppliers providing goods and services (being education, research and community engagement) that are fairly similar, on the one hand, and consumers whose demand is relatively common, on the other hand. The differentiation is in the range of what is offered, delivery methods, facilities and price. Thus the strategies for such institutions have to do with adaptation, and fine tuning.

It is important to note that universities have over the years thrived through a variety of partnerships, collaborations, networks. At the centre of these is the realization that "two are better than one." This is the foundation of synergy which is the key objective of the strategies that advance universities and their core business.

These are some examples:

- Universities joint together in research, sharing of education, research and physical resources;
- Funding for specific projects;
- Networks in which the investment for a project or service would be best provided using economies of scale, for example, KENET;
- Partnerships with industry and communities; and
- Academic affiliations covering of programmes of tertiary institutions or constituent colleges.

There have been examples of partnerships in several countries; one such in the case of South Africa after the fall of apartheid. The government merged several universities in order to address issues of inequality, access, affordability, etc.

3. MERGING AS A STRATEGY

Diversification, which includes mergers and acquisitions, are advancement strategies for businesses. They would also apply to universities. We limit ourselves to mergers since this is what we are paying attention to and marking on this occasion.

In order to determine whether or not to pursue merger as an option, a university must undertake a strategic appraisal, evaluate the options, identify another university or institution with similar mission, ethos, foundations, that is compatible so as to engage. While this could be the choice when the going is good, it may be that a university is in a crisis which forces a decision and action.

Universities will need to be honest with themselves given the challenges faced and context. This may lead to more of them electing to merge, to be taken over or acquired, or to close. The choices will in the first

instance be voluntary but ultimately the decisions and actions may be forced on some universities as they face financial distress, dwindling student enrollment, exit of staff.

We now would like to share what is critical to the success of a merger. This will hopefully be helpful to Tangaza and Marist.

It is important to recognize that in reality there are successful and failed mergers. Thus in moving forward we need to know what may cause failure and in converse what may generate success.

Mergers sometimes result in winners and losers. The winners impose themselves and losers oppose the process. Energy is usurped in the ensuing tensions and struggles. These degenerate into power struggles, leadership steps in and imposes hard decisions without giving opportunity for jelling. The emotions generate heat that obscures focus and each group defends its territory. The mathematical game of what each has brought dominates and leads to mistrust and bad faith.

We draw useful hints from Roberta Hill and Sandy Weiner, 2008, in their article, "Seven Steps to Merger Excellence", published in *Ivey Business Journal*. These are in line with business theory yet easy to apply.

Mergers work when the integration process is holistic, seamless and well executed. The merging process involves bringing together two different organizations and giving birth to a new one. The new-born entity has some traces of each of the merging institutions, but it must have a life of its own.

There are three stages in which distinct processes would be undertaken.

- a. Pre-merger process – **CULTURAL ENGAGEMENT**
 - Aim at gaining a good cultural match, compatible values and achieving a corporate strategy through rigorous and collaborative planning and trust building;
- b. The actual merger process – **SHARED VISION, NEW IDENTITY AND CORPORATE BRAND**
 - Create a shared vision which is owned by all and expanded to an integrated strategy. This clarifies where the new entity is going.
- c. Post-merger process – **REALITY OF IDENTIFICATION WITH THE NEW**
 - Time and people are the essence of the collaborative effort. There is open and transparent communication
 - Integration teams are made with representatives of people from both sides
 - The process builds on core competencies, gains forward momentum and implements a flexible, collaborative methodology for consolidation.

These are the critical steps that must be paid attention to in each phase of the process:

Step 1	Involvement and engagement – Dreaming of the future – New Identity Formulation
Step 2	Shared vision/mission – expand corporate vision/mission from mine to ours
Step 3	Analysis of current reality in line with strategy
Step 4	Cascade process by creating ownership
Step 5	Implement – build and create momentum
Step 6	Maintenance – focus direction and energy on new identity
Step 7	Renewal – re-evaluate and re-create
ULTIMATELY	INTEGRATED ORGANIZATION-NEW FUTURE TOGETHER

Merger dysfunction may be caused by the following, among others:

- Focus on the financial and business aspects, which is essential for operations, may take priority over the human factor and communication is limited.
- Employee disengagement: decision-making halts or decisions are awaited from top, no clear direction, lack of job security, de-linkage from organization, plummeting worker morale, battle-lines drawn ("them vs. us").
- Where there is no communication. The more time it takes to consummate the merger and move to culture of engagement, the more challenging will be to gain the foothold and galvanize action.
- Survival syndrome occurs if there is uncertainty. If employees are disengaged it trickles down to customers, students, suppliers, etc. Focus is spent on fire-fighting and crisis management. Forward momentum is lost.

Roberta and Sandy assert that 60%-80% failures are due to focusing mergers on financial numbers and delayed people involvement. To avoid failure, application of the seven steps moves the organization to the engagement and involvement of all levels. It would be helpful to document and create moments to reflect and share stories, develop a common ground and commitment to organizational excellence.

Initially the push for the merger should come from the top. This is then cascaded down through the levels. During implementation the feedback should be from bottom where the reality is being experienced. There should be created an environment where newness and innovation is nurtured.

The focus on the change brought about by the merger should be on how the new vision and mission is being achieved, on how the sum of one plus one is more than two and how the merged resources and strategies give competitive advantage to the new organization. It would be prudent to develop a business plan with verifiable performance indicators.

4. COMMENTS ON THE PARTNERSHIP BETWEEN TANGAZA AND MARIST AND MERGER OF THEIR COLLEGES

In the brief that I have been given on the partnership between Tangaza and Marist and the merger of the colleges, I note the following:

- Tangaza and Marist are compatible and have similar DNA;
- The partnership and merger are strategic and aim at contributing to each institution and their joint missions by creating and adding value, synergy, effectiveness, efficiency and sustainability;
- There are clear objectives, key among them being, common vision, mission, values and charisms; avoiding unhealthy competition and being competitive;
- There is agreement on key aspects and modalities for how the partnership and merger will proceed and how integration and harmonization of academic programmes, finances, human resources, physical resources and logistics will be undertaken;
- The leadership, management and operation of the process is assigned to the critical actors; and
- There is flexibility and commitment to working out on the difficult and unclear issues and clarity on the administration of the MOU.

These factors will augur well for the successful implementation of the MOU and the merger. It will tie in well with the accreditation process and what will emerge after the Charter is awarded.

5. CONCLUDING REMARKS

We congratulate Tangaza and Marist for this the process that they have been involved in. We wish you all God's blessings and will follow with interest the progress. It is my hope that the process will be documented from inception and during the implementation face. We shall certainly want to witness the realization of the objectives of coming together.

Moving into uncharted waters requires the submission that was with Mary on the announcement by the angel. Embracing what God is leading us to demonstrates our faith in the one who is able to do the impossible. This is much more significant than counting on our abilities, which have great limitations.

Thank you once again for the invitation.

GOD BLESS YOU ALL