Hong Kong Higher Education

Integration Matters

**A Report of the Institutional Integration Working Party
of the University Grants Committee**

March 2004

PREFACE

Change is seldom easy to contemplate, let alone implement. Yet universities and other institutions in the higher education sectors of many countries are now actively engaged in and by this very process. One advocate of university funding once famously observed, "If you think education is expensive, try ignorance!" It might equally be said, "If you think change is uncomfortable, try clinging to the past!" Which is to say that for higher education institutions, at least those that aspire to the upper echelons of performance and recognition, the status quo is a mirage.

This is not to advance the idea that all and any change is necessarily worthwhile. There can be change for bad as well as change for good. So, perhaps the greatest challenge in formulating public policy for higher education is to find the right path to the future. Importantly, this will entail protecting values of scholarly communities and encouraging necessary resourcing; while at the same time simulating transformations to assure strong and internationally competitive universities on into the future.

The Institutional Integration Working Party (IIWP) has approached its task – to provide within the higher education sector of Hong Kong a framework for institutions to build more productive and closer working relationships – from this perspective. Such an approach is all the more important given the particular character of Hong Kong and its aspiration to be the education hub of the region. This will not happen by accident but only through active strategies to embrace changes wisely chosen.

The spirit of our Report, and the accompanying Recommendations, is to show how institutional integration of a robust nature might be advanced. There is a role in this for the Government and for the University Grants Committee (UGC); but the critical role is the one to be played by the institutions themselves. The Report does not resile from giving encouragement, even direction, but the weight is placed on solutions initiated by the institutions themselves, at least until it becomes obvious that the continuing success of Hong Kong's higher education sector requires a different public policy stance.

The task of the Working Party has been completed to a tight deadline, from the issue of the Terms of Reference in August 2003 to final adoption of the Report in January 2004. Many individuals and groups have contributed considerable time and energy in a timely manner to the process and their role is more fully acknowledged in Appendix 5.

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ABBREVIATIONS USED

AGSM	Australian Graduate School of Management
AoE	Areas of Excellence
CityU	City University of Hong Kong
CUHK	The Chinese University of Hong Kong
ERG	Earmarked Research Grants
FYFD	First-year-first-degree
GSB	Graduate School of Business
HER	Higher Education Review
HARNET	Hong Kong Academic and Research Network
HKBU	Hong Kong Baptist University
HKIEd	The Hong Kong Institute of Education
HKSAR	Hong Kong Special Administrative Region
HKU	The University of Hong Kong
HKUST	The Hong Kong University of Science and Technology
IIWP	Institutional Integration Working Party
JIJIS	Joint Institution Job Information System
JUCC	Joint Universities Computer Centre
JULAC	Joint Universities Library Advisory Committee
JUPAS	Joint University Programmes Admissions System
LU	Lingnan University
PolyU	The Hong Kong Polytechnic University
RGC	Research Grants Council
SEM	Secretary for Education and Manpower
TDGs	Teaching Development Grants
TLQPRs	Teaching and Learning Quality Process Reviews
UGC	University Grants Committee

CHAPTER 1

THE TASK AT HAND

1.1   In assessing the scope for institutional integration in Hong Kong, the Working Party has been conscious of the wider context in which its review is to be set.   Thus, in this opening Chapter, we look briefly at global trends in higher education before addressing the issue of institutional integration, which we take to encompass any of the many different forms, modes and arrangements in the interchange between institutions. Merger, which formed the initial point of attention in our consultations in mid-2003, is just one of a variety of possible models.   It is also important to underscore from the outset that any strategy development with respect to institutional integration will not be a stand-alone exercise, but rather part of a suite of policy initiatives to serve the continuing drive for excellence in Hong Kong's higher education sector.

GLOBAL TRENDS IN HIGHER EDUCATION

1.2   There has been much reviewing of and writing about higher education systems around the world in the past decade or so.   Major exercises aimed at understanding the challenges, with follow-through actions, have been undertaken in many countries – from the Dearing Report in the United Kingdom in the mid-1990's, through to the Nelson Reforms in Australia which gained legislative sign-off in late 2003.   Singapore established in 2002 an inter-ministry committee to review its university sector and graduate manpower planning.   And, of course, Hong Kong has also embarked on this path with the publication in March 2002 of *Higher Education in Hong Kong,* the Report of the Higher Education Review (HER) commissioned by the Secretary for Education and Manpower (SEM) and overseen by Lord Sutherland, then Principal and Vice-Chancellor of the University of Edinburgh.

1.3   The theme of change and the need to face and manage it is now wide-spread for universities because the underlying factors are so pervasive and essentially irreversible. As noted in *Fit for Purpose*, the University of Hong Kong's report in response to HER's call for a review of governance regimes in Hong Kong's universities:

> "The world of the modern university is remarkably different from that of earlier decades, not to mention earlier centuries…At the heart of the changed environment encountered by universities are three particularly significant elements – the growing demand for higher education; a technology-enabled revolution in the manner and speed of the discovery and transmission of knowledge; and a quantum shift in competitiveness among universities for staff, students, resources and standing, particularly in the international dimension".   (*Fit for Purpose*, 2003; p. 5) (see Appendix 1, Part C)

1.4   If the 1990's was a decade in which developed countries came to understand and acknowledge these pressures for change, the current decade is shaping as a period of action to develop and implement policies to handle those pressures.   There is also a trend

toward a coherent formulation of steps forward, rather than issue-by-issue responses. Thus, in setting the basis for public discussion about the future of higher education in Australia, the Ministerial Discussion Paper, *Higher Education at the Crossroads* (April 2002), articulated a framework of 11 principles, and these are presented below, with a précis of the accompanying text, to illustrate one approach:

1. **Value Adding**: In their role as caretakers, creators and transmitters of knowledge, higher education institutions will add value to individuals and to society.

2. **Learner Centred**: Every institution should focus on the needs of its undergraduate and postgraduate students to ensure that they acquire and develop knowledge and skills that are relevant to the individual, employers, professional associations, labour markets and society. They will inspire learning for life.

3. **High Quality**: Institutions must deliver high-class teaching and enable excellence in research. They must provide services that are worthy of continuing public and private investment and community confidence.

4. **Equitable**: There must be equality of opportunity to allow individuals to fulfil their potential, regardless of their personal circumstances and backgrounds.

5. **Responsive**: Institutions are expected to be responsive to the diverse needs of students and the demands of other stakeholders including staff, employers of graduates, clients of consulting services, industry, venture partners and regional communities. They need to develop an outward looking perspective, not an insular one.

6. **Diverse**: Institutions need to evaluate their strengths, challenges and opportunities to forge their distinct and apposite missions. They need not have a monopolistic position, for there is room in the system for a range of providers that can cater for the needs of an increasingly diverse student population.

7. **Innovative**: The need to be innovative relates not only to improvements in teaching and learning, but also to the direction and commercialisation of research and engagement with industry and other education providers.

8. **Flexible**: National priorities develop over time. Student expectations change. Institutions need to be able to operate in different ways at different times. Flexibility in relation to learning calls for the creation of effective pathways for learning through admissions procedures, entry and exit points, modes of learning, delivery methods, assessment and availability of learning resources.

9. **Cost Effective**: Higher education institutions will efficiently manage the financial resources provided and achieve intended results. The challenges in

this apply to the full range of activities, including capital development, commercialisation initiatives, and the number of subjects or units that may be offered within an institution.

10. **Publicly Accountable**:   As recipients of large amounts of public funding and private investment, higher education institutions are accountable to their respective stakeholders.   Their policies and actions need to be transparent and open to public scrutiny.

11. **Socially Responsible**:   Higher education institutions have a broad public responsibility and must act ethically in all their activities, including their research and commercial undertakings.

1.5   Many of the elements in the Australian principles framework are reflected in the national reviews in other countries, but naturally with some variation in emphasis and even detail to accommodate strategic, political and cultural considerations.   But the underlying theme is that transformation is important if the aspiration is for the sector to claim world standing, and that this should be approached in a coherent and planned fashion.   In Singapore, for example, the inter-ministry Committee of Review concluded as follows:

> "Three strategic objectives form the basis for the restructuring of the university sector.   First, our universities should continue training industry-relevant graduate manpower and serve as magnets to attract and retain foreign talent in Singapore. Second, our universities must be better positioned to generate ideas for wealth creation.   Their research efforts must develop depth in specialised areas in each domain, and breadth of expertise along the spectrum of disciplines to achieve research excellence and high economic impact.   Third, our universities must attain international branding to entrench Singapore's reputation as a significant player in the global education arena".   (*Singapore Committee of Review*, 2003; p. 1)

1.6   In Hong Kong, the HER Report provides a framework for thinking about the future of higher education and, in a compass-like fashion, points to the broad direction for change.   But to move forward, we need now to design and articulate the roadmap for that journey, one element of which will entail close attention to institutional integration arrangements, so it is timely that the UGC in January 2004 launched its guiding document, *Hong Kong Higher Education: To Make a Difference, To Move with the Times,* showing a "roadmap" for the forward progress in a practical sense.   The key objectives of this "Roadmap Document" are for the UGC to:

(a)   see the Hong Kong higher education sector serving as "the education hub of the region", driving forward the economic and social development of Hong Kong, in the context of our unique relationship with Mainland China and the region;

(b)   take a strategic approach to Hong Kong's higher education system, by developing an interlocking system where the whole higher education sector is viewed as one force, with each institution fulfilling a unique role, based on its strengths;

(c)   work with institutions to ensure that each provides excellent teaching in all areas relevant to its role;

(d)   aim to promote "international competitiveness" where it occurs in institutions, understanding that all will contribute to this endeavour and that some institutions will have more internationally competitive centres than others; and

(e)   value a role-driven yet deeply collaborative system of higher education where each institution has its own role and purpose, while at the same time being committed to extensive collaboration with other institutions in order that the system can sustain a greater variety of offerings at a high level of quality and with improving efficiency. (*Roadmap Document*, 2004; p. 1)

1.7   The development of the Roadmap Document was informed in its later stages of development by the position the IIWP was moving to on institutional integration, especially the following:

●   "…the UGC will need to become a much more proactive player, and, as stated in the Higher Education Review: 'strengthen its role in strategic planning and policy development, so as to advise and steer the degree awarding sector'. The UGC has to ensure that at the system level, appropriate tools, mechanisms and incentives are in place to steer institutions toward clear role differentiation, to facilitate deep collaboration among institutions…to allow excellence to emerge through fair and constructive competition". (pp. 7-8)

●   "The UGC believes that the level and depth of collaboration and strategic alliances taking place in Hong Kong's higher education system is distinctly sub-optimal both for individual institutions and for the sector as a whole". (p. 9)

Through input from the IIWP, the UGC's Roadmap Document also incorporates the notion that:

●   "Strategic alliances and deep collaboration among institutions – and with overseas institutions and the wider community – should aim to achieve the following:

    (a)   enhancing the breadth and depth of teaching quality in the academic disciplines to enable a richer and more diverse subject menu to be offered to students;

    (b)   developing the critical mass required to create centres of research capable of competing at the internationally competitive level; and

    (c)   creating substantial efficiencies, particularly in the non academic areas, and hence extra capacity for other pursuits appropriate to roles". (pp. 9-10)

1.8   If we are to carry forward the aspirations for Hong Kong to serve as the education hub of the region, and to advance the strategic orientation of the UGC's Roadmap Document, one important area for attention will be how institutions in the higher education sector relate to, and interact with, one another. Universities, quite rightly, put

great store in their autonomy, and in the eyes of some this will be seen to give protection against integration with other institutions, at least in any sense other than purely voluntary interchange. Yet there is a legitimate role for the Government and the UGC in setting the framework within which the higher education sector pursues its roles and missions. These issues, and other key aspects of the strategies for institutional integration in the Hong Kong higher education sector, form the focus of this Report.

INSTITUTIONAL INTEGRATION WORKING PARTY

1.9 The possibility of a merger between The Chinese University of Hong Kong (CUHK) and The Hong Kong University of Science and Technology (HKUST) was mooted by SEM in late 2002. The two Universities subsequently undertook separate studies on the feasibility of a possible merger as well as the advantages and the drawbacks from their respective points of view. In April 2003 SEM broached with the UGC the idea of undertaking an investigation of institutional integration including, but extending beyond, the possible merger of HKUST and CUHK, which would:

(a)   examine the potential benefits of institutional integration;
(b)   examine financial and staff implications;
(c)   examine possible approaches for the proposed integration;
(d)   discuss institutional integration issues with the institutions concerned; and
(e)   make recommendations on the way forward, bearing in mind that "the ultimate objective must be to improve the quality and competitiveness of higher education in Hong Kong, with a view to positioning Hong Kong as the education hub in the region."

