RESEARCH

An Evaluation of Mergers in the Further Education Sector: 1996-2000

Jointly Commissioned with
The LSC

Centre for Education and Industry
University of Warwick

department for
education and skills
creating opportunity, releasing potential, achieving excellence

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Learning+Skills Council

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CONTENTS

Page No.

SECTION 1

SECTION 2

ANNEXES

SECTION 1

1. INTRODUCTION

'Sometimes change affects the viability of a college and it is worth noting that since 1993, when colleges became independent from local authority control, 37 have been involved in mergers, either with other colleges, or with higher education institutions. In addition, the status of colleges can change. In July 2001, sixteen colleges in England were declared Centres of Vocational Excellence (COVEs), as part of a government plan to ensure colleges meet the needs of the economy (at local, regional and national levels) more effectively.' (Huddleston and Unwin, 2002:xii)

This research reflects these and other more recent changes in Government policy and the associated challenges that they bring to the further education (FE) sector today. Currently colleges are reviewing their operations in the light of the new 14-19 educational agenda outlined in the Government's policy document: *14-19 opportunity and excellence* (DfES, 2003), especially as it focuses upon the broadening of curriculum opportunity and the need for closer college-school and inter-college partnerships.

The use of FE premises to support pupils' learning, in particular those at risk of exclusion or those disapplied from the National Curriculum, is increasing, while the emergence of new applied GCSEs, and the encouragement of schools to seek specialist status raise key issues of liaison and progression. In addition revised arrangements for the delivery of Modern Apprenticeships and work-related training in general make further demands on colleges in terms of effective delivery of vocational training to meet labour market needs. (Cassels, 2001).

At the same time, pressure continues to be exerted on colleges to grow in size and to meet more effectively the demands of a very wide range of client groups. Quality issues, related particularly to curriculum delivery, are reflected in the new complexity and focus of ALI and Ofsted inspection processes.

The recent publication (DfES 2002) *'Success For All: Reforming Further Education and Training'* sets out an ambitious strategy for reform. The Learning and Skills Council (LSC) is charged *'to ensure that learning and skills provision is well planned'* (DfES, ibid:10). Such planning will clearly involve decisions about the capacity, scope and nature of FE provision within a local LSC (LLSC) area and this inevitably will lead to consideration of the optimal numbers of institutions required for effective and efficient delivery. In this, we may see a marked contrast to the funding and quality assessment role of the Further Education Funding Council (FEFC), the predecessor to the LSC and the LLSCs.

Consideration of amalgamation has been on many college agendas over the last ten years. Some of them have come to fruition, others have faltered, or been aborted, along the way. An especially important factor now, however, is the harder-line approach being adopted by Government over 'failing' colleges. Allied to this are the devolved area responsibilities of LLSCs, the outcomes of regional reviews which are focusing upon efficiency, effectiveness, growth and addressing skills shortages. The move towards centralised direction and control and the encouragement of collaboration in place of competition is likely to increase the number of amalgamations, particularly given the continuing difficulties facing smaller and specialist FE institutions.

This research focuses upon the ways in which colleges have sought to meet this increasingly challenging and complex agenda through merger during the period 1996-2000. It is hoped that the findings will inform the planning and progress of future mergers of colleges within the sector.

2 BACKGROUND AND METHODOLOGY

In November 2002, the Centre for Education and Industry (CEI) at the University of Warwick was commissioned by the Department for Education and Skills (DfES) team to undertake research into FE college mergers completed between 1996 and 2000 with a view to:

1) Evaluating the effectiveness of FE college mergers, in the short and longer term;

2) Establishing how merged FE colleges differ in substance from their pre-merger position and the degree to which this impacts on effectiveness;

3) Establishing, by means of 1) and 2), the extent to which merged colleges serve as an effective model for the delivery of FE provision;

4) Identifying the lessons learnt, which may assist the implementation of mergers in the future.

In particular it was asked to examine in depth a sample of seventeen mergers, of different types of institution, in order to assess, inter alia, the extent to which merger had impacted upon the governance and management, organisation, financial health, curriculum and quality, student and business access, estate and facilities of the emergent institutions. From the fieldwork illustrative case studies were to be developed identifying, where possible, good practice and lessons learnt in order to inform future college mergers.

The first phase of the research involved interviews with DfES personnel as well as interviews with LSC personnel in order to gain a perspective on college merger history and policy. It was recognised, however, that the mergers investigated in this study were carried out under the FEFC regulations (see Annex 1). The situation now pertaining being different and subject to the LSC regulations (see Annex 2). The continuing presence of former FEFC personnel within the LSC was helpful in providing a perspective on the previous arrangements; some of the respondents had been involved in the merger cases under investigation.

The LSC provided a substantial amount of data relating to the merger case studies. These included, for the majority of cases:

- Merger proposal documents;
- Financial information;
- Due diligence reports;
- Strategic plans;
- Accommodation strategy
- Minutes of relevant FEFC regional committees;
- Letters of support or objection to the proposal;
- Additional supporting data, where available.

These were augmented, where available, by Ofsted/ALI reports for the institutions concerned. In addition college prospectuses, and other promotional materials, were reviewed as well as a range of other relevant materials. These provided a basis upon which to design the research instruments and to identify potential key informants for the fieldwork phase.

The second phase of the study involved fieldwork visits at each of the seventeen case study sites. These involved two-day meetings with a range of key informants, selected to provide a perspective on different aspects of the merger process, for example governance and management, finance, curriculum, teaching and resources. They involved a range of staff from senior management to teaching and support staff. In all cases colleges were asked to identify appropriate respondents and wherever possible, those with direct experience (before and after) of the merger process. In some colleges this proved difficult since key staff had often moved on since the merger. Colleges were also asked to supply appropriate stakeholder contacts, for example local businesses and other users of college services, who might also be able to provide a view on the merger process. Thus, it was hoped that as wide a range of perspectives as possible could be gathered in order to inform the research and to provide triangulation of the findings.

A pilot case study was undertaken in December to test the research process and the instrument design. Following this pilot some amendments were made to simplify the instruments, but the process was felt to be sufficiently robust to meet and complete the brief.

Limitations of the research

The assistance of the DfES, the LSC and the participating colleges in this research is greatly appreciated; there were no problems of access and all those contacted were extremely helpful in providing what information they could. However, certain limitations should be noted:

- At some sites few original members of staff were still employed and, therefore, there was a more limited perspective on the merger experience;

- Incomplete data existed for some mergers;

- Some data were contradictory, for example individual college and the LSC data; where differences occurred the LSC data were used;

- A wide range of opinions was canvassed at each of the sites. It is unsurprising that there were often differences in perception and experience of the merger process. The report has attempted to reach a judgement based on a balance of views.

- The strict time limitation on the fieldwork phase required seventeen case studies to be completed in just over three months;

- Respondents were asked to comment retrospectively upon a process, which was operating under the FEFC merger regulations and these have since changed with the advent of the LSC. Criticisms, which were voiced, have often now been addressed by the revised focus of merger under the LSC regulations.

3. CASE STUDY REVIEW AND ANALYSIS

3.1 Case Study sites

It is said that Chinese premier Chou-En-Lai was once asked about the impact of the French Revolution on France. After steepling his fingers and pondering for a moment, he simply said *'too soon to tell'*. It has been clear from this research that college mergers have a substantial impact and are also invariably lengthy processes. *'It's too soon to tell'* was a response frequently made to queries over the impact of merger on the quality of provision, on retention or achievement and on the full implementation of all merger aims. The time needed to ensure full integration of separate organisations was almost always under-estimated and the integration process created disruptions and dysfunctions as colleges sought to develop unified management and operational systems.

This research has involved a detailed examination of 17 separate FE College mergers. It should also be noted that, in one particular instance, a case study was extended to cover two other mergers, which effectively extended a city merger programme over an almost continuous two-year period. A large proportion of these colleges had also previously been involved in other merger discussions of greater or lesser seriousness and even in previous abortive merger attempts.

Each merger has unique features. This is inevitable, given the different geographic location, past college history and different missions of the organisations. The purpose of this summative report is to highlight common elements or key trends observable in the colleges studied in order to inform future mergers and, where possible, to provide exemplars of good practice.

The following table gives a full list of the case studies undertaken, indicating the year of merger, the types of colleges involved and a brief merger description. All participating colleges were given assurance that their responses would be treated as confidential. For this reason college names have been removed.

TABLE 1

DESCRIPTION OF CASE STUDIES

CASE STUDY No	Year of merger	College type	Merger description
1	1996	GFE GFE	Merger of a large college of arts and technology with a smaller further education college in a nearby town.
2	1996	GFE AG & HORT	Merger of a large county further education college with an agricultural college.
3	1996	GFE GFE	Merger of two tertiary general further education colleges in a large industrial city.
4	1996	GFE GFE	An early merger of two city colleges with complementary curriculum.
5	1997	GFE CAD	Merger of a large urban further education college with a small art and design college.
6	1997	SFC SFC	Inner-city merger of a small sixth form college with a smaller religious sixth form college.
7	1998	GFE GFE	Merger of two large central city general further education colleges.
8	1998	GFE GFE	Merger of two general further education colleges in a major city.

9	1998	SFC SFC	Merger of two urban sixth form colleges.
10	1998	GFE AG & HORT	Merger of a large general education college serving a large rural area with a split-site small agricultural and horticultural college.
11	1998	GFE GFE	Rapid multiple mergers of city further education colleges.
	1999	GFE SFC	(see 11)
12	1999	GFE GFE	Merger of two tertiary colleges on the outskirts of a large city.
	1999	GFE GFE	(see 11)
13	2000	AG & HORT GFE	Merger of an urban general further education college with an agricultural college.
14	2000	SFC GFE	Urban merger of a middle-sized general further education college and a sixth-form college.
15	2000	GFE SPECIALIST	Merger of a large city college with a very small specialist college of care.
16	2000	SFC GFE	Merger of a medium-sized multi-site general further education college with a rural hinterland with a sixth form college in a market town.
17	2000	GFE GFE	Merger of two large inner-city general further education colleges of similar size.

3.2 Assessing the success of mergers

Assessing the 'success' or otherwise of any merger is difficult and very much dependent upon how the initial objectives were defined, as well as the subsequent impact of external variables beyond the control of the institutions. However, **Table 2** provides an assessment of success and achievement in each of the seventeen cases.

TABLE 2

CASE STUDIES: ASSESSMENT OF SUCCESS

(Note. 'Success' is assessed according to the achievement of the merger criteria outlined in the proposal document: source the FEFC College ‘white file’ as defined in the FEFC records)

CASE STUDY	Year of merger	College Type	Merger assessment
1	1996	GFE GFE	**Partial success** in achieving objectives although the College still lacks the feel of a merged institution. Enrolments have held up reasonably well and there has been significant cost involved in providing a transport infrastructure. MIS and quality systems have been improved.
2	1996	GFE AG & HORT	**Success** in achieving main objectives. The curriculum offer has been significantly enhanced and expanded. Accommodation and learning resources have been rebuilt or refurbished. Substantial new business opportunities have been pursued. Sound financial position has been maintained

3	1996	GFE GFE	**Success** includes a post-merger period of accelerated and significant change under a new Principal. Objectives met; increased part-time enrolments and increased financial strength. Radical new strategies for curriculum delivery introduced.
4	1996	GFE GFE	**Success** in achieving main objectives and subsequent growth. A logical and mutually beneficial merger of equals, which enhanced the college profile and impacted on widening participation. Led to two further mergers.
5	1997	GFE CAD	**Success** in achieving main objectives and new impetus given to art and design work with more specialist and HE provision. Sale of one site and investment in a new art and design centre of excellence, increased art and design enrolments. Particular support to the accommodation strategy.
6	1997	SFC SFC	**Success** in achieving all main objectives and the new college is now more than the sum of the parts. Merger allowed access to space and skills, which prompted new curriculum development. However, A level provision has not markedly prospered from the merger, as was intended, because of poor local response.
7	1998	GFE GFE	**Success** in achieving main objectives. Curriculum provision has been rationalised and enhanced; specialist centres have been developed. MIS and quality have been improved. The College has significant leverage on a range of funding streams and is able to provide strategic leadership to other proposed partnerships within the city.
8	1998	GFE GFE	**Success.** This has involved a take-over of a failing college. All main objectives have been achieved and financial category A status rapidly regained. Significant growth in part-time enrolments. Scored as one of the top 10 colleges nationally in recent inspection. A stronger more powerful institution.
9	1998	SFC SFC	**Partial success.** The merger achieved its key objectives of immediate financial stability, course rationalisation, viability of minority subjects and the maintenance of quality and achievements. Enrolments remain static, little new provision has been achieved or is planned, a significant clawback of financial reserves has occurred as a result of non-achievement of targets. Costs associated with the maintenance of a split site are prohibitive and the overall size of the College is not likely to provide the necessary critical mass to achieve financial stability in the long term.
10	1998	GFE AG & HORT	**Success** in achieving all main objectives. Land-based education has been secured and strengthened throughout this dispersed rural area. A major rebuilding and refurbishment programme has been undertaken. Enrolments have improved and opportunities for new business have been secured. MIS and quality have improved and the College has maintained financial stability.
11	1998	GFE GFE	**Partial success.** Complicated multiple college mergers (see below) were affected after the event by major changes in the FEFC financial regulations

			which still impact today. Some problems arose with standardising systems. The first management structure had to be replaced and the tariff total has declined sharply.
See case study 11	1999	GFE SFC	**Successful**. Take-over of Sixth-form college leading to new build and strong enrolments. The two institutions are still separately 'badged'.
12	1999	GFE GFE	**Partial success**. This merger achieved some of its planned objectives including the creation of a Sixth Form Centre and Lifelong Learning Centre within the overarching tertiary system. Economies of scale have been achieved in relation to management, administration and teaching posts, rationalisation of resources and the removal of the competitive element between the two former Colleges. However, the College has not stopped student drift, has not created a business development unit with the range of programmes as originally planned and remains in stiff competition with other post-16 providers in the borough.
See case study 11	1999	GFE GFE	**Partial success**. Merger took place shortly before major financial crisis hit the new large college. Size continues to cause problems but the culture clash was quite severe. The increased size of college has now raised confidence in supplying outreach and community needs.
13	2000	AG & HORT GFE	**Partial success**. The site and provision of a failing agricultural college has been preserved; real potential for positive curriculum development; but too soon to judge outcomes. Significant challenges ahead and the merged college remains in category B financial status.
14	2000	SFC GFE	**Partial success**. Failed to achieve main aim of providing a coherent popular sixth form centre and there has been decline rather than expected growth in A level work. Staff jobs have been saved but relationships have been fraught. Gained substantial assets.
15	2000	GFE SPECIALIST	**A partial success**. Most aims of this small merger achieved with relocation of care programmes into a single faculty. Old site enhanced, but it has not been as productive as was hoped.
16	2000	SFC GFE	**Success** in achieving most of key objectives. Achievement has improved in A level provision; the community and outreach offer has been enhanced and there is potential for further development in the provision of distance learning involving new technologies. Major rebuilding and refurbishment has been undertaken and there has been a significant inflow of capital from the sale and rationalisation of assets.
17	2000	GFE GFE	**Very slow progress** but too early for full assessment. A challenging merger resulting in a large dispersed and complicated new college. Most original objectives have not yet been achieved Financial weakness has yet to be resolved. Quality inspection after merger was poor.

The assessments above are made primarily upon the ability of colleges to achieve all of the declared merger aims outlined in the merger proposal. It should be noted, therefore, that on the basis of the 19 merger processes associated with the 17 new colleges:

- Ten are seen to be successful
- Eight are seen to be partially successful
- One is seen to have limited results

Thirteen of the final 17 merged colleges are assessed today as being in financial category A, while 4 are in category C and 2 are in category B (35% in categories B or C). Set against this is the fact that before the merger, of the 38 colleges involved, 20 were in category B or C (52.6% in categories B and C).

It is clear that in all instances, where a potentially failing college was in category C, merger ensured the survival of its provision. These were invariably specialist institutions and usually of very small size. In some instances their range of provision was actually increased after merger.

Ten of the mergers were effectively 'take-overs'. One conclusion is that where a merger was absolutely essential for reasons of a college's survival, it was most likely to succeed at the very least in maintaining educational provision. At the same time, merger is no guarantee of success, as in the case of one of the studies where, after the merging of two weak colleges, a further future merger may well become necessary.

Certain common factors were repeatedly surfacing. **Table 3** summarises these elements, which either commonly impacted on colleges, or represented particular problems in the merger process.

TABLE 3

FE College mergers
Trends identified in the merger process

NOTE: *In this table, the three mergers undertaken by 1 college, all different in nature, have been included. A total of 19 colleges are thus recorded.*

Case Study No.	1 Merger the only choice	2 One partner dominant	3 An equal partnership	4 Strategic move	5 Dynamic Principal as driver	6 Only one Principal survives	7 Strong supportive Board	8 Merger problems under-estimated	9 Building problems under-estimated	10 Substantial financial benefit gained	11 Curriculum benefit gained	12 Contract problems after merger	13 Culture clash: S (severe) M (mild)	14 Positive impact on quality	15 Better outcomes within 2 years	16 Higher enrolments	17 Post – merger enrolment 'dip'	18 Previous merger attempts made
1	yes	yes		yes	yes	yes	yes	yes	yes	yes	yes	yes	S	yes	yes		yes	
2	yes	yes	yes	yes	yes	yes (within a year)	yes		yes		yes	yes	M	yes	yes	yes	yes	
3			yes	yes	yes	yes	yes	yes	yes	yes	yes		S					
4			yes	yes	yes	yes	yes	yes				yes	S					yes
5	yes	yes		yes	yes	yes	yes	yes	yes	yes	yes	yes	S	yes	yes	yes	slight	yes
6	yes	yes		yes	yes	yes	yes	yes	yes		yes		M				yes	yes
7			yes	yes	yes		yes	partially	yes	yes	yes	yes	M	yes	yes	yes	yes	
8	yes	yes		yes	yes	yes	yes	yes			yes	yes	S	yes	yes	yes		yes
9	yes		yes	yes	yes		yes	yes			yes		S				yes	
10	yes	yes		yes	yes	yes	yes	yes	yes	some	yes	yes	S	yes	yes	yes	yes	yes
11			yes	yes	yes		yes	yes		yes	yes	yes	M					yes
12		yes		yes	Yes		yes				yes	yes	M			yes		yes
13			yes	yes	yes		yes				yes		M				yes	yes
14		yes		yes	yes		yes			yes	yes	yes	S					yes
15	yes	yes		yes		yes		yes	yes			yes	S					yes
16	yes	yes		yes	yes	yes	yes	yes	yes			yes	S				yes	yes
17	yes	yes		yes	yes	yes	yes	yes	yes		yes	yes	S	yes		yes		yes
18	yes	yes		yes	yes	yes	yes	yes			yes	yes	M	yes	yes	yes	yes	
19			Yes	yes	yes	yes	yes	yes	yes			yes	S					yes
Totals	**11**	**12**	**8**	**19**	**18**	**13**	**18**	**14**	**11**	**6**	**15**	**15**	**19**	**8**	**7**	**8**	**10**	**13**

The results in **Table 3** suggest that:

- In 11/19 mergers, it was essential for one college's survival. Ten of the 19 mergers saw a dominant stronger college 'take-over' a weaker one;
- In 8/19 cases, the merger was theoretically a true partnership of equals;
- In every instance the mergers reflected a genuine strategic view of future developmental needs for the region or area;
- In nearly all instances (18/19), the dynamism of Principals was a key factor in driving through a merger;
- In 13/19 mergers, there was no competition for the subsequent leadership of the new college, with the Principal of one of the colleges leaving, or the Chief Executive post at one college already being vacant;
- 18 of the mergers were supported by very strong Board commitment;
- The majority of colleges substantially under-estimated the challenges which merger would subsequently bring (14/19);
- Over-optimistic assumptions about the state of inherited buildings (11/19) were a recurrent theme;
- Only 6/19 gained immediate substantial financial benefits from merger;
- The majority (15/19) saw some real curriculum benefits;
- Fifteen of the 19 faced problems with staff contracts after merger;
- Every merger involved a clash of institutional cultures; and 12/19 found this to be substantial and sustained;
- Only 8/19 showed evidence of better quality provision linked to merger;
- A minority (7/19) could identify better outcomes within 2 years;
- Only 8/19 attributed higher enrolments to the merger;
- 10/19 showed evidence of a post-merger dip in enrolments;
- The majority of the colleges (13/19) had previously sought merger.