1.10   The UGC established an Institutional Integration Working Party (IIWP) in August 2003, convened and chaired by Professor John Niland, with a membership and Terms of Reference laid out in Appendix 1. This Appendix also contains material made available to the Working Party during the course of its consultations, and references from quotations cited in the text. Between August 2003 and January 2004 the IIWP met on seven occasions and consulted widely with a view to addressing a range of issues identified in its Terms of Reference. There were two points of focus: the feasibility and desirability of the idea of institutional integration in the higher education sector of Hong Kong; and specifically the potential benefits and drawbacks of integration involving CUHK and HKUST, particularly through a model of merger. As part of the process each of these Universities agreed to establish a Reference Group on Institutional Integration to provide advice to the IIWP. The Reference Groups prepared and presented various pieces of information of value in the course of several meetings with the IIWP Convenor; and student representatives of the two Universities on one occasion met with the IIWP itself. Beyond this, the Working Party had the advantage of a considerable international literature on experience in other countries with institutional integration, especially mergers. (see Appendix 2 and Appendix 3)

1.11   Given the momentum toward an articulation of coherent policy for higher education in Hong Kong following the presentation of the HER Report, the UGC sought from the IIWP its report by the end of January 2004. This tight timeframe, entirely appropriate in the circumstances, none-the-less meant that the Working Party would need

to limit its range of investigation and for this reason there was considerable value in adopting the particular focus on two of Hong Kong's prominent universities, CUHK and HKUST.   This approach also provided the UGC with the opportunity more closely to test whether the first recommendation in the HER Report, to provide explicit strategic support for a small number of institutions, might be best achieved with such a merger. Nevertheless, in this approach the Working Party kept clearly in mind the need also to examine the issue of institutional integration more widely across the university sector.

THE APPROACH OF THE REPORT

1.12   The area of focus for the IIWP, building closer working relationships between and among institutions in the sector, is well canvassed in recent international experience. While the circumstances faced by Hong Kong are unique, the emerging interest in institutional integration is a common theme in higher education systems around the world, and this should not be ignored.   Chapter 2 addresses this experience and seeks to draw insights relevant to the transformations likely to be considered for Hong Kong.

1.13   Whatever the international experience, its relevance must be grounded in an understanding of the current higher education environment in Hong Kong, and the history of events that led to the present state of affairs.   This is the purpose and rationale for Chapter 3.   One important perspective is that Hong Kong's higher education system today owes a great deal to a variety of institutional integrative measures over the past few decades, and the key features of these are canvassed.

1.14   The particular forms of institutional integration available for public policy adoption are quite extensive, and the challenge in Chapter 4 is both to identify a manageable range of possibilities and to provide a realistic assessment of what might be prudently pursued.   This leads to a series of 11 specific Recommendations, and these need to be read in the context of the analysis leading to their formulation.   But by way of preview to what follows these Recommendations are listed below:

Recommendation 1: That institutional integration be taken to entail active measures drawn from and set within an array of coherent models that are designed to bring about closer operating relations between two or more institutions, for the purpose of achieving any or all of three primary (and interrelated) objectives:

(a)   through building greater synergy between the institutions, lifting academic performance to levels that would not otherwise occur;

(b)   through creating the effect of greater critical mass among institutions, introducing stronger efficiency in operations and a wider array of academic course offerings; and

(c)   through combining disconnected functions, usually of an administrative nature, generating savings that can be used to enhance the academic mission and support services.

The effect of these measures is to enhance the overall quality of the Hong Kong higher education sector and to sharpen its competitiveness in the region, and in other ways help carry forward the Roadmap Document for higher education articulated by the UGC.

Recommendation 2: That the UGC develop an Institutional Integration Strategy for the purpose of encouraging, and where appropriate steering, coherent operating relations between and among Hong Kong's universities and other relevant institutions of higher education. The Institutional Integration Strategy should be built on several ideas:

(a)   the array of possible arrangements, both in conceptual terms and practically, extend through a range of five models: the Merger Model, the Federation Model, the Deep Collaboration Model, the Loose Affiliation Model and the Status Quo "Model";

(b)   the Strategy draw from this array of models on a case-by-case basis to achieve maximum effect with minimum disruption in the process, and to avoid abiding angst at the outcome; and

(c)   the Strategy be set as a component of the UGC's Roadmap Document for the future of higher education, to facilitate more synergies and greater efficiencies than would otherwise be the case, in the interest of Hong Kong becoming recognised as the education hub of the region.

Recommendation 3: That the UGC note that a considerable body of experience with institutional integration, particularly university mergers, has emerged internationally over the past decade, and that in framing its advice to SEM on merger the UGC should bear in mind the following general propositions arising from international experience:

(a)   motivation toward merger is often the urgent need to address problems, usually resource based, although instances of successful integration between two already successful universities do exist;

(b)   mergers between compatible partners with shared aspirations can simulate significant gains in capacity and earned reputation; but such gains do not occur overnight and in fact do not necessarily eventuate in all circumstances. In short, merger carries risks as well as highly attractive potential benefits;

(c)   even with strong shared aspirations between compatible partners, and scope for major leveraged gains, groups hostile to the idea of merger are usually active and success requires counter balancing by active champions of the merger within the institutions and government, and through strong leadership;

(d)   successful mergers take time and require quite detailed planning and substantial transition funding which is additional to what normally would be available; and

(e)   other forms of institutional integration often serve as stepping stones to full merger, if the overall conditions (including those outlined above) are favourable.

Recommendation 4: That in light of consultations conducted by the IIWP with Reference Groups established by HKUST and CUHK, and against the background of Recommendation 3, the UGC recommend to SEM that while merger between these two institutions might become viable at some point in the future, this should not be further explored for the present.

Recommendation 5: That in the event that a significant level of additional funding for mergers in the higher education sector becomes available, SEM invite expressions of interest jointly presented by two or more institutions. If such expressions of interest are forthcoming, the UGC should offer to evaluate the transitional funding requirements, and the feasibility and desirability of such a merger in light of policy requirements mandated by role differentiation and areas of excellence considerations as well as other key elements in the Roadmap Document.

Recommendation 6: That as part of its standard process for allocating public funds to universities, the UGC develop a mix of methods for ensuring that institutional integration receives a degree of support, at least in the transitional phase of any given initiative. This would include:

(a)   top slicing funds into an appropriate central fund managed by the UGC;

(b)   earmarking a proportion of funds assigned to universities on the basis that they be used for approved integration initiatives; and

(c)   in time seeking additional funds from the Government, particularly for high end integration initiatives such as mergers and tight federation.

Recommendation 7: That the UGC note that the Deep Collaboration Model goes well beyond the standard array of cooperative ventures common in academic circles. Deep collaboration:

(a)   is cast in a legal form, usually based on a contract that commits each party to deliver certain inputs/outputs over a period of time;

(b)   while providing cost savings and/or benefits generation to the participating institutions, it will require stand-alone resourcing for successful operation; and

(c)   will probably entail each participating party surrendering independence on certain issues so the collaborative exercise can work successfully.

Recommendation 8: That the UGC invite each institution to consider and identify opportunities for deep collaboration within the higher education sector. The UGC will utilise insights garnered through this exercise better to inform the development of its Institutional Integration Strategy, both as to academic functions and in regard to administrative and/or operational functions.

Recommendation 9: That in light of material generated through Recommendation 8, the UGC should, as a matter of priority, examine ways in which university administrative systems can be improved and made more efficient. The scope of such an exercise, which

may need to utilise external professional expertise, should cover a wide range of matters, including business process reengineering, coordinated service provision, stand alone "back office" arrangements to provide common services and outsourcing strategies.

Recommendation 10: That SEM should signal to other institutions in the higher education sector that their comment on the UGC Report and Recommendations will be particularly welcome, and that they should be encouraged to provide the UGC with practical ideas for carrying forward the goal of stronger institutional integration in Hong Kong's higher education sector.

Recommendation 11: That in forwarding this Report of the Institutional Integration Working Party, the UGC should recommend to SEM that he put the Report into the public domain.

CHAPTER 2

INSIGHTS FROM INTERNATIONAL EXPERIENCE

2.1   While each national university sector is different in important respects from all others, and while no two university mergers (or for the most part other forms of institutional integration) produce identical outcomes, the international experience in this domain is a useful starting point for identifying the issues to be addressed for Hong Kong. This is especially the case in light of the extensive experience across many countries over the past decade or so:

> "Merger as a policy issue has received a great deal of scholarly attention, a significant reason being because of the way national governments have used mergers and other forms of consolidation to initiate systemic restructuring of higher education.   Many countries have been affected by such change – Canada, Great Britain, Germany, the Netherlands, Norway, Sweden, Hungary, Vietnam, New Zealand, Australia to name a few".   (*Harman and Meek*, 2002; p. 1)

2.2   Merger is not the only form of institutional integration and it needs to be emphasised at the outset that other models are available and have been widely used over the years.   But merger tends to draw most attention, both in theory and in practice, because of its dramatic challenge to the status quo.   Merger tests the boundaries of possibilities, and while mergers mooted often do not eventuate, to focus on merger can provide useful insights for public policy in addressing possible restructuring options. Some sense of the activity on this front is provided in Appendix 3, from which a conservative estimate would put the number of institutions participating in merger over the past decade or so in excess of 200, across some 15 countries.

2.3   A special issue of the journal *Higher Education* in 2002 focuses on university mergers, which it observes is "a phenomenon in higher education that has attracted much attention world-wide over the past two or three decades and has now come back on the policy agenda" (*Harman and Meek*, 2002; p. 1).   In these and other writings on the experience in other countries a variety of terms are used to describe the integration arrangement – merger, takeover, affiliation, amalgamation, alignment, alliance, consortia, collaboration, association and federation.   Even such arrangements as benchmarking clubs imply some form of integration.   Each term carries a particular distinction from the others, sometimes subtle (as between collaboration and cooperation) and sometimes clear cut (as between full merger and loose affiliation).

2.4   Whether a particular integration form falls into one category or another will be influenced by how substantial the resulting change is on a number of fronts, such as:

- Governance arrangements
- Management systems and authority structures
- Budgeting and resource allocation
- Oversight and approval of degree programmes
- Recruitment, retention, promotion and retirement processes

- Grievance handling arrangements, discipline provisions etc.
- Scope and coverage of information technology systems
- Name and identity issues, particularly for staff and alumni
- Enabling legislation and other statutory provisions

MOTIVATION TOWARD INTEGRATION

2.5   It is evident from international experience that motivators toward institutional integration are as varied as the forms such integration has taken.   The literature suggests that integration (most commonly merger) is usually in response to one or another, sometimes several combined, of pressures to:

- Lift institutional profile, e.g., national standing and international reputation.

- Address problems of non-viable institutions and institutional fragmentation.

- Differentiate course offerings to cater for greater student diversity and offer more comprehensive courses.

- Reduce competition for students and research funding among institutions with similar "geographic profiles".

- Meet government targets and priorities in the overall direction of higher education systems, "especially to ensure that higher education systems serve more directly national and regional economic and social objectives".   (*Harman and Meek*, 2002; p. 1)

- Preserve and advance institutional standards in the face of cutbacks in government funding.

- Increase efficiency of operation and effectiveness in delivery, especially to cope with rapid and substantial increases in enrolments.

- Accept greater responsibilities for post-secondary education, particularly as a result of changing government policy.

- Achieve critical mass to facilitate success in competition for quality staff and standing, particularly internationally.

- Better utilise human resources, particularly through reaching critical mass, thereby limiting (but not necessarily averting) redundancy.

- Better utilise physical resources including the sale of some assets to rationalise campus configuration.

- Gain strategic advantage in a region where the partners are a good fit in terms of academic compatibility and complementarity.

- Achieve greater coherence in research focus to enhance the prospects for funding.

- Increase capacity to create new multi-disciplinary fields.

- Improve student access and greater differentiation in course offerings to cater for more diverse student populations.

- Generate revenue from new programmes that could only be offered through a larger and more strategically alert institution.

2.6   While many drivers toward merger are evident in the international experience, one in particular should be highlighted – the role government plays:

> "In the case of publicly-funded colleges and universities government almost always plays a role in merger. Sometimes the government's role is extremely proactive as when a government forces merger. Many mergers among public colleges and universities are involuntary; they are the creations of government. In other cases government may force merger but not determine who the partners should be.   In other cases, government may establish strong incentives to merge. Those incentives may be positive – financial inducements are offered – or they may be negative as when financial penalties are imposed on institutions that choose to remain independent. Finally, a government may stimulate merger by signalling that it would approve a merger on certain terms or by indicating that an institution in financial stress will not be rescued by special government intervention".   (*Lang*, 2002a; p. 15)

2.7   The central role of government in many mergers, perhaps in the overwhelming majority involving public higher educational institutions, is a good reason to note the observations of the Chief Executive of HKSAR at the 40th Anniversary Banquet of CUHK:

> "I do not believe that eight institutions are too many for Hong Kong. What is important is that they fulfil their different roles…What we wish to see is an interlocking university sector where all eight institutions play their part in making Hong Kong 'the education hub in the region'. This means that they sometimes compete, other times complement, but certainly we must deploy limited resources in a way which would maximise the benefits to Hong Kong".   (*speech transcript*)

2.8   The other major motivator, it should be noted, is money or the quest for savings:

> "More often than not finance motivates mergers and defines what they can achieve. The value of a merger or a consortium or a federation is, in the first and often only instance, basically practical and in many cases measurable".   (*Lang*, 2002a; p. 12)

INTEGRATION MODELS

2.9   There are literally dozens of different arrangements that might be contemplated in

any exercise of institutional integration.   These are all multi-faceted in the sense that each form of integration entails a number of elements to be changed or reshaped.   This "mix" of elements in the transformation should be assembled into a coherent form, and each coherent assembly can be seen as a "model".   Across the spectrum of possibilities it is useful for policy development purposes to align these models on a continuum.   At the "robust" end the models will be quite complex arrangements which entail a larger mix of elements, with the potential for greater impact, both positive and negative, than the models at the "softer" end of the continuum.

2.10   Given that the prime purpose of this Report is to provide a framework to assist policy development in a critical area of higher education, there is little point in an exhaustive and elegant mapping of every benefit and every drawback to be expected in every conceivable integration model.   This is even more so the case with the launch of the UGC's Roadmap Document.   To focus the discussion and debate for Hong Kong, the Working Party opts for a five model array of possible arrangements:

- The Merger Model
- The Federation Model
- The Deep Collaboration Model
- The Loose Affiliation Model
- The Status Quo Model

THE MERGER MODEL

2.11   Merger, in its full and total form, occurs where the integrating parties fuse permanently into a single entity in all respects.   The new entity will have a clear identity with a single governing body, a single academic senate, a single vice chancellor or president and a unified management structure.   Rationalisation may take longer in other important areas such as degree programme offerings, the structure of academic units and management systems.   But the merger strategy should drive to fusion here as well, and in a relatively short time.

> "An institutional merger is taken to mean an amalgamation of two or more separate institutions that surrender their legally and culturally independent identities in favour of a new joint identity under the control of a single governing body.   All assets, liabilities and responsibilities of the former institutions, including the human elements, are transferred to the single new institution". (*Harman*, 2002; p. 94)

2.12   Instances of integration activity are listed in Appendix 3 and include the merger of Radcliffe College with Harvard University in the United States (1999); the merger of Beijing Medical University with Peking University in China (2000); the formation of Charles Sturt University from several colleges in Australia (1992); and the formation of London Metropolitan University, from The University of North London and Guildhall University in the United Kingdom (2001).   As noted in Chapter 3 a merger process led to the establishment of CUHK in Hong Kong (1963).   To the extent that the integrated entity settles into a steady state short of such total fusion, the merger is partial or incomplete.

2.13   If the underlying circumstances dictate the need for a robust integration, merger presents clear benefits.   Full fusion will almost certainly produce the greatest cost savings through wide ranging rationalisation of management systems, course offerings, academic administration processes etc.   Such savings, when ploughed back to serve the academic mission, help lift quality and performance.   In an environment of sharply constrained resources, cost savings generated by merger will help plug gaps and in other ways avert or at least limit the fall of standards.

2.14   Presented in this light, why then is the number of universities merging over the past decade not in the thousands, rather that just in the hundreds?   There are two primary reasons.   First, any form of institutional integration involves change and while the culture in few organisations actively embraces change, generally speaking universities are famously attached to the organisational status quo.   This is well highlighted in the struggles that occur within a single university over department mergers or course amalgamations.   Put into the context of mergers between institutions rather than mergers within institutions, the resistance reflex can become very powerful indeed.   The lesson here is that great care is needed with institutional integration in any of its forms, but most particularly with merger.

2.15   The second constraint is that the process of merger carries certain costs and the net benefit is often less rosy than the starting proposition.   In its idealised form, merger is presented as a frictionless transition to a higher platform.   But in reality there are many potential impediments, and these are quite evident in the writings on international experience.   Particular difficulties highlighted in the international experience include:

- Fusing two governing bodies into one, with a single vice chancellor, can entail "redundancy" and loss of position in both the governance and the management dimensions.

- Agreeing identity issues such as the name of the new institution, design of a new degree testamur, even the form of the email address, are all often quite challenging because they drive to the heart of identity.

- Settling stakeholder concerns, such as with alumni groups, donors, corporate sponsors and international alliance partners.

- Melding potentially different human resource systems, e.g., grievance procedures for both students and staff; harmonising promotion standards and processes.

- Dealing with budget tensions which might be generated by competing philosophies of centralisation verses decentralisation; different allocation formulae for distribution between the centre and the faculties, and within the faculties.

- Managing a university now spread across multiple campuses.

2.16   This is not an exhaustive list of the challenges and it is not suggested that any or all of those listed are insurmountable (although there are many examples where a merger perished in the face of one or another of these difficulties).   The point is that these types

of barriers to merger do exist and must be faced and worked through. That takes time and this means that the advantages expected of merger are more realistically set to a mid-term agenda of 5-10 years rather than a shorter period.

> "…merger processes are time consuming. Furthermore, they…demand a lot of resources, especially in the short term. Experiences have shown that this often is underestimated. A merger needs a lot of planning before, during and after the process. Experiences from USA, Australia and the Netherlands demonstrate that it can take up to ten years before the situation is normalised after a merger". (*Skodvin*, 1999; p. 70)

2.17 A recurring theme in the literature is that the greatest challenge with institutional integration is to build a coherent culture, even where there is already a good institutional fit. The most common cause of failure (or less than spectacular performance) is where competing cultures fail to meld:

> "Managing the cultural dimension of mergers is such an important element in helping to ensure integration, creating a sense of loyalty to the new institution and in addressing likely high levels of conflict and stress…Such a process involves important elements that include managing the diverse academic orientations, values and attitudes of staff, integrating different student cultures, creating a strong research culture, and building morale and a sense of community that helps develop loyalty to the newly created institution". (*Harman*, 2002; p. 92)

2.18 This is a very important consideration, and leads to Harman's central cautionary note:

> "When deeply entrenched organisational and academic cultures are forced together they can present a considerable force in preventing or severely retarding change...Unlike organisational structures which can be concretely depicted, organisational cultures are elusive, ubiquitous and difficult to render intelligible…academic culture is deeply embedded and is not easy to unfreeze or turn off at will". (*Harman*, 2002; p. 97)

2.19 Another insight about integration in general but merger in particular is the critical role of leadership:

> "It is clear that where culturally different institutions are brought together, expert leadership is needed in order to keep damaging culture conflict to a minimum and to develop within the newly created institution new loyalties, high morale and a sense of community". (*Harman and Meek*, 2002; p. 3)

2.20 Yet there is no invariable model of leadership for institutional integration:

> "In successful mergers leadership in the early stages is typically strongly directive…However, as the institution changes over time, the style of leadership needs to change from being less controlling from the top to more building morale and developing loyalty". (*Harman*, 2002; p. 107)

2.21   Thus, there are significant potential benefits in the right circumstances, but there are also profound risks if the integration is poorly conceived or implemented.   Also, a common experience with merger seems to be "one step back" before "two steps forward" occurs.   This aspect of merger is often the reason the Federation Model is more attractive, at least as a stepping stone to full merger.

THE FEDERATION MODEL

2.22   The Federation Model of institutional integration draws universities closer together while preserving certain autonomy to the partner institutions.   Typically, the integrating institutions surrender governance autonomy and install a single, over-arching council and a single vice chancellor or president to take CEO responsibility for the federated entity. There is a variety of possible arrangements with subordinate elements and just where the new entity sits on the continuum of loose to tight federation depends on how these elements are handled and in particular what else is assigned to the central authority.   The federation will be tighter where:

- The heads of the member entities now fill positions directly responsible to the vice chancellor or president and bear such designations as "provost", "deputy vice chancellor" or "vice president"; and where these positions are openly advertised.

- The academic senates of the member entities fuse into a single academic senate with responsibility for programmes in all parts of the federation; and where the new council meets the standard array of principles of good governance. (see *Fit for Purpose*, 2003)

- Degrees are awarded by and in the name of the new university with no separate sub-identification of the member entities on the testamurs.

- The employment contracts of the staff are assigned to the new university.

- Student admission is by a central process and to a single standard across all elements in the federation.

- Overlapping disciplines and degree programmes are harmonised, even merged.

- A single student representative body operates.

- The legal instrument giving effect to the federation stipulates that responsibility for residual issues (i.e. issues not specifically mentioned) vest with the central authority and not with the member elements.

2.23   Thus, an arrangement in which each member entity retains residual elements, maintains its own academic senate and student admission process, and continues to award its own degrees, would reflect loose federation.   What distinguishes this from deep collaboration, a model discussed shortly, is the provision of a single identifying name, a single CEO and an over-arching governance body, *albeit* sharing power perhaps with subsidiary governing bodies at each member entity.

2.24   On the other side of the integration continuum, really tight federation comes close to merger, and indeed if all the features listed in paragraph 2.22 were present, the arrangement would be one of virtual merger.   One pattern often seen is for the integration process to start out at the loose end of federation and progress in a planned (or even unplanned) manner toward the tight end, and then on to merger.   The University of Western Sydney is a case in point, functioning as a federation from the 1980's to the late 1990's when it crossed into a merged form.

2.25   The key attractiveness of the Federation Model is the prospect of mobilising a number of the payoffs from merger, without surrendering total autonomy and, in the case of loose federation, surrendering very little autonomy.   But there is one obvious downside:

> "Federations offer relatively few opportunities to make large-scale reductions in costs.   Indeed, in the sense that federation imposes managerial complexity on the host institution, if not all of the participating institutions, federation may often entail increased, instead of decreased, costs in some areas, mainly administration". (*Lang*, 2002b; p. 174)

2.26   Economies of scale for non-academic functions is a obvious area of benefit, but federations also can advance the academic mission through introducing new disciplines and extending the range of more specialised subjects for student choice within a single discipline.   By lifting critical mass, the new university is usually able to drive the budget dollar further to the benefit of quality and reputation.   Handled properly, this generates a virtuous cycle in which success begets success.   But this is cast in the idealised form and in reality, significant challenges usually cut across the idealised world, though less sharply than with merger.

2.27   In summary, the Federation Model provides flexibility in setting the key characteristics at the time integration gets underway, and then scope to progress toward more robust forms of integration as the parties get to know one another.   The parties are likely to value the residual elements of autonomy which arise either as a guaranteed condition in the integration instrument or through a culture of devolution frequently evident in federated arrangements.   Another advantage is its capacity to accommodate integration among a number of institutions (rather than just two), a feature not common with merger.

2.28   Yet these advantages carry with them the seeds of the main drawback of the Federation Model, at least in comparison with the Merger Model.   One scenario is that the integrating parties, forced to a closer relationship by funding realities, in time form competing camps, particularly if resources continue to decline.   This, in turn, will accentuate tensions grounded in diverse institutional cultures.   Issues likely to arise include some of those also present with merger, such as the challenge of harmonising (even disestablishing) academic programmes and finding a single identifying name and rationalising membership of the governing body:

> "Integrated, unitary structures of governance as opposed to federal structures appear to work better in developing academic coherence and loyalty in newly

merged institutions. Integration, however, does not necessarily mean assimilation…a common misconception is that there must be total assimilation of different cultures…many different models and levels of cultural integration are possible and retaining some elements of the old cultures is desirable. The degree of integration desired in the newly created institution and the extent to which particular elements are retained from the different cultural traditions, are important considerations…" (*Harman*, 2002; p. 110)

2.29   Another challenge to anticipate is managing multiple campuses and the negative consequences, often cultural, that can emerge. Differences in standards in teaching and/or research, perceived or real, damage prospects of achieving parity of esteem among members of the federation on different campuses. If this translates into variable demand, and even variable admission standards to courses taught at the different campuses, some parts of the federation will build a higher reputation than others. This, in turn, raises the prospect of internal tension and reduces the likelihood of a stable operating environment and certainly forecloses on any movement toward tighter federation and ultimately merger.

THE DEEP COLLABORATION MODEL

2.30   A less extensive form of integration, though still one of some impact, is the Deep Collaboration Model. Here the partner institutions agree to merge functions in designated areas. Typical examples involve establishing a single office to handle some or many of the various support functions: information technology; human resource administration (but usually not recruitment or promotion); student support services such as counselling, sport and recreation; estate management and professional staff development. Certain academic functions also lend themselves to deep collaboration, such as where two (or more) universities share the teaching of specialised subjects and even large-class core units.