Successful mergers must be underpinned by a strong rationale. In the early period it was sometimes difficult to assess a college's success in achieving its initial merger proposals. Since at this early stage, aims tended to be an amalgam of general non-specific future intentions, often reflecting the external government or the FEFC-defined needs of the time: those of growth, widening participation, community involvement and a greater range of provision. The merger proposal could thus be an all-inclusive document, with the tendency to try to include every possible merger benefit.

Early preparation for merger appeared fundamental in ensuring future success. Greater problems emerged where merger planning was either delayed or ignored. In contrast, greater success was observed where colleges had planned for the change from the earliest possible date. There was a tendency to assume that mergers were effectively complete once the date of union had occurred. This proved to be a major weakness especially in its effects upon middle managers who were not aware of the likely continuing impact of merger in subsequent months or, indeed, years.

Planning for merger for many colleges proved a difficult task. In retrospect, some colleges would have welcomed advice on merger processes and the management of change directly from business practitioners. As one Principal said: '*I don't need advice on education and training; it's all the other things!*' Another stated: '*there was no one we could ask about this, other than other colleges*'. Several colleges suggested the potential future value of access to a merger planning team, not necessarily attached to the LSC (but perhaps funded by it). This could include both educational and industrial representatives with specialist expertise in such areas as finance, personnel, change management and communications. This would then provide planning support in the crucial pre-merger phase as well as advice after merger had occurred.

Substantial variation occurred in the due diligence reports provided by external organisations that, in the early years, had limited experience of educational organisations. The importance of this process was repeatedly underlined. Indeed, it was suggested that some problems could have been more rapidly resolved had the due diligence process been extended to cover not only finance but also property and environment, and staffing and management structure. In one instance, a college also carried out a 'business' due diligence which examined the business case for the future market of the new merged college. In another instance, one college carried out an additional environmental risk assessment which uncovered the presence of unsuspected mine shafts on its merger site.

It was notable that these mergers were predominantly linked with the strong leadership of a Principal who had both a clear vision and determination to ensure success. Such a Principal would usually be supported by a committed Board often led by a knowledgeable and involved Chairman. Success was aided where the Principal adopted an open style of merger management and maintained a strong personal physical presence. '*Management by walkabout*' seemed to encourage good communication process and management relationships.

Where there was a lack of clear definition of specific merger aims, it was difficult to measure subsequent success. New merger processes have been developed by the LSC to replace those of the FEFC, which require more focused objective setting and subsequent evaluation. '*Merger after-care'* appears to be an important issue, which was often ignored and could substantially weaken the merger process. Inducting staff into the new college systems often seemed to be ignored, leading to incomprehension and frustration. New operational requirements often impacted negatively on old college cultures.

The impact of external policy change, favourable or otherwise, is also an important factor in merger success, or lack of success. Many early mergers benefited from the mid-nineties option for staff to seek early retirement and access to pensions when offered a voluntary redundancy package. Other colleges saw unexpected numbers of staff leaving before a merger, which eased subsequent financial staff costs. Yet others were significantly affected by changes in franchise and course funding policy which impacted harshly upon their financial planning. For some, new government policies opened the door for additional expansion.

There were other factors, which particularly hindered the merger process. Several colleges reported the apparent inflexibility on the part of the FEFC in its approach to mergers, where there was reportedly little allowance made for the impact of a merger on subsequent college operations. Examples also exist, however, of substantial additional support being provided by the FEFC, usually reflecting local office needs or priorities. The FEFC would appear to have been as naive as many colleges in its assumptions that post merger issues would be relatively minor or easily resolved. Certainly few allowances were ever made in terms of data returns, quality inspections or financial audit.

Success was often limited by the almost universal underestimate of the costs of merger. This impacted particularly upon those mergers, which took place before the creation of the FEFC Rationalisation Fund, when in many instances no additional external financial support was available. Even where small mergers took place, the opportunity cost of management time was rarely anticipated.

Many of the mergers examined involved a take-over of an 'at-risk' college. College weaknesses were not always related to poor management, nor was quality within a weak college necessarily poor. In some cases, colleges faced local political, economic or planning situations over which they had no control and which impacted negatively on their operations.

There were several instances where strong colleges were being urged into mergers by the FEFC; but where the prospective partner was in such a poor condition that an unsupported merger was seen as being unduly reckless. In two cases, substantial extra funding was provided by the FEFC to underwrite the merger, in the face of strong Board opposition or scepticism.

3.3 The Impact of Merger by Institutional Type

The case studies reflect a range of types of college mergers. We now examine the impact of merger on these different partnerships.

3.3.1 Merger of General Further Education (GFE) and Land-based colleges

All the specialist land-based colleges reviewed in these case studies were in difficulties and could not have continued independently. The question remains, however, concerning the appropriateness of the integration of land-based colleges within GFEs and its possibility as a future model. Some recent research (Abbott and Doucouliagos: 2000) has encouraged such mergers, focusing upon economic efficiency. Evidence from our research suggests that management in GFEs may not be ideally equipped to deal with both the specialism and culture of land-based colleges. It is certainly the case that culture clash between land-based college staff and those in GFEs appears to be greater than in other types of merger. External industrial stakeholders echo these concerns.

One crucial and possible compensatory development was the need identified in at least two mergers to appoint new managers within the merged college with appropriate specialist land-based skills and experience, thus confirming land-based staff perceptions that '*specialist colleges need specialists to run them'*. However, there was no evidence of any reduced commitment to land-based education by general further education Principals after merger had occurred.

The motives for these mergers were those of survival. The land-based colleges were especially small and at least one merger occurred during the foot and mouth epidemic which impacted even further on their programmes. One college faced complete closure during the outbreak and had to operate from its prospective partner's site for several months.

Suspicions particularly existed in such mergers over the motives of the general further education colleges. It is true that several of these mergers were defensive, in the sense of preventing competitors taking over. There were particular concerns over asset stripping and worries that the new management at some future date would decide to discontinue specialist courses. The subsequent impact of change on land-based colleges was particularly substantial, with new conditions of service, a more efficient management regime, and the imposition of new quality and operational systems, which were often very much needed.

The outcome often saw the conversion of relatively pleasant rural sites into management centres for income generation purposes and the development of other courses using under developed facilities. In every case, merger produced an injection of new energy into declining organisations and led to new developments as reality was faced. It appears that the future for such mergers, and particularly the continuance of specialist provision, will depend very much upon continuing demand and other external factors.

It should be noted, however, that the physical distance that often existed between agricultural college sites and the main merged college campus posed particular problems in every instance. In particular, this encouraged the continuance of separate cultures. The issue of travel between sites, the unpreparedness of staff to relocate and the logistics of control of distant sites became a significant issue for colleges in many mergers, not just those involving land-based colleges.

3.3.2 Merger of other specialist colleges: Sixth-Form colleges; College of Art and Design; College of Care

Several such mergers were examined. It would appear that technically such mergers were not unduly problematic, although they were especially linked to a loss of staff from the specialist partners both pre-and post-merger. These mergers, more than others, showed examples of economies of scale being made as well as regular processes of curriculum integration being achieved.

It was noted that sixth-form colleges had a particular attraction for GFEs that may have seen a potential merger as the acquisition of a prospective ‘cash-cow’. Certainly sixth-form colleges often had valuable land and associated playing fields but these case studies focused essentially only on 'at-risk' sixth-form colleges. There were two examples of two sixth-form colleges merging together; one proved very successful and ultimately allowed the new college to move into new vocational work. The other merger was intent on trying to maintain A-level purity, which it failed to do despite its slightly increased size.

The clash of culture and ethos between GFE and sixth form colleges appeared quite severe. This was dealt with in at least two instances, by ‘separate badging’ of sixth-form centres. In this way the college was better able to manage and direct a new partner who had had a long history of being 'run like a school'. Sixth-form college staff in particular tended to have a strong sense of academic mission, which they felt would be lost within ’vulgar’ further education environments. One case study (one of the few where aggressive staff reaction to merger occurred) shows a sixth-form college fighting strongly against merger, using its MP's influence even up to the day of parliamentary approval of the union.

Only one art and design college was included in the case studies. It demonstrated a similar ethos to that of sixth-form colleges, with a similar concern over merging with a perceived low level vocational skills-orientated further education college partner. Ironically, this particular merger proved valuable with the high quality of art and design delivery substantially benefiting the FE college; whilst the energy of the GFE institution and its associated management systems helped to stimulate development and growth of new art and design courses.