2.31   While deep collaboration covers less terrain than federation or merger, it non-the-less will entail some surrendering of independence, but not the autonomy of governance itself. One example of deep collaboration is the amalgamation in the mid-1990's of the business schools at the University of New South Wales (the AGSM) and the University of Sydney (the GSB) to form a single business school, the (new) Australian Graduate School of Management (AGSM). In this case, the governing bodies of the two universities agreed to joint ownership through a holding company, AGSM Limited. Staff employed in each of the two original business schools were seconded to the AGSM, and students at graduation received a testamur carrying the crest of each university. Academic programmes were overseen, in effect, by the academic senate of each university through their oversight of an AGSM academic senate. Thus, each university surrendered control of their respective business schools to achieve a single business school with an enhanced capacity to compete internationally – to make Sydney the hub for business education in the region. A legally binding contract between the two universities specified the rights and obligations of each, the terms of operation and, importantly, the process for review within seven years which would lead to recommitment or disestablishment of the deep collaboration.

2.32   Deep collaboration, like other forms of institutional integration, can aim to lift academic performance, enhance management support services and generate cost savings, which in turn either bolster the overall budget or help plug emerging gaps brought on by general funding cuts.   In some respects, the Deep Collaboration Model sits about mid-way on the continuum that stretches from merger through federation on the one side, to loose affiliation or status quo on the other.   Like merger and federation, it entails surrendering some control though less dramatically because governance structures, and indeed the very identities of the partner institutions, stay intact.   Unlike loose affiliation, there is a substantial modification of operational arrangements, usually with binding contracts to lock in commitments.   It entails an arrangement made (or at least formally sanctioned) at the institutional level by the governing bodies.   Like loose affiliation, the Deep Collaboration Model covers specific issues in designated areas whereas both merger and federation embrace a whole-of-institution approach.

THE LOOSE AFFILIATION MODEL

2.33   The Loose Affiliation Model promotes some of the benefits of a closer working relationship, while preserving a high degree of autonomy and independence for each partner.   This may encompass such arrangements as team teaching with academics from each institution jointly responsible for a course enrolling students from each university for credit toward their respective degrees.   Similar examples are easily found in general administration where two or more institutions find mutual advantage, as in the purchase and maintenance of computer-based information systems, reflected in the PeopleSoft user groups in several countries.   Agreeing to let each other's students gain library access is another initiative typical in the Loose Affiliation Model.

2.34   It is difficult to see many drawbacks *per se* in such an approach.   The participating parties enter and leave the arrangement with ease, becoming involved because there is a benefit to be gained and leaving when this is no longer the case.   Such fluidity and maintenance of high discretion over relatively short time periods is a key distinguishing feature from merger, federation and deep collaboration.

2.35   The main drawback of the Loose Affiliation Model derives from its tendency to tackle issues with relatively low pay-offs.   Initiatives are likely only to proceed if there is day-by-day consensus that benefits are being reaped.   It tends to fairly short planning horizons and generally will not proceed where pay-offs are only delivered further down the track.   In short, the Loose Affiliation Model is strong on preserving the comfort zone of current players and weak on tackling issues with inter-generational benefits.

THE STATUS QUO MODEL

2.36   The Status Quo Model is essentially self explanatory: the higher education sector maintains its current form and character, with existing institutions maintaining already established boundaries.   The only integration measures are those which flow in the normal and time-honoured manner.   One university agrees to host another's study-abroad students or staff on sabbatic leave. Researchers from different institutions collaborate on grant applications, patents and commercialisation exercises.   International conferences

facilitate the easier flow of information and ideas. The point is that universities have long engaged in cooperative endeavours, *albeit* usually at the individual-to-individual level, and no doubt this will continue.

2.37   Presented in this manner, the Status Quo Model sits very comfortably with the Loose Affiliation Model; in fact, the boundary line between them is quite blurred. In another sense the status quo does not exist at all, for the environment being encountered by universities is changing so profoundly that universities constantly face and address the unencountered. In a competitive environment, a simple philosophical point is that if some universities embrace the more robust end of the institutional integration continuum, then the other end is not the status quo that it was – it too has changed. This is to say that a key disadvantage of the so-called Status Quo "Model" is that it is not really an option because technically it does not exist, at least for universities seeking to preserve, let alone advance, their interests.

CONCLUSION

2.38   Looking at the five main models under review, several key propositions emerge which will need to be borne in mind when we come to Chapter 4, which assesses the options and formulates recommendations for the UGC's consideration:

(a)   there is a significant range of options, expressed here as models for the purpose of providing a coherent framework, through which we may assess the benefits and drawbacks of particular closer working relationships;

(b)   the options (or models) are distinguished from one to another by the particular mix of changes to, and outcomes in, such key elements as governance, leadership, teaching, research and administration. Across this range there are literally dozens of new settings that might be incorporated to constitute a particular model of institutional integration;

(c)   the relative advantage of one model over another will depend on a range of considerations such as the nature of motivation toward integration; the goodness of fit between the parties; the levels of support or opposition to integration of one form or another; and the balance between strategic advantage for the parties and budget difficulties;

(d)   irrespective of which model is preferred, there is no simple formula for achieving success with institutional integration. So much depends on so much else – the severity of the perceived problems or issues being addressed by the transformation; the absolute attraction of the incentives offered; the presence of champions of change versus the presence of strong and influential opponents; the "goodness of fit" on a myriad of fronts – organisational culture, academic standards, student profiles, leadership harmony versus rivalry, programme complementarities, distance between campuses…the list can seem endless; and

(e)   institutional integration usually requires transitional funding, all the more so for the more robust forms such as merger or federation. If governments are to

provide funding assistance for integration, it can be expected reasonably that such funding should advance public policy, and in the case of Hong Kong this would embrace the UGC's Roadmap Document for higher education, which is discussed in Chapter 4.

CHAPTER 3

THE SETTING FOR
INSTITUTIONAL INTEGRATION IN HONG KONG

3.1   Higher education in Hong Kong dates back to the beginning of the last century and the eight institutions now under the aegis of the UGC have followed a variety of paths in coming to their present form and standing[1].

- The oldest formal institution is the University of Hong Kong (HKU), founded in 1911, after "W.H. Donald, the Australian managing editor of *The China Mail* first raised the idea in late December 1905". (*Chan Lau and Cunich*, 2002; p. 1)

- The Chinese University of Hong Kong (CUHK) was established in 1963 through the amalgamation of three post-secondary colleges.

- Hong Kong Baptist University (HKBU) was registered (as Baptist College) under the Post Secondary Colleges Ordinance in 1970 and gained university status in 1994.

- Lingnan University (LU) was similarly registered (as Lingnan College) in 1978 and gained university status in 1999.   It derives from the Lingnan University in Guangzhou established in 1927.

- The Hong Kong Polytechnic was founded in 1972, taking over the campus and staff of the former Hong Kong Technical College.   It assumed full university status in 1994 and became the Hong Kong Polytechnic University (PolyU).

- The City University of Hong Kong (CityU) followed a similar process to obtain university standing.   It was established in 1984 as the City Polytechnic and became the CityU in 1994.

- The Hong Kong University of Science and Technology (HKUST) was opened in 1991 following a special review of the need for a new university with HKUST's focus.

- The Hong Kong Institute of Education (HKIEd) emerged in 1994 through the merger of four colleges of education and the Institute of Language in Education, previously under the supervision of the then Education Department.

3.2   This pattern of institutional establishment and development is quite typical of countries with mature university systems.   Some institutions are established in a green fields sense; others start out as branches of other universities, sometimes based overseas;

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[1]   In drawing up 3.1, reference has been made to and text drawn from the UGC's Report *Higher Education in Hong Kong* published in 1996 and Chapter 8 on "The Reform of Higher Education in Hong Kong" by Nigel F. French in *Higher Education in a Post-binary Era : National Reforms and Institutional Responses* edited by David C. B. Teather and published in 1999.

sometimes merger between a group of colleges brings the new university into existence; and on other occasions a single institution, often a polytechnic, is elevated to university status.   Given the task before the Working Party, the history of Hong Kong's universities is pertinent because it highlights just how fluid over time is the evolution of a higher education system.

3.3   Had arrangements been frozen in, say, 1950 or 1970 or 1990 the current landscape would be dramatically different.   Similarly, it is difficult to imagine that the higher education landscape in 2014 – a decade out – will simply replicate that of 2004.   Yet many of the changes introduced in the Twentieth Century caused concern, sometimes fierce opposition, at the time.   The lesson is two-fold.   First, the worth of a particular change often cannot be assessed objectively until ten or twenty years further on; were a simple referendum approach adopted at the time, much of the current landscape would never have emerged.   Thus, it is not just contemporary views about transformation that should count when it comes to institutions with long time horizons, but also important is the "ten-to-twenty year test" – how will the next generation view what has been done (and equally, what we failed to do).   Second, it is none-the-less critical to set future goals in an understanding of present conditions and how we come to be where we are.   Hence, the focus of this Chapter is to help understand that institutional integration, even merger, has played a significant role in the establishment of the system and in all probability it and other forms of institutional integration will continue to do so, particularly if we are cognizant of the "ten-to-twenty year test".

THE CHARACTER OF HIGHER EDUCATION IN HONG KONG[2]

3.4   The eight tertiary institutions are funded by the Government through the UGC. Each of the UGC-funded institutions is an autonomous body with its own Ordinance and Governing Council.   The seven universities and the HKIEd have substantial freedom in the control of curricula and academic standards, the selection of staff and students and the internal allocation of resources.   Because they are largely supported by public funds, however, and in view of the importance of higher education to the future of Hong Kong, the HKSAR Government and the community at large can legitimately take an interest in the operation of the institutions, to ensure they are providing the highest possible standards of education in the most cost-effective manner.   As one of its roles the UGC acts as a "buffer", helping safeguard academic freedom in and institutional autonomy of the universities on the one hand, while ensuring value for money for the taxpayers on the other.   This important matter of principle is part of the philosophical framework adopted by the Working Party and is addressed further in Chapter 4.

3.5   The eight UGC-funded institutions are diverse in character and in the contributions they make to the educational, cultural and economic development of Hong Kong.   The differentiated roles of the institutions reflect their varying origins and the way they are expected to respond to the complex and evolving needs of Hong Kong.   The UGC has recently completed a review of the role statements of the institutions and these new statements, which are published in the UGC's Roadmap Document (see para 1.6 above),

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[2] In drawing up the broad picture presented in 3.4 to 3.10, reference has been made to and text drawn from the UGC's Facts and Figures published in June 2003 and the Roadmap Document published in January 2004.

reflect clearly the distinctive but complementary role of each institution in the higher education system. In addition to some common themes such as achieving excellence in teaching and in their respective areas of research strength, each institution's role statement has certain components specifying the level and range of programmes which the institution may offer and reflecting the institution's unique role and characteristics. For example[3]:

- CityU offers a range of professionally oriented programmes leading to the award of first degrees, and a small number of sub-degree programmes, and emphasizes high value-added educational programmes for whole person development and professional competencies and skills.

- HKBU offers a range of programmes leading to the award of first degrees in Arts, Business, Chinese Medicine, Communication Studies, Education, Science and Social Sciences, and follows a holistic approach to higher education, and emphasizes a broad-based creativity-inspiring undergraduate education, which inculcates in all who participate a sense of human values.

- LU offers a range of programmes leading to the award of first degrees in Arts, Business and Social Sciences, and provides a general education programme which seeks to offer all students a broad educational perspective, distinguished by the best liberal arts tradition from both East and West, and enables its students to act responsibly in the changing circumstances of this century.

- CUHK offers a range of programmes leading to the award of first degrees and postgraduate qualifications in subject areas including Arts, Science, Social Sciences and Business Administration, and incorporates professional schools such as Medicine, Architecture, Engineering and Education.

- HKIEd offers a range of programmes leading to the award of certificates, first degrees and postgraduate diplomas, which provide suitable preparation for a career in education and teaching in the pre-school, school and vocational training sectors, and nurtures through all its programmes knowledgeable, caring and responsible teachers who will serve the needs of Hong Kong schools.

- PolyU offers a range of professionally oriented programmes leading to the award of first degrees, and a small number of sub-degree programmes, and emphasizes high value-added education, with a balanced approach leading to the development of all-round students with professional competence.

- HKUST offers a range of programmes leading to the award of first degrees and postgraduate qualifications particularly in Science, Technology, Engineering, Management and Business Studies, and assists the economic and social development of Hong Kong by nurturing the scientific, technological, and entrepreneurial talents who will lead the transformation of traditional industries and fuel the growth of new high-value-added industries for the region.

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[3] Extracted from Annex A to the UGC's Roadmap Document published in January 2004.

- HKU offers a range of programmes leading to the award of first degrees and postgraduate qualifications in subject areas including Arts, Science, Social Sciences, and Business and Economics, and incorporates professional schools such as Medicine, Dentistry, Architecture, Education, Engineering and Law.

3.6   The early part of the 1990's saw a rapid expansion of the UGC-funded sector. First-year-first-degree (FYFD) places increased from 7,426 in 1989/90 to 14,500 in 1994/95 – equivalent to 9% and 18% respectively of the relevant age group.   Since the 1995-98 triennium, the tertiary sector has entered a consolidation phase with the FYFD places remaining at 14,500.   In addition to the expansion of student numbers, funding for research and research grant projects has also increased substantially in recent years. Research Postgraduate places increased from 1,285 in 1991/92 to 4,175 in 2002/03. Following the establishment of the Research Grants Council (RGC) in 1991/92, funding channelled through the RGC has increased significantly from HK$100 million to approximately HK$540 million in 2002/03.

3.7   Along with its strong internal growth, the sector has become increasingly aware of opportunities to engage internationally, and this is reflected in a range of developments. There are reports of an increasing number of exchange programmes with counterpart institutions beyond the HKSAR.   Further, the Education and Manpower Bureau has relaxed the admission quotas for non-local students to provide more flexibility for UGC-funded institutions in this area.   Non-local students bring significant benefits to both local students and the institutions and, in recognition of such benefits, the UGC has provided for an expansion of student exchange activities at the undergraduate level.   The Hong Kong Jockey Club Charities Trust has extended a pilot scheme to sponsor Mainland students to pursue undergraduate study in Hong Kong.   The international search for high quality faculty members has been particularly strong in the past decade.   A wide range of academic cooperative efforts is taking place between Hong Kong institutions and those on the Mainland and in other parts of the world.   All this (and more) has better positioned Hong Kong to compete globally in the academic arena.

3.8   One of the important issues considered by the Working Party is the extent to which international engagement and a greater outward outlook might be facilitated through institutional integration.   The UGC will no doubt give particular attention to this issue as it moves forward with the implementation of its Roadmap Document.

3.9   Beyond the UGC sector, there is a number of higher education providers in Hong Kong.   The Hong Kong Academy for Performing Arts, for example, offers degrees, diplomas and certificates in Dance, Drama, Music, Technical Arts, etc. and is directly funded by the Government.   The Vocational Training Council also receives recurrent Government funding.   The Open University of Hong Kong, the HKSAR's principal distance learning institution, was established by the Government in 1989 and received initial public funding support.   Now the institution operates on a self-financed basis. Other post-secondary education providers in the non-Government sector include Shue Yan College, Chu Hai College and Caritas Francis Hsu College, etc.

3.10   The sub-degree sector also has experienced significant change in recent years.   In his 2000 Policy Address, the Chief Executive of HKSAR announced a Government initiative progressively to increase post-secondary education opportunities, with the

objective that 60% of Hong Kong's senior secondary school leavers should be able to receive post-secondary education by 2010. At present, there is a number of providers of sub-degree programmes within and outside the UGC sector. The Government is planning to provide additional funding for the UGC-funded institutions to create student places at the senior undergraduate level to provide articulation opportunities for sub-degree graduates and those with other relevant qualifications. Such planned articulation is another dimension of institutional integration, which the Working Party sees as increasingly important.

PATTERNS OF INSTITUTIONAL INTEGRATION IN HONG KONG

3.11   The Working Party has approached its Terms of Reference with the view that institutional integration entails "active measures drawn from and set within an array of coherent models that are designed to bring about closer operating relations between two or more institutions" (see Recommendation 1, para 1.14 above). To help better understand what might be possible going forward, we outline here some prominent instances of institutional integration already in place or underway.

Establishment of CUHK

3.12   The background to the establishment of CUHK is well articulated in the Report of the Fulton Commission[4] published in 1963. The relevant material is summarised in 3.12 to 3.14 for readers' ease of reference. CUHK was established in 1963 following the amalgamation of three post-secondary colleges. Prior to this, Chinese traditional scholarship and the development of modern studies in the medium of the Chinese language were emphasised, given the long standing attention to providing university education for students from the Chinese middle schools in Hong Kong. Before 1948, the Chinese middle schools offered similar curricula to those in Mainland China. It was thus a natural progression for students of these schools to look to the Mainland for higher education. As circumstances in Mainland China changed, however, students born in Hong Kong and attending Chinese middle schools began to look locally for higher education. At the same time, large numbers of "refugee students" began to enter Hong Kong with an aspiration to continue the style of study they had pursued previously. Soon "refugee colleges", as they were called, arose in Hong Kong. Some were the direct offspring of universities which had previously flourished in Mainland China. Some were colleges founded by Christian missionary bodies, while others were simply created by individuals devoted to education. These colleges were registered as schools and were subject to the Education Ordinance in Hong Kong. At the same time, however, they were anxious for an improved status so that they could be officially recognised as institutions of higher education.

3.13   Chung Chi College, New Asia College, and the United College were the three foundation colleges in the merger forming CUHK. Chung Chi College was set up in 1951 by the representatives of various Protestant churches in Hong Kong as an institution

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[4] Mr J. S. Fulton was a former Vice-Chancellor of the University of Sussex. He was appointed by the Hong Kong Government in 1962 to lead a Commission to consider and determine whether, and how, a new Chinese University should be created. The Report of the Fulton Commission was published in 1963 and recommended the establishment of the CUHK. Its recommendation was accepted by the Government and the legislature.

of higher learning that would be both Chinese and Christian. The New Asia College was founded in 1949 by a small group of scholars who came to Hong Kong as refugees, providing their students with the knowledge of their Chinese cultural heritage and of modern Western learning. The United College was created in 1956 by the amalgamation or merger of five "refugee colleges" which decided to pool their resources.

3.14   In 1957, these three Colleges combined to form the Chinese Colleges Joint Council, with the object of securing Government recognition of post-secondary colleges. In 1960, the Government introduced the Post-secondary Colleges Grant Regulations, which were designed to provide these Colleges with financial support and, at the same time, ensure that such support would be related to improvements in the standard of education. On the advice of the Fulton Commission appointed by the Government to consider and determine whether, and how, a new Chinese University should be created, the Government and the Legislative Council endorsed the establishment of this new university in 1963. The Commission also made recommendations as to initial arrangements for government support for capital and recurrent expenditure by the University and the transitional arrangements. The fourth college of CUHK, Shaw College, was established in 1986.

Establishment of HKIEd

3.15   As described in detail in HKIEd's *Annual Report for 1994/95*, its history can be traced back to 1853 when the first formalised programme of in-service teacher training was introduced at St. Paul's College. The increasing interest in and demand for formal teacher education led progressively to the establishment of five specialist teacher training institutions: the Northcote College of Education (1939), Grantham College of Education (1951), Sir Robert Black College of Education (1960), the Hong Kong Technical Teachers' College (1974) and the Institute of Language in Education (1982).

3.16   In 1992, the *Education Commission's Report No. 5* identified a number of weaknesses in the areas of teacher education and development. First, there was no overall policy to ensure that initial teacher education and in-service professional development were provided in a coordinated and systematic way. Secondly, the Colleges of Education, which prepared non-graduate teachers, occupied an anomalous position within the structure of post-secondary education. Their status as units of a Government department hampered their academic development and they were also finding it increasingly difficult to compete for good quality school leavers. Thirdly, there was no single source of authoritative advice on the needs of schools for professional skills, and the resources required for meeting those needs.

3.17   To address these weaknesses, the Education Commission recommended the establishment of a new institution and in 1994 the Hong Kong Institute of Education emerged through the merging of the four former Colleges of Education and the Institute of Language in Education. In drawing up its recommendations, the Education Commission took account of various factors such as resources, staff norms, facilities and a range of academic issues, with the ultimate goal of forging an institution that would upgrade teacher education and provide professional development at a high level.

Collaboration Among Institutions

3.18   Collaboration among the universities and with HKIEd is evident across a number of institutional activities, including research, provision of programmes, teaching and learning quality and academic support services.   The Working Party was made aware of many cooperative activities through discussions with the Reference Groups and the material provided.   Some of these are highlighted here to demonstrate that institutional integration is currently underway and the range of different styles and types of interchange. As seen in Chapter 2, such arrangements can vary from the robust forms involving merger and federation (none of which are currently in process in Hong Kong) to deep collaboration and loose affiliation, which are evident (though not yet prevalent) in Hong Kong.

3.19   A good example of collaboration in research is the UGC's Areas of Excellence (AoE) scheme which aims to motivate universities to build on their competencies and produce internationally-recognised research.   In the UGC's view, encouraging collaboration, indeed "deep" collaboration, will help to achieve this through building the necessary critical mass and by creating synergies.   Institutional collaboration or cooperation is thus one of the key assessment criteria for AoE proposals.   Of the eight projects funded in the first three rounds, all involved institutional collaboration.   The experience so far suggests, however, that greater effort is required to ensure that a culture of deep and lasting collaboration develops.

3.20   Competitive research funding is also made available through the Earmarked Research Grants (ERG) – the largest single source of funding for academic research in the higher education sector.   The ERG is intended to promote the overall research capability of Hong Kong and provide marginal funding support (in addition to block grants) for research projects undertaken by individual faculty members.   The average grant size is around $0.6 million over a three-year duration.   Unlike AoE, however, institutional collaboration is not a major assessment criterion, although it is a relevant consideration. Of the ERG disbursed in the last three years, only around 10% of the supported projects involved collaboration between institutions, and this could perhaps be reviewed as part of the UGC's overall strategy of encouraging greater institutional integration.   Also, although some collaboration already occurs between individual researchers from separate institutions, it appears that this is on a limited scale.   This is another area where institutions, and perhaps the UGC, have considerable scope to advance more active collaboration.

Provision of Programmes

3.21   A number of UGC-funded undergraduate programmes are offered on a collaborative basis.   For example, five involve a partnership between HKUST and HKIEd.   The general combination includes an undergraduate degree in science and teacher training at a level equivalent to a postgraduate diploma in education. The faculty of HKIEd teaches all the education courses and graduates of HKUST's Bachelor of Science programmes become qualified teachers.   Beginning in September 2003, and with the exception of students of HKIEd, postgraduate research students may enrol in courses at any other UGC-funded institution for the purpose of expanding the students' access to more courses and expertise.   The UGC has also been funding a long standing venture

between the Faculties of Medicine of CUHK and HKU to run a Joint Department of Ophthalmology and Visual Sciences, which is intended to be a fully cooperative venture involving active participation by both universities.

3.22   In the course of the study, the Working Party was given to understand from the submissions from HKUST and CUHK that they signed an academic partnership agreement in September 1999.   Under this agreement, the two institutions were to collaborate in a number of areas, including cross-institutional study, research activities, academic conferences and the sharing of academic materials.   Although a number of small-scale efforts were made along these lines, the distance between campuses has made it difficult to expand the programme. In recent times, the possibility of sharing summer courses has been explored, but no definite programme has been worked out yet.   More recently the "Framework for Partnership" document signed in January 2004 by the President/Vice-Chancellors of CUHK, HKU and HKUST, mention as possible areas of collaboration "the joint offering of advanced course work for research postgraduate students in selected areas" and "undergraduate 'exchange' programmes, and the possible development of undergraduate majors requiring such exchange" (*letter to UGC Chairman*, 3 January 2004).

3.23   As with research cooperation these cooperative arrangements in the joint provision of academic programmes are essentially isolated from any coherent plan toward significant institutional integration.   However, a reasonable start has been made, and with the UGC's new Roadmap Document and the support of role differentiation and institutional integration, the way is clear for considerably greater efforts toward deep collaboration.

Promotion of Teaching and Learning Quality

3.24   The teaching and learning quality area presents a picture of stronger cooperation and collaboration.   Of the 38 projects funded by the UGC's Teaching Development Grants (TDGs) programme for 2001-04, 29 involved collaboration between institutions. Another of the UGC's major initiatives to enhance the quality of teaching and learning is the Teaching and Learning Quality Process Reviews (TLQPRs).   Two rounds of reviews have been conducted leading to the teaching support units of the institutions organising a number of joint activities to maintain the momentum and exchange ideas.

3.25   Thus, there have been commendable efforts in particular cases by some institutions jointly to enhance the quality of teaching and learning.   However, in the main it appears that the UGC has been the major driving force behind initiatives to build benefits from integration.   Institution-led initiatives appear limited, and this may reflect a more universal characteristic of institutional integration: institutions themselves naturally will take some steps toward building stronger working relations, but in forging an advanced model of institutional integration an important leadership role is usually required of government and its agencies.   In all probability this will be pertinent for Hong Kong if it is to see its higher education sector develop beyond a set of essentially separated institutions into an interlocking university network capable of projecting an overall "brand image" of high quality, especially overseas.