3.3.3 Merger of GFE colleges

The research identified some very good examples of successful mergers of general further education colleges with common views for future development. The merger of 'like with like' showed evidence of better opportunities for students. Curriculum integration provided greater efficiencies. This proved to be especially the case in urban areas where ‘critical mass’ is currently increasingly important.

None the less, particular problems of culture clash were observed, since superficially similar GFE institutions can also be substantially different in the way in which they are managed, in their vocational specialisms and the types of staff they employ. It should be emphasised that cultural clash was observed in every merger, irrespective of type or size.

Where GFE mergers took place within cities, they were especially effective in reducing over-provision of further education and allowing a reduction in competition. For example, one college had continued to run its un-economic A-level provision until the point of merger; since prior to that it had seen a real need to compete with the rival organisation.

3.4 The Issue of size

In general it proved difficult to reach a direct conclusion about optimum size since much depends on particular circumstances. Some very large colleges prospered after merger; some did not. Some concerns were expressed in several larger mergers examined, that they might now be too big. Complexity of management increases with merger, as does the distance of the Principalship and SMT from line staff and delivery. The problems of handling a multi-site operation are substantial and this often allowed unhelpful culture and attitudes to remain.

There appeared to be particular value in a clear action statement being made by the new institution, which underlined that change was occurring. This could take the form of restructuring the college, the physical relocation of staff between sites or the creation of a new building. In each instance it was seen as a marker that things were now different and this affected staff attitudes.

Large colleges may not prove particularly attractive to potential students. Some colleges observed their smaller competitors stressing that *‘small is beautiful’; ‘they can't give you the personal service’*. Some of the colleges were finding a positive way forward in separately packaging aspects of their delivery, promoting separate ‘brand images’. One example was the way in which one college had now added ‘Art and Design’ to its formal college title, following merger with a small specialist college. It was certainly the case that neighbouring colleges expressed concerns wherever an institution grew bigger as a result of merger.

Merger occurred even when colleges could apparently continue independently, although here, covert needs for merger often existed. There is some evidence that 'multi-merger' can be linked to colleges *'being really good at it'* and that demonstrating the ability to handle a merger well built up management confidence to try further links. External authorities often applied pressure for additional mergers led by these 'old hands'. It is certainly clear that in some cases, a new change of Principal, with a dynamic agenda, might well have been as effective as a merger and probably substantially cheaper.

Merger can still produce an institution which is too small. One example noted was of a protective merger of two small colleges both facing external pressures. What resulted was a slightly larger one with exactly the same problems.

The argument was made in several institutions that *'if you get the financial controls right then nothing else matters.'* This is an assertion not always supported by the evidence. Research showed that management style and staff morale were equally important and that *'getting the quality right'* was also seen as crucial. More robust finances did not automatically resolve problems. At the same time, the case studies showed that, post-2000, high quality delivery with poor management and bad financial controls cannot survive.

Identifying or owning the appropriate management skills to run a larger college is also a crucial factor. It is apparent that the role of a Principal and his/her management team will change substantially with college growth. Inevitably many further education managers lack experience in handling mergers. In most of the mergers examined, a Principal was a key driver; but it was also clear that many other managers were unprepared for and in some cases unable to respond effectively to new demands. This can cause crisis where key staff, for example finance or marketing, are affected. A method of dealing with this was illustrated in one case study where both former Principals retired prior to the merger, making way for a new bold Chief Executive who subsequently instituted successful radical change. In another instance, important staff contract issues were ignored for too long by inexperienced hard-pressed personnel staff.

Effective management skills in the large college context must be matched by an ability to ensure that change occurs at reasonable speed. Size and associated problems can delay change substantially; and in many of the mergers there was evidence of staff being puzzled by the slow speed of change within a merged institution.

Communication remains a perennial further education problem, which can be exacerbated by large-scale merger. There was evidence that great effort was made in many instances in preparation for and during merger to ensure that information was passed on clearly and openly to staff. However, there were many instances of post-merger problems, especially in terms of personal contact with and access to management, and of poor links between sites. As one Principal said, *'when you're very big, you can't have a good meeting with all the staff'*; and such sessions may be reduced *to 'annual meetings in the theatre'* as observed at one college. More positively, it became clear that new technology and particularly e-mail systems were making real inroads into reducing communication difficulties.

3.5 Merger drivers

In each case study, care was taken to identify the drivers for merger. In nearly every instance a strong Principal with a strategic vision for the future of the merged college was a dominant factor. Although Principals often deferred to the perception and drive of their Board and Chairman, it appears in most cases that initially the Corporation offers mainly a supportive role as the Principal defines the merger aims and negotiates the first steps towards unification. Once convinced, however, in every instance the importance of a strong and supportive Corporation (especially the Chair) in driving the deal to completion was apparent. Both Principal and Chairman are crucial in getting the merger going. In addition, the external links of Board members can ease a merger process.

It is to be expected that the constant focus of both negotiating Boards prior to agreement was on the effect of merger on their own institution. But although they had the capacity to block the merger, in every instance it was noted that great care was taken in reaching agreement between Boards and that agreement was reached on the constituency or membership of the new Board with relative ease.

The following other main drivers were noted:

- The financial desperation, or fear of likely closure, of one partner;
- The search to develop a new strategic position;
- The search for curriculum complementarity leading to growth or enhanced provision;
- The reduction of intense local competition;
- Development of strength through larger size;
- A defensive merger undertaken to prevent access by a competitor.

It was often a mixture of several of the above. The interest of some senior managers in 'empire-building' should not be ignored; indirect reference was made to this during the fieldwork, although, perhaps understandably, it was never openly stated.

3.6 Merger Blockers

Once Board agreement had been reached and the issue of the appointment of a new Chief Executive had been resolved, very few examples of any external attempts to block these mergers were found. In nearly all instances there were few responses to the external consultation process, and most that were received proved supportive. Objections were normally raised by other local colleges, fearful of competition; or, in some instances, from colleges which had wished to manage the merger themselves, and had been thwarted.

It would appear to be the case, therefore, that there is little interest externally in the way in which colleges are managed, as long as course provision is maintained or enhanced.

There were no examples of substantial union opposition, instances of staff militancy in opposing merger were rare, although a great deal of staff unhappiness over the prospect of merger was quite usual.

3.7 Preparing for merger

Generally the colleges were helped by the clear time frame and committee approval system provided by the FEFC merger guidelines, where most problems or planning issues were readily resolved.

The time needed to prepare for merger was often under-estimated. In many of the case studies, effective pre-merger planning systems were set up, with appropriate specialist sub-committees. This process tended to be particularly comprehensive in larger college mergers where greater problems were undoubtedly anticipated.

Colleges faced two pre-merger management processes; the first was that of *'feeding the merger machine'*, while secondly, and at the same time, maintaining smooth normal day-to-day operations. This proved complex; especially in later mergers where there was a further increasing pressure over improving the quality of course delivery. However, there is a disincentive to pre-planning, since there is ample national evidence of college merger processes being abandoned at a late stage. It is important that future merger planning requirements and guidelines encourage an earlier commitment to the merger process. Detailed planning should begin at the earliest possible opportunity and the most successful mergers appeared to do this more conscientiously.

There were a few examples of colleges where inadequate detailed preparation was undertaken. In one example, where both Principals were due to retire at merger, the new Principal took up post only a month prior to merger to find that nearly everything awaited his decision. This caused numerous subsequent problems but even where structured and detailed planning was undertaken, it was normally the case that unforeseen problems still emerged.

3.8 Short-term benefits

Overall the research would indicate that there were comparatively few short-term benefits after the completion of a lengthy merger process. In general, it was observable that larger mergers gained what short-term benefits there were the most rapidly. Even when early benefits were expected they often failed to materialise quickly. But some positive outcomes did emerge:

- Some colleges which faced closure, usually very small institutions, were saved and threatened specialist provision was subsequently maintained;
- Colleges might increase significantly in size, thus increasing their area status and influence;
- Some colleges found enhanced bank balances (although this did not always last long);
- Colleges now felt they had enhanced bargaining powers which could be used rapidly in the search for external financing, for example ESF and SRB funds;
- Economies of scale could allow the employment of better (or more) functional managers;
- Colleges felt more confidence that competition was likely to be reduced; although this was not always borne out in practice.

3.9 Longer-term benefits

Many of the benefits of merger will only appear in the longer term. With few exceptions, new college management was surprised how long the process needed to continue. Both Principals and Board members were questioned over the length of time they now, in retrospect, feel is needed for merger completion. Their answers ranged from three to as many as ten years in the case of one larger merger. Multiple or subsequent additional mergers, especially when occurring in large city contexts, make matters even more complicated. There was also recognition that some conservative areas of the new college would continue to resist change. Time eases this burden as old staff leave and new appointments '*uninterested in the history'* come to dominate; but '*it always takes longer than you think'*.

It is important to re-emphasise the point that no consistent evidence was presented to suggest that merger, in itself, is guaranteed to produce long-term financial benefits.

Evidence of longer-term merger benefits was readily identifiable namely:

For all colleges:

- There was evidence of the implementation of new accommodation strategies, with site redevelopment planned, begun or finished;

- There was evidence of economies of scale, integrated course teams and more strategic curriculum planning. However, it is too early to say whether this will result in an easier implementation of a strengthened quality focus;

- Opportunities were available for the rationalisation of staff. Ironically, many mergers saw the voluntary loss of relatively large numbers of good staff. Often senior managers had already departed prior to merger, especially where colleges had been failing. In nearly all instances, a no-redundancy agreement coupled with a voluntary redundancy scheme was offered. The major impact of restructuring appears to have been felt at middle-management level;

- Opportunities were also available for rationalisation of provision. However, this often led to problems in managing academic staff. There was substantial evidence of a gentle approach being adopted, which often led to lengthy delay in the implementation of change. Such change was not regarded any more favourably by the lecturers when eventually it occurred;

- There appeared to be few problems from the perspectives of clients already using the College. Merger might disrupt some student locations and timetables, but everything is quite normal to the next new intake. Investment in new student facilities on sub-standard partner sites also increased student satisfaction. However, there was evidence of some short-term concern in local communities who had to come to terms with such changes as relocated course venues or a new college name.