Academic Support Services

3.26   As highlighted in HKUST's submission to the Working Party entitled *Institutional Collaboration* (see Appendix 1, Part C), the academic support services area is perhaps the most advanced in terms of institutional integration, and the submission has described a number of major initiatives jointly taken by the institutions in this regard.   A particularly prominent example is the Joint University Programmes Admissions System (JUPAS), which assists students who apply for entry to undergraduate programmes.   This project probably represents the most vigorous form of institutional collaboration achieved to date, and is one of only a few abiding instances of deep collaboration as defined in Chapter 2, and further explored in Chapter 4.

3.27   Another important cooperative effort is the Joint Universities Computer Centre (JUCC), which has, as its primary objective, the provision of computing and information technology services for its members.   One of the significant achievements of JUCC was the formation of the Hong Kong Academic and Research Network (HARNET) which is the high-speed wide-area-network backbone linking up the campus networks of the JUCC member institutions.

3.28   A further example is the Joint Universities Library Advisory Committee (JULAC), a forum to discuss, coordinate and collaborate on library information resources and services among the libraries of the institutions.   To date, the JULAC has developed a courier system to speed up interlibrary loans, and created a JULAC card.   The JULAC card facilitates interlibrary loans and is available to all faculty, academic equivalent staff, research assistants and postgraduate students.   Similarly, the Joint Institution Job Information System (JIJIS) is a collaborative effort of the career centres of the institutions. It provides a centralised website for students/graduates of all institutions and their prospective employers with various sorts of employment-related information.   Also, the directors of the administrative offices of the institutions have been meeting regularly to discuss matters of joint interest and concern, particularly the sharing of best practice.

STANCE OF CUHK ON A POSSIBLE MERGER WITH HKUST

3.29   With the possibility of merger between CUHK and HKUST being mooted by SEM in late 2002, each of the two Universities established a Task Force to examine the issue. The reports of the two Task Forces were made available to the Working Party at an early stage of our deliberations.   These, together with a supplementary submission from HKUST (at the invitation of the IIWP) and the several meetings with each University's Reference Group on Institutional Integration, have provided valuable insights.

3.30   The central proposition of the CUHK Task Force, and reaffirmed during consultations, is that resource allocation should be focused on a small number of universities, as signalled in the first recommendation of the HER Report.   This would be an integral aspect of any larger plan to see the Hong Kong higher education sector competing globally.   The status quo is not sustainable and CUHK should aim to be among the elite institutions.   Given the funding structure of the UGC sector, the Task Force argued that economies of scale and critical mass were necessary elements of the pursuit of excellence, and therefore merger might hold some advantages.   While other

avenues for improvement may exist, the potential benefits they could bring were limited in comparison with merger.

3.31   CUHK considered that integration with a strong partner would have a number of benefits.   The merged entity with improved quality and increased funding from Government and other sources, would be considered one of the premier universities in Hong Kong, and the greater size would enable a broader subject offering and lead to efficiency gains.   At the same time, however, the Task Force identified some areas of concern.   In particular, it maintained that attention should be paid to issues such as the quality of education, preservation of the College system, non-formal education and individual care for students, institutional ethos and tradition, staff worries over conditions of service, and the costs incurred during transition.

3.32   In a timely application of the "ten-to-twenty year test" (see para 3.3 above), the Task Force noted:

> "If one were to identify the top five universities in all of China in 20 years' time, will any Hong Kong institution be on the list?   Unless drastic action is taken, the answer is likely to be no, simply because one cannot compete with the concentration of national resources when the gap in per capita GDP narrows. And if the answer is no, then Hong Kong's aspiration to be one of the leading world cities of Asia may also be jeopardised.   This consideration, more than any other, gives a sense of urgency to the matter at hand". (*CUHK Task Force Report*, 2003; para 2.16)

3.33   The Task Force affirmed its desire to pursue negotiations with the Government and HKUST on the way forward.   It also suggested that the Government should formally acknowledge that the purpose of the proposed merger was to improve quality – to create a globally-competitive educational institution – and agree to consider the integrated institution as the primary candidate for the focused support identified in the HER Report. Ultimately, the Task Force indicated a willingness to enter into dialogue with HKUST, subject to favourable indications from the Government on the issues of concern.

STANCE OF HKUST ON A POSSIBLE MERGER WITH CUHK

3.34   The views of HKUST are articulated in two key reference documents: the report by the Task Force, appointed by the HKUST Council to study the matter (*Exploration of the Idea of a Merger Between the HKUST and the CUHK*); and a supplementary submission, in December 2003 (*Amplification and Augmentation of the HKUST Merger Task Force Report*) from the Reference Group.   The latter was intended to expand on the issues raised in the former.

3.35   The HKUST Task Force, like its counterpart at CUHK, paid particular attention to the first recommendation of the HER Report, namely that in the university sector resource allocation should become more focused to help create globally competitive institutions of higher education.   In other words, a small number of institutions should be identified for extra support.

3.36   In considering the case for merger, the Task Force recognised that, at a time of continued funding cuts, some might consider there was little choice but to merge.   It also identified a number of potential benefits arising from merger – additional resources could ensure the institution's long-term development, efficiency gains would be reaped through economies of scale, and student choice in course selection could be widened.

3.37   On the other hand, the Task Force also identified a number of issues of concern with merger.   In particular, it argued that the missions of CUHK and HKUST are quite distinct, with the former offering a comprehensive range of programmes and the latter being more specialised.   The Task Force believed that merging HKUST with a more comprehensive institution might undermine the focus that has underpinned its success. Other concerns related to the effect on faculty recruitment and retention arising from the short-term dislocations associated with integration, job security of non-academic staff and some hidden costs that may arise.

3.38   On balance, the Task Force felt the case for merger could not be advanced strongly, particularly without further detail on several fronts:

> "…the Task Force was faced with considerable difficulty in that key issues pertinent to the question of a merger can only be resolved by Government.   As in the founding of HKUST itself, the Government's role in this matter is crucial to its success.   First and foremost, Government, perhaps in concert with the UGC, needs to clarify and articulate the objectives that the merger is intended to serve. In the process, it is most important that Government address the funding implications and other concerns, especially if one of the objectives of a merger is to implement the first recommendation of the HER Report as the Task Force has assumed." (*HKUST Task Force Report*, 2002; pp. 9-10)

3.39   Overall, the Task Force took the view that it was not timely at this stage for HKUST to enter negotiations with other tertiary institutions regarding merger.   Instead, it recommended that the University should reconsider the issue upon receipt of clarification from the Government on a number of "critical" issues, including: the objectives of a merger; the resource implications of merger; how to maintain quality of research; and how to implement a management system capable of building on the strengths of both HKUST and CUHK, while minimising the hidden costs of merging.

3.40   In its *Amplification and Augmentation* document the HKUST Reference Group reiterated the argument that, before a particular merger scenario is explored, there should be a renewed commitment to "improving the quality and competitiveness of higher education in Hong Kong."   It raised concerns as to the rationale for integration, and expressed disappointment at the lack of clear and formal response from the Government with regard to the "critical issues" raised by the HKUST Task Force.

3.41   The HKUST Reference Group also reiterated and expanded upon concerns regarding the anticipated benefits of the proposed integration.   Based on a departmental survey at HKUST, the Group doubted that a merger would create the necessary critical mass for building viable new programmes.   The same survey also examined the potential synergies to be released through a merger and the overwhelming response was that integration would not produce large scale synergies.   The Reference Group raised serious

doubts as to whether and how the current support for the two institutions could be transferred to a new and unknown entity, without risking the loss of each university's brand name and alumni loyalty. Finally, the Reference Group questioned whether economies of scale would be achieved through merging the two universities.

3.42   The HKUST Reference Group remained unconvinced that discussion of the detailed framework for integration was useful when many questions about the value of integration were unresolved.   As an alternative, it proposed that more attention be devoted to encouraging voluntary research and teaching collaboration among institutions, and to implementing and strengthening voluntary alliances such as the one between HKUST and CUHK that already exists.   The Reference Group re-emphasised the importance of the Government clarifying the objectives of institutional integration and highlighted the need to address the funding implications and other concerns. Nevertheless, the Reference Group endorsed the IIWP's pursuit of identifying ways to advance Hong Kong as an education hub, regardless of whether institutional integration was found to advance this pursuit.   Ultimately, the Reference Group committed HKUST to supporting and informing the relevant efforts.

3.43   It is incumbent on the Working Party also to recognise the position of SEM in this regard.   SEM has not been silent on the "critical issues" highlighted by HKUST and on a number of occasions has addressed the reasons for wishing to take forward a possible merger between CUHK and HKUST.   Whilst these remarks and comments, extracted from public documents and presented in Appendix 4, may not fully satisfy HKUST, they nevertheless do indicate the thinking of the Government on a number of the issues at hand.

CONCLUSION

3.44   Like all mature systems of higher education, Hong Kong's reflects a rich history and presents a wide array of structures, programme formats, academic cultures and attitudes toward status quo and change.   And like many other such sectors, it is beginning to grapple with a powerful set of pressures from rising demand, efficiency considerations, the push for quality enhancement and the need to be internationally visible.   There is an emerging awareness that greater interchange between institutions is inevitable, indeed critical.   The key issue, particularly for HKUST and CUHK who have been encouraged to think deeply about possible merger, is the form that interchange should take.   That is, which of the boundaries that define separate institutions are malleable and which are not.

3.45   This review of the current setting for institutional integrating in Hong Kong suggests several conclusions to the Working Party (which will be developed in some detail in the next Chapter):

(a)   there are already many instances of cooperation among the universities of Hong Kong and with HKIEd, but very little of this could be considered to meet the standards of deep collaboration, let alone federation or merger.   Moving to a more robust model of integration will require a significant lift in effort;

(b)   there is little to encourage the belief that HKUST and CUHK could, in the near future, move to merger or a federated arrangement (although a significant infusion of transitional funding could alter the picture);

(c)   some, perhaps many, of the concerns raised by HKUST and CUHK about institutional integration in general and merger in particular may begin to subside through the implementation of this Report and the policy framework it helps articulate; and

(d)   institutional integration works best when driven by the parties themselves, but to generate sufficient momentum toward a new plane of activity, the UGC will need to develop active strategies, in consultation with the higher education institutions themselves.

CHAPTER 4

OPTIONS AND RECOMMENDATIONS

4.1　One of the abiding challenges in developing modern policies for the higher education sector is to strike the right balance between actions that encourage, steer or direct universities in particular ways to achieve certain outcomes, and on the other side of the scale, the preservation of traditional autonomy through which universities can set and pursue their own missions under the guidance of governing councils which are independent of government.　With unlimited resources, the balancing point can be set more toward autonomy.　But where public funds are static or declining (as they are in most countries) and where sources of private funds are seriously limited, public policy can be expected to take a closer interest in just how resources are allocated, and with what effect.

INSTITUTIONAL INTEGRATION AS A PUBLIC POLICY ISSUE

4.2　The role of bodies such as the UGC, or indeed of government education departments generally, is a familiar theme in public policy discussion, and was touched on in the HER Report 2002:

> "The UGC must balance a range of tensions to perform its role.　Staff and institutions are funded by public money, but society expects that their academic freedom to choose what to research and teach will be constantly balanced with the policy and economic objectives that are endorsed for the SAR". (*HER Report*, 2002; p. 10)

4.3　This is not to suggest that university autonomy, in its role of assuring an environment for academic freedom in the traditional sense, is to be compromised.　Nor does a guiding government hand at certain stages of the resource allocation process undermine the governing council's ultimate right and responsibility for seeing that the university pursues its set mission.　Indeed, within the coherent framework provided by a thoughtful and strategic higher education policy, the great majority of universities can hope to achieve more than if left to a public policy vacuum or where a raw laissez-faire approach operates.　It should also be noted that in those (few) countries where a UGC-type body still mediates between government and universities in policy development and resource allocation, the autonomy condition is even further assured.

4.4　Chapter 2 on insights from international experience highlighted the pervasiveness of change in higher education sectors and the prominence of attention to how universities can best inter-relate.　As the aspirations of Hong Kong's higher education sector shift and mature, as competition from other countries with similar goals comes onto the international agenda and as resourcing challenges deepen – while these and other forces come into play – the UGC will encounter even stronger reason to be more proactive and strategic in its overall role, including with issues that fall broadly into the territory of institutional integration.　The first Recommendation of the Working Party, introduced

shortly, addresses the question of just what is encompassed by institutional integration. As prologue to that, we emphasise that integration should be seen as a generic term embracing a wide array of options or models which bring higher education institutions into a closer and more constructive working relationship. A range of models were discussed in Chapter 2 and these will be assessed for the Hong Kong context in this Chapter. Merger is one such option, nothing more and nothing less. The term "merger" is neither a euphemism nor a synonym for integration, but simply one element in a possible array to be selected by public policy and the institutions involved. And the term "integration" is used in this Report as the generic for this array.

4.5   It is natural that the operating relationships between and among Hong Kong's institutions of higher education would be part of the attention given to the sector by the UGC and the Government. Certainly this is an emerging trend in other parts of the world where the success of universities is seen to be critical to national interests. It is also common for issues of institutional integration to be set in a wider strategy for higher education, and this will no doubt be true in Hong Kong as well. Again, from the HER Report:

> "At present, once the UGC recommends a triennial recurrent block grant, that money comes with very few strings attached. Institutions have wide discretion and autonomy in its use. This ensures academic freedom, and institutional autonomy that is the foundation for responsive and efficient institutions. Similarly, an effective system is in place for capital funding to ensure that infrastructural investments are made strategically. Having said that, there is room for greater coordination between the UGC and the Government in order to minimise duplication of efforts on the part of the latter". (*HER Report*, 2002; p. 10)

4.6   Early in the process of our consultations, the Working Party became alert to the importance of setting our deliberations and, ultimately, our Recommendations in the wider context of the practical vision contemplated by the UGC for the higher education sector in Hong Kong. The HER in 2002 clearly sets the broad direction, but how does this translate to policies and actions on the ground? The HER Report can be thought of as the policy compass, but how to get there – what of the policy roadmap? Interchange within UGC led, in time, to the development of its Roadmap Document. That Document makes clear the critical role of institutional integration in the larger scheme of things.

4.7   Those elements in the Roadmap Document that bear on or could benefit from institutional integration include the following:

(a)   the UGC "sees the higher education sector serving as 'the education hub of the region', driving forward the economic and social development of Hong Kong, in the context of our unique relationship with Mainland China and the region";

(b)   the UGC "takes a strategic approach to Hong Kong's higher education system, by developing an interlocking system where the whole higher education sector is viewed as one force, with each institution fulfilling a unique role, based on its strengths"; and

(c)   the UGC "values a role-driven yet deeply collaborative system of higher education where each institution has its own role and purpose, while at the same time being committed to extensive collaboration with other institutions in order that the system can sustain a greater variety of offerings at a high level of quality and with improving efficiency". (*Roadmap Document,* 2004; p. 1*)*

4.8   The UGC considers that the level and depth of collaboration and strategic alliances taking place in Hong Kong's higher education system need urgent attention.   We have now entered an era where institutions must do much more in this area, not only to improve their quality but also to make the best use of the large amount of public funding being made available to the sector.   A more coherent relationship between higher education institutions will entail more attention to strategically developed relationships in Hong Kong and overseas and in the wider community.   As the UGC advocates in its Roadmap Document:

"…the whole of Hong Kong's higher education sector should be viewed as one force in the regional and international higher education arena… All eight institutions should be part of the system in their respective roles.   The roles of the institutions should describe an interlocking system…" (*Roadmap Document,* 2004; para 12)

Against this background, the Working Party advances its first formal Recommendation:

Recommendation 1:

That institutional integration be taken to entail active measures drawn from and set within an array of coherent models that are designed to bring about closer operating relations between two or more institutions, for the purpose of achieving any or all of three primary (and interrelated) objectives:

(a)   through building greater synergy between the institutions, lifting academic performance to levels that would not otherwise occur;

(b)   through creating the effect of greater critical mass among institutions, introducing stronger efficiency in operations and a wider array of academic course offerings; and

(c)   through combining disconnected functions, usually of an administrative nature, generating savings that can be used to enhance the academic mission and support services.

The effect of these measures is to enhance the overall quality of the Hong Kong higher education sector and to sharpen its competitiveness in the region, and in other ways help carry forward the Roadmap Document for higher education articulated by the UGC.

4.9   Through institutional integration strategies the UGC can ensure that all feasible synergies are assembled and all reasonable efficiencies are sought in the way the

institutions interact. This is one half of the standard which should guide strategy development on institutional integration i.e. the synergy and/or efficiency test. The other half of the standard entails attention to the Roadmap Document. It is possible that an instance of integration may meet the first test of synergy/efficiency but for some reason or another would undermine or cut across key planks in the second test of congruence with the Roadmap Document.

4.10   As the UGC continues to develop coherent policies for higher education in Hong Kong it is natural that particular strategies to realise the Roadmap Document will come into sharper focus. Attention to differential funding models, role differentiation and the development of areas of excellence are all being addressed. Efforts toward institutional integration will similarly require a strategic orientation.

Recommendation 2:

That the UGC develop an Institutional Integration Strategy for the purpose of encouraging, and where appropriate steering, coherent operating relations between and among Hong Kong's universities and other relevant institutions of higher education. The Institutional Integration Strategy should be built on several ideas:

(a)   the array of possible arrangements, both in conceptual terms and practically, extend through a range of five models: the Merger Model, the Federation Model, the Deep Collaboration Model, the Loose Affiliation Model and the Status Quo "Model";

(b)   the Strategy draw from this array of models on a case-by-case basis to achieve maximum effect with minimum disruption in the process, and to avoid abiding angst at the outcome; and

(c)   the Strategy be set as a component of the UGC's Roadmap Document for the future of higher education, to facilitate more synergies and greater efficiencies than would otherwise be the case, in the interest of Hong Kong becoming recognised as the education hub of the region.

4.11   Against this background and in light of the issues considered and discussed in earlier Chapters, we now turn to an evaluation of the options available to the UGC. These will be addressed for each of the five models examined in Chapter 2, and Recommendations framed accordingly.

THE MERGER MODEL

4.12   The Working Party has been assisted in forming its views about the desirability and/or feasibility of the Merger Model by the extensive literature on international experience with institutional integration (discussed in Chapter 2, with examples listed in Appendix 3).

Recommendation 3:

That the UGC note that a considerable body of experience with institutional integration, particularly university mergers, has emerged internationally over the past decade, and that in framing its advice to SEM on merger the UGC should bear in mind the following general propositions arising from international experience:

(a)   motivation toward merger is often the urgent need to address problems, usually resource based, although instances of successful integration between two already successful universities do exist;

(b)   mergers between compatible partners with shared aspirations can simulate significant gains in capacity and earned reputation; but such gains do not occur overnight and in fact do not necessarily eventuate in all circumstances.   In short, merger carries risks as well as highly attractive potential benefits;

(c)   even with strong shared aspirations between compatible partners, and scope for major leveraged gains, groups hostile to the idea of merger are usually active and success requires counter balancing by active champions of the merger within the institutions and government, and through strong leadership;

(d)   successful mergers take time and require quite detailed planning and substantial transition funding which is additional to what normally would be available; and

(e)   other forms of institutional integration often serve as stepping stones to full merger, if the overall conditions (including those outlined above) are favourable.

4.13   Also critical to an appreciation of the issues in merger have been our detailed consultations with CUHK and HKUST, in particular the two References Groups established specifically for the purpose.   It is clear that in the right circumstances, and with a good general fit and ultimate support among the various parties, merger can be a powerful vehicle for greater synergies and efficiencies.   It might also serve the purpose inherent in HER Report's first recommendation:

> "That a small number of institutions be strategically identified as the focus of public and private sector support with the explicit intention of creating institutions capable of competing at the highest international levels".   (*HER Report*, 2002; p. 6)

4.14   A merged HKUST/CUHK could, in time, bring a powerful new entity onto the Hong Kong higher education scene, and provide a new platform for engaging internationally.   A merged CUHK/HKUST could lift the critical mass of two very good universities, and offer the promise of boosting the reputation to a level higher than either of the component universities are likely to achieve in current circumstances, at least in the foreseeable future.

4.15   Set against this ideal (even idealised) scenario are obstacles which, taken overall, would almost certainly vitiate the viability of merger between HKUST and CUHK in the near future.   Most, perhaps all of these, are transitory barriers which in time could resolve themselves.   But for the foreseeable future three issues loom large:

(a)   material provided by both universities, but particularly by HKUST, demonstrate deep skepticism about the need for, let alone the value of, such a merger.   So far funding cuts, while challenging, have not led to vertical, as opposed to horizontal, adjustments;

(b)   second, there is a perceived gulf, particularly but not solely in the minds of some staff at HKUST, that the two universities are culturally incompatible.   When probed on the specifics of this the responses usually reveal a concern about research intensity, promotion regimes, language philosophy and practice, and the relative quality of the undergraduate intake each year; and

(c)   while a successful merger is the model most likely to produce significant synergy enhancement and cost savings, it is also the model whose introduction is most demanding of transition funding support.   Additional costs must be met to review and restructure the network of support systems so vital to a well functioning university: information technology; budget systems; human resource policies and procedures; estate management; public affairs etc.   Getting quality outcomes quickly could be complicated by the distance between the two campuses. Harmonisation would also be needed in the areas of library administration, student admission and support, and a multitude of less obvious functions which none-the-less can assume greater proportions if mishandled in an environment already being tested by profound change.   And then there is the critical area of achieving integration among academic programmes.

Recommendation 4:

That in light of consultations conducted by the IIWP with Reference Groups established by HKUST and CUHK, and against the background of Recommendation 3, the UGC recommend to SEM that while merger between these two institutions might become viable at some point in the future, this should not be further explored for the present.

4.16   Not yet having a clear and powerful motivator toward integration (or at least the absence of any perception that the world of universities and their funding is in profound transition) could change in fairly short order.   On the second issue above, 4.15(b), and while acknowledging the concern of CUHK and HKUST that there are cultural differences between the two universities in several areas, the Working Party considers that the elaboration made in the written submissions and through meetings with Reference Groups does not seem strongly to substantiate such concern.   Where it counts, CUHK and HKUST have much more in common than they might imagine, notwithstanding their initial orientation against change to an arrangement which to this point can be seen as very successful for both universities.   But inevitably both universities (and all other institutions of higher education) will come to grips with the challenges of globalising

conditions and this will help highlight the synergies to be built upon. The key barrier is the third issue mentioned above – funding the transition, and, it might be said, the time it takes institutions to absorb the realities that now abound and surround university communities.

4.17   The Working Party has devoted much of its time to possible arrangements between HKUST and CUHK. Such a focus has helped develop a deeper understanding of the issues between these two universities, which in turn alerts the Working Party to the challenges likely to arise elsewhere in the sector. But the fact remains that in the time available to it, the Working Party has not probed the desirability and feasibility of other mergers, and it wishes the UGC to remain open on such possibilities, including for HKUST and CUHK.

Recommendation 5:

That in the event that a significant level of additional funding for mergers in the higher education sector becomes available, SEM invite expressions of interest jointly presented by two or more institutions. If such expressions of interest are forthcoming, the UGC should offer to evaluate the transitional funding requirements, and the feasibility and desirability of such a merger in light of policy requirements mandated by role differentiation and areas of excellence considerations as well as other key elements in the Roadmap Document.

THE FEDERATION MODEL

4.18   The attraction of the Federation Model is that it offers many of the benefits of merger, yet carries the important feature of preserving to the parties involved a degree, perhaps a high degree, of independence within the network. The main downside, as noted in Chapter 2, is that federation can invite dual and even rival loyalties – loyalties to the new entity as well as to the old. If affinity for the latter dominates, as it often does with loose federation, then a new set of problems arises.

4.19   Given that the immediate path to merger between HKUST and CUHK is so problematic, a federated arrangement between these two universities is worth close examination, over the medium term. The same can be said for pairings or groupings of other universities in the sector, but perhaps on a more immediate time scale. While the Federation Model is less demanding of transition funding than the Merger Model, particularly where the federation is "loose" rather than "tight", some funding support should nevertheless be provided, in the interest of a successful outcome.

4.20   If federation intentions were to emerge among higher education institutions in Hong Kong a number of threshold issues would need to be addressed by the parties, in conjunction with the UGC. These include, for example:

(a)   the UGC and the Government indicating to the parties how much transition funding would be made available for any of several levels of federation; the

deadlines; and the "performance" milestones that might be required;

(b)   the UGC offering to establish and chair a task force between the institutions to: explore the advantages and disadvantages to flow from federation; identify the particular forms of federation that would be feasible; identify the operational issues to be resolved; identify the governance arrangements to operate; and

(c)   once these threshold issues have been resolved the partner institutions would establish an implementation task force to carry the federation forward.

4.21   The various issues that arise with federation, and the possible pairings or groupings on offer, should be part of the remit of the consultative processes discussed in the Implementation section of this Chapter.   Also important is to prepare the basis for some funding support, hence Recommendation 6.