For larger colleges:

- The possibility of developing new centres of excellence;

- The ability to respond to changing government and the LSC agendas more rapidly, together with closer influence upon strategic area reviews, the influencing of post-16 developments and the restructuring of area education provision;

- The development of better links with higher education partners. In one case, this has led to the development of more local HE provision and the FE College is itself hoping to merge with a university.

In many merger proposals, an underlying or stated aim was that of increased growth. Post-merger enrolment data bears this out for only a few of the colleges examined. The larger city college mergers appear more able to attract part-time community enrolments.

3.10 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 surprises'* after merger occurred, although, no particular pattern emerged from the research. In some instances colleges benefited, especially where there was a true merger of relatively strong institutions for strategic and curriculum reasons. Thus a merged institution might accrue very substantial reserves.

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. There were many references to the inadequacy of the due diligence financial reports; of subsequent surprises in the weaker colleges' data returns; of things *'crawling out of the woodwork'.* One college complained of a huge FEFC clawback, which had not been anticipated. The more detailed audit procedures of the late 1990s increased the post-merger likelihood of such an impact.

It is clear that colleges in a weak financial position create tremendous risks in a merger. It appears to be the case that where such an issue already exists, it will often continue post-merger.

The task of integrating financial systems, dealing with financial problems and ensuring *'business as usual'* often over-stretched management capacity and capability. The new management was often over-optimistic about financial outcomes, assuming larger and earlier financial benefits than in fact emerged.

At least two of the mergers could not have occurred without the substantial additional support provided by the FEFC, and reflected a local determination to ensure the survival of particular colleges. Both predated the Rationalisation Fund, but needed substantially more financial underpinning than would have been available from the latter.

As in general management, careful financial planning is required prior to merger. Due diligence and the risk analysis often identified the problems, but there was sometimes insufficient evidence that systems had been adequately established to deal with them.

The larger colleges involved in merger proved generally better able to cope with financial planning, since they already had experienced professional financial managers; but even here there were exceptions.

Once again changing external factors played a significant role. Several mergers were subsequently affected, and in one instance precipitated by the late 1990s franchise issue. One big city college had an extremely strong financial position as a result of merger. However, within two years it faced a massive impact from franchise reduction and clawback; and also from ESF repayments. Its new partner college's franchise exposure had been unforeseen or unpredictable. After emerging from the union as a category A college, it fell to category C and only now, some five years after that first merger, is it moving into category B.

One merger did not identify that a large number of students were enrolled in both colleges. This led to a substantial financial loss. In another merger, an extra £1 million was found in the accounts of a less efficient partner.

In many of the colleges examined it proved too early to say whether there would be substantial financial benefit in the long term, since the full effects of merger had not yet worked their way through.

There was evidence however, of substantial medium or longer-term financial benefit being gained from the subsequent sale of assets. In one instance a city college, which had regained financial stability as a result of the sale of under-used city sites, found merger with a well-endowed college to be a significant contributor to future development and maintenance of growth.

In a number of cases, weak colleges had seen their inefficient building stock as a major drain on their resources, whilst also lacking adequate funds to upgrade them. A cycle of decline had set in, which was now inherited by the merged college.

In nearly every case, the merger planning process underestimated the problems associated with amalgamated building stock, whether in terms of management or maintenance. There was substantial evidence of inadequate preparation and regular over-optimism about the state of buildings. Ultimately, several colleges *'could not believe what they found'*, once operational management passed over to the merged college. In one merger the college building maintenance programme had to be completely restructured, with all available funds for the next two years channelled into the inherited site

The state of agricultural college buildings posed significant problems in these mergers (although any college in long-term decline had a poor building stock). One college paid an external company to take over some of its property, thereby saving money by reduced running costs.

However, many mergers did achieve real benefits from their inheritance, with high-value urban sites in particular supporting rebuilds, which could not otherwise have taken place. Sites were rationalised; curriculum relocated and centres of excellence created.

Small specialist colleges facing merger feared aggressive take-over and asset stripping. These fears generally were unrealised in most case studies. Agricultural college sites, for example, were retained and subsequently benefited from a large amount of inward investment. In one instance where a specialist site was sold, the art and design programme area was provided with a new state-of-the-art building funded through this sale. In most merger situations staff benefited from enhanced teaching environments or resources.

It should be expected that in large mergers, financial benefits would accrue from the sale of unwanted property. However, FE assets were often in such a poor state of repair that any such receipts were subsequently reinvested in new build or in refurbishment.

One of the significant benefits of merger appears to be the enhanced possibility of betterment of estates and facilities, as well as a size which allowed easier bidding, borrowing and access to capital funds. In most instances, accommodation strategies benefited from merger, although much was in the medium to long term.

3.11 Impact on college organisation, management and culture

The findings suggest that merger substantially hindered the smooth operation and performance of colleges for at least the first year post merger and usually for much longer. Merger caused financial challenges and impacted on the general system of operation in the college. It required careful rationalisation of curriculum in many instances and increased the uncertainty in the local population as to the curriculum offer. In a number of colleges a dip in enrolments occurred in the first year after merger, reflecting this public concern.

In particular, human resource issues in the post merger situation were particularly problematic. This reflected the substantial clash of cultures evident in every merger examined.

3.11.1 College organisation and management

Amongst all groups of staff, from management to business support, it was reported that the uncertainty introduced at the first announcement of prospective merger continued during the merger process and well into the reorganisations.

There is evidence that management support staff were affected earliest, although they were probably the easiest to physically integrate within existing teams across the new institution. Generally, such integration of staff created positive benefits for colleges, opposed to leaving them in their traditional groupings and in their old locations. For staff generally uncertainty continued as new jobs were allocated, often by competitive interview, and new contracts were negotiated. Staff faced new teams with whom they were asked to work in different ways. There was regular impact upon staff morale and insecurity as they were asked to adopt new college systems. Merger also led to the regular loss of good staff, despite, in many instances, the adoption by college management of no-redundancy policies.

The impact of merger upon the Principal was regularly referred to as being far greater than had been anticipated and proved a particular personal burden. There is also evidence of conflict at all management levels between the needs of managing the day-to-day operations of the college and the merger process. In several colleges this led to people *'taking their eye off the ball'* with some significant negative outcomes.

The impact of merger on middle managers was often especially under-estimated and inadequately prepared for, particularly since it was they who were normally to be the key personnel in making new systems work, maintaining staff morale, exhorting re-formed curriculum teams and easing communications.

Several senior managers felt that private companies would have taken a more aggressive stance in terms of managing change, especially in dealing with staff. It would appear that a slow implementation of change (seen as the 'public sector' model) led staff to complain that nothing was happening; but rapid change also disconcerted them. In at least two instances, Principals deliberately and overtly ran their institutions as two separate colleges for a year after the merger date, allowing systems to be properly established before a practical merger could be undertaken.

There was also evidence of experimentation with management structures. In nearly all mergers, the opportunity was taken to restructure either completely or partially. Structural change continued after merger in most cases and especially in the larger colleges; although this probably reflects other external pressures as much as merger change.

Colleges approached the allocation of staff to management and other roles before and during merger in a variety of ways. There would appear to be no ideal process for this.

Evidence suggests that attempts at the equitable allocation of management posts to staff from both colleges often produced managers who were not fit for the task. Open competition often led to the dominance of managers from the more dynamic of the two partners; this was then deemed by other staff to be unjust or unfair.

Some advantages were gained from the fact that in many mergers, the SMT of one college had already departed prior to merger, which clearly eased the process of selection or the allocation of roles.

3.11.2 College culture

Contrasting and conflicting cultures proved a huge issue in these mergers. This was always underestimated and often ignored in the planning phase. Culture clash occurred in every merger variant. It was particularly significant where specialist colleges faced merger. Frequently these small colleges had a relaxed under-managed friendly ethos and subsequently faced conflict with a more businesslike larger college culture. Sixth Form colleges had historically operated more like schools, the Art and Design College staff resented a perceived interference with their independent creative process. Some GFE colleges with engineering and construction specialisms found that they had to cope with community orientated, humanities-based institutions; under-managed colleges faced new hands-on management systems.

It was also clear that these cultural issues remained within organisations for a significant amount of time. In one instance merged colleges had different dress codes: this remains a major problem four years after the event.

The impact of the merger on college culture is an important issue, for at what point can a newly merged college say that a new culture becomes apparent? This would appear to be easier where there is substantial physical integration of staff. It was also promoted when a college or staff faced a common challenge. One example was when both FE and HE provision were inspected in one college in the same two weeks. This created a real 'bonding' process and where such events had happened, it was evident that staff were beginning to forget the past and move on.

College culture and organisation was also affected both before and after merger by the loss of some of the best and most flexible staff who, confident in their ability to gain new jobs, were the most prepared to take voluntary redundancy. There were repeated references by managers to the loss of such staff at all levels. More 'settled' staff were retained, which made the process of change more difficult.

In summary, it is certainly the case that any further education merger cannot be carried out without a significant 'drag effect' on normal college operations.

3.12 Impact upon student achievement

The impact of merger on levels of achievement appears to be markedly variable and often dependent upon specific programme area activity. There is no consistent pattern in terms of quality inspections. In several post-merger inspection reports there was evidence of achievement of better subject grades. However, there are instances in these same colleges of highly critical subsequent inspection reports, which contrasted with this earlier apparent improvement. Equally, in a number of instances, post-merger inspection grades were lower. It is hard to avoid the conclusion that mergers during the 1990s were not especially aimed at raising achievement. Little information was available from colleges on any intended link between merger and achievement or retention. It appears not to have been considered in detail as a key theme or connection during merger planning. In curriculum terms merger usually related more to broadening the offer, growth and possible associated financial security than with a detailed quality rationale. As such it would appear to be a reflection of the main concerns of the sector during the 1990s.

Feedback from colleges acknowledged that achievement and retention remained a problem in many instances, especially where this had been the case before merger. The findings would support previous FEFC quantitative research, which found no direct effect of merger upon either retention or achievement. (FEFC, 1998 ibid)

It is equally clear today that this emphasis has markedly changed. The case studies showed that several colleges, which had received good FEFC quality reports as late as 1999, have suffered poor Ofsted results more recently. Where this has been linked with merger, it has also had a substantial negative impact on staff morale.

In one instance a sixth-form college was seen to integrate with a GFE institution leading to apparent increases in positive outcomes. This is, however, very misleading in terms of indicating whole college quality betterment and simply reflects the outcomes of an amalgamated programme area.

3.13 Responsiveness to student demand

Improved responsiveness to student demand appeared to vary depending upon the merger reviewed. It would appear to be the case that merger allowed a better response in city unions where particular interest existed in widening participation and community development. Merger showed real evidence of increased out-reach, and the development of new courses. However, it is arguable that this would have happened without the merger, given government pressures and the fact that the more dynamic colleges in merger partnerships were often the ones involved in this area of provision pre-merger.

It was clear that the specialist colleges did change their course portfolio quite rapidly as a result of merger since this was imperative for their survival in any case.

One sixth-form college showed that it was able as a result of merger to use the expertise of staff from its new partner to move into community and adult provision and to develop additional vocational courses. This would not have happened without the merger. Another sixth-form college case study suggested that without diversification it is not easy to revive fortunes where decline has already set in and where the market appears to be limited. It is certainly not the case that merger immediately leads to the automatic inheritance of all enrolments from a partner in the subsequent year. Decline may well continue.

Interrogation of enrolment data at case study sites during and after merger does not support the view that mergers correspond directly to college growth. Many of the FE colleges examined appear to have declined in full-time enrolments subsequent to merger and have had to work harder to balance this through increased part-time enrolments. Where merger does revitalise a weak specialism (as in the art and design merger examined) it may parallel a compensatory decline in other programme areas, leaving recruitment in the college at best in a stable situation.

3.14 Responsiveness to business demand

The case studies generally showed little that was new in terms of response to business demand as a result of merger. There was very little evidence of specific focus during the merger process upon the needs of the local business community. Generally, merger left colleges with far too many other problems to deal with. In one instance, a sixth-form college was prevailed upon by its local TEC to include a proposal for a new business centre in its merger plan. But this was quietly dropped at the time of the merger and never subsequently materialised.

It would appear that the response to business demand depended very much upon the existing college ethos prior to merger. Where it already existed in some substantial form, this support was continued and enhanced subsequently to cater for the wider opportunities and access which growth in size provided. But there is an example in one merger where a smaller college site, which was specifically targeted for an extension of the market for local business use, signally failed in terms of local business links.

In the case of the land-based colleges, the close, pre-merger relationships with industry partners appear to have been sustained. In contrast, an art and design college saw substantially reduced contacts and access to industrial expertise declined as a result of physical relocation into a larger FE College. This was also a reflection of the tighter controls exerted over staff, which ensured greater efficiency in teaching productivity but led to a reduction of time available for both private work and external contacts.

There was no real evidence through the stakeholder consultation process at the time of merger of any great business or industrial concern over the proposed changes.

Newly acquired college sites and assets were often used more creatively; but this is more a reflection of the approach of college management to income generation rather than a real response to external business demand.

3.15 Impact of local stakeholders on merger

The evidence suggests that external interest in the mergers was surprisingly minimal. This undoubtedly differs from the case today, where a new strategic agenda for FE involves the national and the local LSC as well as local authorities more intimately than in the 90s. In most cases, local education authorities *'watched from afar'* rather than getting embroiled. Consultation processes were carried out in the appropriate manner, but few responses were received from external organisations and there were very few objections. Where these did occur, they came almost universally from other local colleges, concerned about possible increasing competition. In at least two instances, however, the LEA was more closely involved, reflecting their local political interests and commitment to post-16 education.

Two case studies have also shown the FEFC becoming directly involved in the merger process. In one instance a financially insolvent institution was effectively directed by the FEFC to find a new partner or to face closure. In a second instance, the FEFC had been providing substantial exceptional funding of £1.5m to support an ailing agricultural college. Here merger became a condition of continuing funding, and was linked to a requirement for *'sufficiency and adequacy'* of agricultural provision in a rural area where the loss of the college would have meant the disappearance of all land-based courses in the FEFC area.

A number of case studies revealed pressures being exerted behind the scenes. In one instance the FEFC strongly supported a city LEA which wished to substantially review over-provision of further education. Two other case studies reveal FEFC pressure being exerted for larger scale mergers to be undertaken; these were eventually carried out.

One issue that raised regular concern at consultation, however, was that of the proposed name of a new institution. Sometimes it produced more heated argument than any other aspect of the merger. Proposed new college titles, which caused controversy, usually suggested an area dominance by the proposed new college. This annoyed other local colleges in particular who saw it as an unjustified claim. Wherever such complaints occurred, the merging college was quick to find an alternative and more acceptable name. This was an easy concession to make in order to demonstrate that consultation was serious.

3.16 Impact upon student access to college facilities

In general evidence suggests that this proved to be a significant success, especially in the case of the city mergers, where there was a particular focus on widening participation and a potentially large untapped market.

As in the response to business needs, much also depended on the management ethos and the enterprising nature of both Principal and staff. Merger often provided a catalyst through access to accommodation, which could be rationalised and better used for educational and training purposes. Merger made it easier to develop subject specialism.

There was success too in the development of agricultural college sites, which were provided with a new direction. There are examples of sites being opened as conference centres, as bases for other courses and of new programmes being widely introduced. In one instance, there was expansion of agricultural out-reach courses throughout a large county. In another, the development of a college company on a pleasant rural agricultural college site was made possible.

There was evidence too of similar impetus being given to art and design courses. In one specialist merger staff expertise and quality delivery was harnessed to a new build and expansion of higher education options which led to substantial growth in the range of courses on offer.

It is also the case, however, that merger does not necessarily guarantee better access for students. The rationalisation of sites in some mergers led to a reduced curriculum offer and the need for student travel to new sites, which had previously been unnecessary. Larger city colleges wishing to ensure easy access for the future have had to commit extra resource to shuttle bus systems to ensure access to centres of excellence. The maintenance of a variety of provision in large mergers brings its own additional cost.

The maintenance of high cost activity can also lead to staff resentment over the perceived over-investment of '*our resources'* into *'their'* poorly developed sites. This was particularly true with regard to the badly maintained agricultural college sites.

Merger led in some colleges to the sale of inherited assets which enabled further investment in new buildings and acted as *'coherence events'* in bringing together staff from different colleges and uniting them in a new location with no past history.

There was also clear evidence that colleges which had poor financial histories and little site investment, benefited markedly and rapidly through merger with a larger richer partner. In nearly all cases rapid investment followed, as new student facilities, better learning resource centres and libraries, enhanced student service systems and new integrated college IT networks.

4. CONCLUSIONS

The review of college mergers has suggested that there are a number of key factors which are most likely to influence the success, or otherwise, of a merger. Whilst it is unlikely that all of the criteria would be in place prior to merger, it is important that a critical mass of such factors is in place to ensure a smooth transition from dual to single status. Such pre-merger conditions include:

- Merger is seen as essential for the survival of one of the partners: any action is preferable to none;
- A realistic impact and risk assessment of the merger has been concluded well in advance;
- A business plan with measurable outcomes/outputs is in place with a critical path for their achievement;
- There is full Board commitment to, and support for, the merger and there is a strong Principal and senior management team capable of planning and implementing the process;
- Accommodation in both colleges has been closely examined well before merger and a future strategy planned;
- Preparatory training is made available to middle management and to all those who have a strategic responsibility for carrying forward the merger plans;
- At least one of the merger partners must be financially robust and appropriate financial arrangements and support must be available from the LSC, including guidance where necessary;
- There is an experienced financial manager with adequate support systems and/or there is the resource to buy in specialist advice where needed;
- The merger is particularly focused upon support for the learner;
- Enhanced operational support systems are in place and the associated additional costs recognised and planned;
- A clear post-merger integration strategy is in place.

There are also pre-conditions, which are more likely to lead to an unsatisfactory merger outcome. These include:

- When merger is seen simply as an ‘empire building’ exercise;
- Where asset-stripping is a prime motive;
- When the main intention is to save money, or achieve economies of scale;
- Where mergers are simply a response to funding body, or similar, pressure;

When a federal approach is proposed, central management with direct control appears to be a *sine qua non* of merger.

Once the process has been set in train, additional factors, often unprepared for, may come into play. Some of these may be externally imposed and outside the control of the merged institution. Notwithstanding this a number of conclusions may be drawn from the case studies concerning the outcomes of merger. These have been grouped according to the themes investigated.

Merger types

Mixed type mergers appear to be more problematic than GFE mergers, often resulting in culture clashes. This was particularly marked in mergers between Sixth Form colleges and GFE colleges. Specialist colleges of all types appear to merge only when it is absolutely unavoidable; such reticence appears to be sustained post merger.

Size

Merger of larger urban colleges appears more successful in terms of building critical mass and in rationalising and developing the curriculum, especially in contributing to the widening participation agenda. Size can also be a protection against the vagaries of the local market, make it easier to gain additional funding and influence, and develop curriculum specialisms, now manifest in the COVE initiative. Smaller mergers are not necessarily efficient and local market competition may still be intense. A smaller college has to work much harder, be more creative and dynamic and rarely achieves substantial economy of scale.

Merger drivers

Dynamic leadership appears to be the key driver but this must be supported by management skills and systems at all levels.

Short-term benefits

There appear to be few short-term benefits over and above that of saving a college and keeping jobs. However, the larger the colleges merging, the more likely it is for them to achieve benefits more quickly.

Longer-term benefits

All the evidence supports the view that mergers are 'no quick fix'. In this review, the length of time to achieve a full merger was underestimated in every case. However, reported longer-term benefits included accommodation, new build, curriculum development and rationalisation, better quality and widened participation.

Preparation for merger

The potential problems associated with merger were frequently underestimated in the planning process; the length of time taken to adequately plan for merger was in the main insufficient.

Financial implications

There appear to be few real financial benefits to merger. They involve substantial costs and any benefits gained emerge only in the longer-term, if at all. There will be a continuing need for LSC support in the future; the past inflexibility of the FEFC regulations did not recognise the complexity of merger. Merger is much more than *'simply getting the finance right'.* Findings support the earlier view that mergers infrequently lead to direct financial benefit. (FEFC, 1998)

College organisation and culture

The importance of middle management in the merger implementation phase should be recognised and supported; new organisational structures should be in place as early as possible in the post-merger period. Culture clash appears to have been a significant, and frequently under-estimated, issue.

Student achievement

It is unrealistic to assume that merger will automatically raise achievement and quality; merger destabilises and creates the kind of uncertainty most likely to impact on tutors and managers. Whilst it is unlikely for merger to provide rapid changes in quality and achievement it may lay foundations for improvements in future years. It should be noted that mergers carried out under the FEFC regulations were not in the main carried out with quality issues as a key focus, although there was evidence in merger proposal documents of improved quality and achievement as an intended outcome. This research confirms earlier the FEFC findings (FEFC, 2000).

Student demand

All case studies provide evidence of a reduction in full-time student numbers and a consequent increase in the search for part-time numbers. However, during the period under investigation the sector suffered generally in terms of a reduction in full-time student numbers (Green and Lucas, 1999). Such reduction cannot therefore be attributed solely to the impact of merger. City mergers appear to have fared better in this regard, although they were helped by a favourable government policy; rural colleges appeared to struggle.

Business demand

Merger appears to have changed the landscape little here. Previously enterprising colleges remained so, those that were less enterprising were diverted by other challenges.

Local stakeholders

There appears to have been little involvement of local stakeholders other than canvassing their opinions during the consultation stage. Opposition to merger in nearly all instances came from competitor institutions, both colleges and school sixth forms.

Student access

This appears to be one of the merger success stories, particularly in city college mergers. Complementary curriculum is likely to be especially beneficial in providing opportunities for curriculum rationalisation and specialisation; outreach and access have also benefited.

SECTION 2

5. KEY MERGER ISSUES

The following section of this report reflects the close study of the range of mergers carried out in the 17 detailed college analyses. In each of these, five main areas of activity were examined. These were:

- Governance and management
- Finance and resources
- Curriculum and quality
- Staff
- Property and assets

This serves as a synthesis of key merger issues and concerns which arose from discussions, interviews and observations at the colleges concerned.

In this way, important practical aspects of merger can be considered. It is hoped that this checklist might prove of value for any organisation considering or analysing merger in the FE sector.

5.1 Governance and management

When considering merger, the following key issues with regard to governance and general management should be noted:

5.1.1 Strategy, planning and general issues:

- A strategic vision on the use of a failing or problematical partner is fundamental.

- Key stakeholders, particularly the local LSC and the LEA must be involved closely from the outset and their agendas anticipated and integrated into the proposal as far as possible.

- The importance of the vision and relationship shared between the Principal and the corporation cannot be overestimated.

- The corporation and Principal would benefit through access to unbiased business advice on mergers.

- The appointment of the Principal should be made as soon as practicable in the merger timetable. The Principal's leadership skills are vital throughout the merger process.

- Particular benefit may be gained where a Principal guiding the merger has had previous experience of the management of such change.

- Participating colleges should have the opportunity and the time to thoroughly analyse each other's strengths and weaknesses, cultures, ethos, mission, finances and problems. It is important to hold the partner college in due regard and treat it with dignity. There is a call for diplomacy and tact.

- The due diligence process and any needs analysis provide a snapshot of existing and potential problems and concerns; but they often fail to provide essential information or identify all future problems.

- It is appropriate that adequate additional resources including finance and staffing are made available to manage the merger process.

- It appears that the FEFC did not always understand the actual pressures and political process of merger implementation. New systems have since been developed by the LSC to counter this problem.

- Ideally, additional external support from funders and assessors is needed for colleges in the process of merger, perhaps through the deferment of normal LSC criteria on growth/quality/inspection.

- There is a need to focus on the likely benefits of merger to learners and to use this as a key measure. Where neither funding nor systems support the needs of the learner, it may be important to resist merger.

- There is little evidence that merger immediately provides added value; but it may in the long run and it is important to ensure that long-term benefits outweigh short-term gains.

- Change which is managed gently and gradually is not necessarily less painful and may in fact be worse than opting for a rapid and more directive approach.

- Be aware of the fact that merger may take many years to be completely resolved.

- A small merger is likely to be as demanding as a large one in terms of general dysfunction and pressures as well as the emotional impact on staff and managers.

- It may be easier to handle a partner college where quality of delivery is good but management is poor.

- Recent difficulties in the farming and agriculture industries make this a currently challenging educational sector for a general FE college to move into.

- Particular problems may emerge where a college has a specialist or religious affiliation.

- Merger may be easier where curriculum complements rather than overlaps.

- It is important to select a name for the new college which avoids suggesting a geographical dominance.

5.1.2 Management:

- Senior managers should not underestimate the importance of the personalities and personal agendas contained in the merger proposal.

- There is a need for a pre-merger mapping exercise to identify precisely which college sections will be most affected by the merger. Such specific target areas should be identified and the management of their change highly focused.

- Merger between a general FE and a specialist college may create a college which is more difficult to manage – more complex, with additional new or unfamiliar curriculum areas.

- The importance of establishing good relationships between the Chairmen of merging colleges is a crucial first step.

- The strength of the new senior management team, their expertise, experience and support capability is especially important to the Principal.

- Preparedness to install a completely new management structure may prove essential.

- The Principal needs to be determined and prepared to take unpopular decisions without being swayed by personal matters; Principals are likely to face substantial personal criticism during the merger process.

- Merger will always produce too much work and management will be too thinly spread.

- Some support should be made available to free key managers to concentrate on planning and executing merger strategies.

- It is important that management teams deliver what have been identified and publicised as key merger objectives for their staff.

- Cultural differences and management styles of merging colleges could become a particular problem during the post-merger period if they are allowed to. There is a need to actively manage the merger process in order to get the best from old cultures and to create a new one.

- Problems may occur if middle managers responsible for the integration of merged staff operate too independently. Close management control was often recommended.

- However, it was also seen as important to strike the balance between effective control and the necessary amount of delegation of operational responsibility to the lower levels of college management.

- There is great value in establishing pre-merger working groups of Governors and managers to deal with issues such as MIS, student services and general operations.

5.1.3 Operational issues:

- There is usually a need to move far more quickly than the knowledge base allows.

- A bigger college provides different problems; and managers face a step change in solving these after merger.

- There may be more than one culture present in a merger partner; for example, the partner college may have already undertaken a previous merger with remaining problems.

- There is a need to seek external help as rapidly as possible if problems emerge.

- An appraisal of staff abilities could be undertaken as part of the merger process, allowing poor performance to be highlighted and acted upon as part of any on-going rationalisation programme.

- Substantial rationalisation of teaching and management staff is possible but not always achievable.

- It is essential to provide adequate briefings for managers entering new college systems to ensure they respond as efficiently as possible to the changes.

- Middle managers must be encouraged to develop their commitment to the merger through an awareness of likely new career opportunities.

- A guarantee of no redundancy may lead to difficulty in finding appropriate posts of responsibility for all managers.

- There may be value in branding specialist provision (such as Art and Design or land-based) separately; although it may lead to other problems such as reinforcing the 'separateness' of groups of staff.

- The tendency exists in the formation of a larger college of making staff feel that management is more remote.

- Particular operational difficulties occurred where groups of staff were transferred as whole units either to new management or as part of a physical re-location. This could slow the process of change.

- In contrast, support staff were often required to integrate into new working teams and seemed to adjust rapidly and positively.

5.1.4 Communications:

- Communication between all parties, particularly stakeholders, must be open, transparent and effective. Even in a small merger, communication is not as straightforward as it may at first appear.

- The Principal and the Corporation have a key role in informing all staff and others about the process and must be seen to be listening and acting upon issues and concerns. College management must be supportive and positive with staff who may feel very vulnerable.

- There is hidden cost in the immense amount of staff and management communication time required.

- Senior management might consider how to re-engage staff who may not wish to lose their own leadership or management roles in any reorganisation of responsibilities. This will occur at all levels, from Board to course leaders.

- Senior management should be regularly available for staff consultation and to provide reassurance at all stages.

5.2 *Finance and resources*

- There is a need to be realistic in estimating future financial needs. Evidence shows that mergers will not necessarily improve college finances. Accepting a link with a 'financially failing college' is a particular gamble.

- There are potential problems in merging several financially weak colleges.

- One of the keys to effectiveness in merger is development of a good business plan.

- Financial planning is unlikely to be able to take account of any reversal of government policy, as in the past instance of franchising.

- Merger may lead to the acquisition of an extensive land and buildings portfolio. This may also lead to financial windfalls through the disposal of assets although this will depend upon the location and state of those assets.

- Size is valuable in terms of cash-flow and the ability to bid for funds and negotiate loans: however, financial control becomes correspondingly more complex.

- Training should be made available for the director of finance in dealing with the new Board of a big college.

- There is a need to develop a strategy in the pre-merger phase for financial staff and systems, to plan well in advance and not assume that expenditure will end on the day of the merger.

- There may be a significant negative impact on finance in Year 1, affecting reserves.

- The need to keep the costs of central administration under strict control in the early developmental phase after merger is crucial.

- Limited cost savings are possible through reduced total expenditure on management salaries, and rationalisation of service contracts. Some savings may also be possible on audit and insurance across the merged institutions.

- There may be unexpected or unanticipated costs related to merger of student data. For example, in the past Entry units were lost and common enrolments found in both merging colleges.

- Different financial cultures and controls existing in pre-merger colleges can influence decisions in a negative way and, if not careful, divert attention from the main task. 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.

- Some colleges identify a need for extensions to deadlines on student returns during the merger process. There was often no recognition of this in the past by the FEFC who seemed not to understand the new operational complexities.

5.3 Curriculum and quality

- Positive benefits can be gained from the point of view of breadth and depth of provision. Colleges may be able to offer a fuller framework of qualifications from pre-entry to degree, leading to better student choice and options for progression.

- Merger broadens the opportunities for wider participation, can reduce competition and allow a new unified approach to student recruitment. However, despite this, there may be a period after merger when enrolment actually declines.

- The possibility exists of drawing best practice from different sources, although there is a danger of this being ignored when one College is weak and the other strong.

- Multiple mergers increase the number of curriculum problems and decisions to be made; rapid merger can make this even worse.

- Curriculum integration of a specialist organisation may be relatively easy and provide valuable curriculum benefits.

- New curriculum career opportunities often emerge for a number of staff.

- It is important not to underestimate student loyalty to the old institution!

- The merger may provide scope for investment to rapidly improve quality of accommodation, library, IT and learning resources.

- Greater (financial) efficiency in the delivery of the curriculum is possible through lower unit costs.

- Increasing institutional size is likely to make curriculum management more difficult especially where this is spread over a number of sites.

- There is a challenge to maintain curriculum quality following any radical change in approach to delivery methods.

- Merger often demands decisions on the relative merits of the differing quality systems in the merging colleges. Many mergers showed the development of enhanced systems of quality assurance as a result.

- The size of the institution can create special difficulties and a manager with responsibility for quality needs to be highly visible.

- It is particularly important for senior curriculum and other managers to spend time with curriculum teams. Evidence suggests that failures are more likely to occur when this is not done.

- There is great value in developing mixed curriculum teams for planning purposes as early as possible, preferably before the merger. Whenever possible it is valuable to empower team leaders at the lowest level possible within the organisation.

- The value of support staff should not be underestimated and they should be included in curriculum planning processes.

- Merger may allow strategic development in locating courses in more appropriate locations.

5.4 Staff

- There should be real clarity over the proposed College structure, since there will be many staff concerns over the merging of operational and curriculum delivery sections. Lack of clarity can lead to confusion, reduced confidence in management and negative rumour-mongering.

- Even where a merger is with a very small organisation, staffing issues can be predominant and demanding.

- There is a need to move very rapidly in reassuring staff when change begins. It is possible to counter staff feelings of powerlessness and to proffer reassurance by being as open as possible on planning for the future.

- The feelings of staff in the dominant merger college should not be ignored. It should not be assumed that they do not themselves have concerns for the future.

- There is a need to develop common staffing policies and procedures for all partners as a first step, sorting out practical issues which particularly worry staff, such as discipline, staff training or health and safety.

- Some colleges argued that since staff contract issues can take longer to resolve, they may be left until later; and staff may consequently be reassured when they realise there is no rush to change them.

- The amount of time devoted to merger issues may lead to 'taking the eye off the ball' and preventing development of other important Human Resource support systems.

- Some managers felt that Human Resource activity linked to merger is not especially complicated but very time-consuming as a result of the scale of activity involved.

- When installing new staff support systems, it is important to avoid repeatedly going back to staff to check information. A huge amount of time and energy can be extended on duplication or replication.

- There is a need to be able to justify the selection process of senior managers for the new college objectively. Too many senior appointments from one partner college can lead to problems.

- Where a merger results in overstaffing, this may be addressed with substantial consequent savings. Such rationalisation can allow the organisation to select the best staff for retention or promotion and to lose weaker managers or staff.

- The replacement of departmental middle management, even through competitive interview processes, can result in long periods of departmental inertia and suspicion.

- It may be possible to encourage less committed teachers to leave the college by the introduction of a voluntary redundancy process.

- An early agreement on a no redundancy policy can, however, cause problems, running counter to efficiency needs.

- Some managers argued that where voluntary redundancy is offered, there is a continuing future need for external financial support for colleges to allow voluntary redundancy to be funded since this remains an essential method of reducing potential tension.

- It should be noted that the physical relocation of staff and/or an allocation of a new role may prove particularly unsettling for individuals.

- The reaction of unions will vary. Different unions will act according to their perceptions of threat or change and contract negotiations are often complex. Establishing key deadline dates can act as a brake on gaining agreement.

- It is valuable to consider provision of independent personal career counselling systems for staff to counter stress and to show staff they are valued.

- There may be acceptance by staff that merger was necessary, but morale can remain low for years afterwards.

- Merger stimulates some staff to seek other employment. The more confident and flexible staff are often the ones most likely to leave, especially from the ‘weaker’ partner.

- Cultural differences are very significant. Some feelings of 'them and us', and resentment about perceived inequalities can linger on for years.

- Staff in the dominant partner will also face change and may be surprised and disgruntled by this.

- The take-over of a small college by a larger one will often allow more rapid action. Conversely, where two larger colleges are merging, less speed is possible.

- Staff may feel that their status is reduced through changed structures and that decision-making has been transferred to less experienced or non-specialist management with inadequate experience of their area. Whilst they may be mistaken in this, their perception could make some issues more difficult to resolve.

In overall terms it was suggested that there was real value in focusing on developing systems of "before-merger care". These would require at least three main actions. Firstly, a focus upon team building in advance; secondly, the developing of systems to allow junior staff in particular the option to get to know the other organisation and the way it works. Thirdly, due recognition that some parts of the College - as for example in the case of business support - will be affected no matter how big or small the merger.

A similar approach in the development of systems of after-care was also suggested. This would require keeping channels of communication open substantially longer, during an extended post-merger period; the introduction of a mechanism, which summarises for staff what continues to be done as the merger proceeds. This could be accompanied by a regular health check on progress; the development of better methods of keeping staff involved and the introduction of the concept of a college mentor to whom there could be open access for those staff who may have worries and concerns. Finally, a post merger evaluation process should be put in place, the results of which should be relayed to staff.

5.5 Estates and facilities

- There is a need to examine inherited facilities closely prior to merger. The accommodation strategy should be amended well in advance of the merger and be ready for implementation.

- All possible legal information on land and buildings should be gained at an early stage.

- Merger may produce a very different environment compared to previous college facilities, opening up a range of possibilities for new activities and provision.

- Merger could well demand a more businesslike approach to property management and give an economy of scale which allows development and the search for funds.

- Merger with a college with poor buildings may radically change the short-term investment strategy of an institution.

- There is a need to approach substantial property changes as at least a medium-term issue. Property rationalisation in particular is a large-scale activity requiring substantial lead-time.

- Size provides the opportunity to support new projects financially, which smaller colleges could never consider. Merger provides the ability to profit through rationalisation and disposal of sub-standard facilities.

- There is the prospect of more efficient utilisation of space as a result of a multi-site merger. However, this may lead to consultation problems with staff used to old systems and locations.

- It is likely that the estate management teams of the constituent Colleges in the past have operated in different ways and will require re-direction and re-organisation. There was a good deal of evidence that in the area of property management in particular, merger allowed the recruitment of new professionally qualified staff.

- An increase in the number of sites as a result of merger often requires duplication of management systems, whether this be staffing, security, insurance etc.

LIST OF ABBREVIATIONS

ALF	-	Average Level of Funding
ALI	-	Adult Learning Inspectorate
AVCE	-	Advanced Vocational Certificate of Education
CES	-	Community Education Service
COVE	-	Centre of Vocational Excellence
DFES	-	Department for Education and Skills
DLE	-	Demand-led Element
EAZ	-	Education Action Zone
ERDF	-	European Regional Development Fund
ESF	-	European Social Fund
ESOL	-	English as a Second Language
FE	-	Further Education
FEC	-	Further Education College
FEFC	-	Further Education Funding Council
FEMIS	-	Further Education Management Information System
FTE	-	Full Time Equivalent
GFE	-	General Further Education
GNVQ	-	General National Vocational Qualification
HE	-	Higher Education
HEI	-	Higher Education Institution
HNC	-	Higher National Certificate
HND	-	Higher National Diploma
HR	-	Human Resources
ICT	-	Information and Communication Technology
IIP	-	Investors in People
ISR	-	Individual Student Record
IT	-	Information Technology
LEA	-	Local Education Authority
LIF	-	Local Initiative Fund
LLP	-	Local Learning Partnership
LLSC	-	Local Learning and Skills Council
LSC	-	Learning and Skills Council
MFL	-	Modern Foreign Languages
MIS	-	Management Information System
NATFHE	-	National Association of Teachers in Further and Higher Education
NFU	-	National Farmers Union
OCP	-	Outward Collaborative Partnership
OFSTED	-	Office of Standards in Education
PFI	-	Private Finance Initiative
SME	-	Small or Medium Enterprise
SMT	-	Senior Management Team
SSR	-	Staff- Student Ratio
TEC	-	Training and Enterprise Council
VP	-	Vice-Principal

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