Recommendation 6:

That as part of its standard process for allocating public funds to universities, the UGC develop a mix of methods for ensuring that institutional integration receives a degree of support, at least in the transitional phase of any given initiative.   This would include:

(a)   top slicing funds into an appropriate central fund managed by the UGC;

(b)   earmarking a proportion of funds assigned to universities on the basis that they be used for approved integration initiatives; and

(c)   in time seeking additional funds from the Government, particularly for high end integration initiatives such as mergers and tight federation.

THE DEEP COLLABORATION MODEL

4.22   While the Deep Collaboration Model offers some advancement in synergies and efficiencies it must be said that all other things equal, these are likely to be less pronounced than the gains offered through merger or federation.   But in public policy development, as elsewhere, the ideal (or simply the desirable) must be tempered by the reality of what is achievable.   Given the obvious tensions inherent in merger, a number of which would carry into federation, the Working Party forms the view that the Deep Collaboration Model offers the greatest prospects, at the moment, for worthwhile gains through institutional integration.   And, as outlined in Chapter 2, deep collaboration is a good deal more robust than simple cooperation and alliance building.

4.23   This is not to say that we would be starting from scratch, as there are instances of collaboration, even deep collaboration, among Hong Kong's institutions of higher education.   There is the example of JUPAS, the universities' jointly owned and operated entity to process the transition of students from secondary to post-secondary enrolment. HKUST has provided a detailed paper that highlights collaborative efforts and this gives

further assurance that platforms are already being formed from which wide spread deep collaboration can be developed. Most recently, the President/Vice-Chancellors of CUHK, HKUST and HKU have advised the Chairman of UGC that the three institutions have developed a "Framework for Partnership", through which they aim to forge "greater cooperation and deeper collaboration" in pursuit of "creating institutions capable of competing at the highest international levels". (*letter to Chairman UGC*, 3 January 2004)

Recommendation 7:

That the UGC note that the Deep Collaboration Model goes well beyond the standard array of cooperative ventures common in academic circles. Deep collaboration:

(a)   is cast in a legal form, usually based on a contract that commits each party to deliver certain inputs/outputs over a period of time;

(b)   while providing cost savings and/or benefits generation to the participating institutions, it will require stand-alone resourcing for successful operation; and

(c)   will probably entail each participating party surrendering independence on certain issues so the collaborative exercise can work successfully.

4.24   Above all, universities value their independence and the discretion to pursue goals set within the universities themselves. This is inherent to the freedom of spirit of enquiry so vital to university life. In their ideal world, funding would present no constraint on teaching and research deemed desirable and worthwhile, within the framework overseen by the governing council. (No doubt the same could be said of various other public institutions with the welfare of the community at heart – heath, social services, defence, justice etc.).

4.25   In looking to the 10 year horizon, in the HER Report 2002 Sutherland speculates about the probability of "more and selectively channelled resources" and cites the role the RGC has played in setting a positive platform for this. It seems to the Working Party that similar scenarios could play through for the teaching and the management dimensions. This is not to suggest that RGC-counterpart bodies will or should be established, but there is good reason to see UGC steering resources toward selected ends, and providing the organisation infrastructure to ensure this happens. Hence, Recommendation 8.

Recommendation 8:

That the UGC invite each institution to consider and identify opportunities for deep collaboration within the higher education sector. The UGC will utilise insights garnered through this exercise better to inform the development of its Institutional Integration Strategy, both as to academic functions and in regard to administrative and/or operational functions.

4.26   A central policy issue becomes the balance in the mix of the measures utilised in the strategy that steers toward deep collaboration: how much exhortation; how much facilitation, with or without funding support; how much direction, even regulation? Voluntarism is preferable to compulsion, but will it take us the distance demanded by difficult times?   What is needed to sustain a push for improved synergies and efficiencies beyond what the natural cooperative bent of universities would achieve (even where this is bolstered by an appreciation that times have changed quite significantly)?   How far should the push from public policy – in this case the UGC's Institutional Integration Strategy – aim to carry the transformation?   While the UGC will set the broad objectives to be achieved through deep collaboration and other forms of institutional integration, there is much detail to be settled by and in conjunction with the institutions themselves.

4.27   We expect that the higher education institutions of Hong Kong will start to search more actively for opportunities to share and coordinate resources for programmes that deliver teaching and support research (and as indicated in para 4.23, HKU, CUHK and HKUST have recently signed a formal agreement to this end).   The impact of the current budget situation and the firm application by the UGC of role differentiation principles will give added impetus.   But the largest gains in efficiency and savings (which themselves can be reinvested in academic programmes) are likely to come most quickly from the management and administrative dimensions.   The Working Party feels that this is where the first priority should lie (without losing sight of academic advancement through integration).

Recommendation 9:

That in light of material generated through Recommendation 8, the UGC should, as a matter of priority, examine ways in which university administrative systems can be improved and made more efficient.   The scope of such an exercise, which may need to utilise external professional expertise, should cover a wide range of matters, including business process reengineering, coordinated service provision, stand alone "back office" arrangements to provide common services and outsourcing strategies.

4.28   Against this background, the Working Party forms the view that the UGC should press toward a more robust position on deep collaboration, and provide leadership through its Institutional Integration Strategy.   The UGC recognises that some institutions may feel they are being taken beyond their immediate comfort zone, at least in the transition phase. At the same time, the UGC is confident that the overall circumstances of Hong Kong warranted this approach and that it will lead to higher order outcomes in a quality-enhanced higher education sector, as envisioned in the Roadmap Document.

THE LOOSE AFFILIATION MODEL

4.29   The Loose Affiliation Model is probably what universities have done best over the years; it is certainly the model with which universities generally feel most comfortable. As noted in Chapter 2, loose affiliations take various forms.   For example, during the

1990's many international strategic alliances were negotiated between universities wishing to formalise staff and student exchange. Even though many of these arrangements were more substantive on paper than in terms of real outcomes, the intention was worthwhile, even noble – to link with compatible institutions in the spirit of collegiality and scholarly networking. Since universities are sometimes judged by the company they keep, even ritualistic arrangements can help lift profile. But in terms of building significant synergy, even less in generating clear cut efficiencies, such exchange relationships usually count for little.

4.30   Another form of loose alliance is the identity-based associations. Domestic examples include the Australian Vice Chancellor's Committee, Universities UK and the Association of University Presidents in the United States. In the international arena, examples include the Association of Commonwealth Universities and Universitas 21. Sub-groupings in both the domestic and international arenas are also evident: the Group of Eight in Australia identify themselves as Australia's research intensive universities, as does the Russell Group in the United Kingdom. The national-based associations carry on into the international arena with such loose alliances as the group of research universities that will next meet at CUHK in March 2004 for the University Presidents' Global Forum. These association-based alliances often serve lobbying functions and undertake benchmarking exercises, which can improve efficiency.

4.31   The Loose Affiliation Model, thus, is widely evident and generally useful. But there seems little need for the UGC to make special efforts further to encourage such arrangements. They will continue to operate in the normal ebb and flow of university affairs, which is commendable. The one danger in having such a network of loose affiliations is that some institutions may feel they have travelled far enough along the path toward integration. While this may have been a safe assumption in the past, current circumstances demand much more.

THE STATUS QUO "MODEL"

4.32   The status quo implies that current arrangements are preserved, and in terms of institutional integration this would mean that the character of higher education institutions, and their inter-relationships, is held constant. Such an approach is Canute-like and, as such, totally unacceptable in the eyes of the Working Party given the changing scene and the challenges to be faced. The Status Quo "Model" is hypothesised primarily for the purpose of rejecting it as in any way desirable or defensible.

THEMES AND DIRECTIONS

4.33   The Working Party has prepared this Report drawing on several sources: the literature on the changing environment facing universities across the globe; the institutional integration instances, particularly mergers; the recent reviews and writings about challenges facing higher education in Hong Kong; interactions with the Reference Groups at HKUST and CUHK and with student representatives and others providing comments on the issues raised in our Terms of Reference. We also bring insights through our own experiences in and with universities, and through the deliberations undertaken by

the Working Party on the seven occasions we have met between August 2003 and January 2004. The task faced by the Working Party and the themes developed in our response can be represented through a series of observations and propositions organised under five headings, dealing with: pressures on resources; rising aspirations for the sector; stronger global competition; specific Hong Kong developments; and an institutional integration strategy.

4.34 Resource Pressures: Funding is a central issue both in broad policy development and in the day-to-day running of a university:

> "Resources and resourcing do matter – they matter profoundly. Yet what government in the world seriously contemplates funding education, or for that matter health care and social welfare provisions, to the ideal level needed? There are inevitably strong competing demands for limited public resources overall, and within the education sector pressures for the education budget will very likely push more resources to the nursery, primary and secondary sectors. And this phenomenon of intra-sector rebalancing in a general context of funding shortfalls is by no means unique to Hong Kong". (*Fit for Purpose*, 2003; para 17).

4.35 The impact of this, it might be added, is all the greater as the proportion of the age cohort aspiring to enter higher education is growing so strongly. One response is to tighten role differentiation, in conjunction with institutional integration. Indeed, in a letter to Heads of Institutions in November 2003, the Convenor of the Working Group on Role Differentiation wrote:

> "The …(Working Group)…is … very conscious of the current fiscal climate, which is likely to persist for a number of years, including the 2005-08 triennium. It is also conscious of the very high percentage of expenditure on higher education being met by the public purse. In the circumstances it is unrealistic to believe resources will be pumped in in the near to medium term. Resources will have to be well husbanded".

4.36 Rising Aspirations: At a time when resourcing is under such pressure, governments also see in the community rising aspirations for the higher education sector. Singapore, for example, has been quite focused in the past several years with its emphasis on providing regional leadership by its university sector (as mentioned in Chapter 1). A similar orientation is evident in the major legislative reforms recently enacted in Australia. An abiding theme of the HER Report, and a strong element in UGC's Roadmap Document, is that Hong Kong, too, should set its sights on being the education hub of the region, with excellence in its various forms evident right across the sector. Again, this intersects with role differentiation:

> "The …(Working Group on Role Differentiation)… believes that there needs to be a functional basis to role differentiation and that this must be built around Hong Kong's unique position, rather than imported definitions or aspirations. All institutions in Hong Kong should aspire to excel in their own roles in making Hong Kong the education hub in the region. These roles are different but they all are complementary and important in allowing Hong Kong to fulfil its position." (*Convenor's letter*)

4.37   International Competition: Thus, Hong Kong is not alone in its aspiration to higher education leadership, which also carries the goal of drawing in students from around the region, indeed the world.   The enrolment of high quality international students will be central to competition among universities across the region.   That universities do compete with one another, and increasingly so, is commendable – the race for research breakthroughs and the pressures to provide a learning environment attractive to high quality students, lifts overall performance.   But there is another side to this, and the balance between productive competition and counter-productive competition is finely poised.   Certainly to successfully compete beyond Hong Kong, universities will need to collaborate more intensively within Hong Kong.   This moves to centre stage the relevance of institutional integration.

4.38   Hong Kong Changes: Over and beyond the difficulties posed by current funding pressures in Hong Kong, the higher education sector will need to address and accommodate quite fundamental shifts in other respects as well.   The future change scenario is well covered in Appendix B of the HER Report, which includes reference to the transition to 60% of senior secondary school leavers gaining places in post-secondary education, and reforms to the university system to effect early entry for outstanding students.   These and other changes on the horizon will mean that:

> "…a number of community colleges will be created.   Some of these will grow from the current universities which already offer sub-degree, continuing education and lifelong learning programmes, and some will be new institutions… Whatever the detailed patterns established, the universities must prepare for creative and positive relationships with what will grow to be a large and influential new sector."   (*HER Report*, 2002; p. 9)

4.39   A counterpoint to the scenario of stronger integration pressures driven by growth factors is the concomitant need to manage non-growth and even decline:

> "The public can ask whether the universities recognise that they are public assets, from which the beneficial owners can expect a reasonable return.   This translates into very practical questions of the efficient use of public money, for example, whether declining courses in the universities are being managed through inter-institutional amalgamations, or courses closed in view of alternative demand in other areas?"   (*HER Report*, 2002; p. 54)

4.40   UGC Institutional Integration Strategy: Against this background, the UGC will need to approach its responsibility for overseeing the framework and functioning of the higher education sector with a closer attention to integration strategies as part of its Roadmap Document.   This will dovetail with other strategies to do with role differentiation and funding.   It will also entail an array of measures covering both the manner in which resources are allocated and special organisational initiatives to help and encourage institutions to work together more closely than might otherwise be the case. The central recommendation of the Report is to focus on implementing deep collaboration for both academic and administrative purposes, with the UGC providing active guidance and assistance.

IMPLEMENTATION

4.41   The emphasis in this Report is on the Deep Collaboration Model, rather than on other approaches, particularly those involving merger or federation (for the time being, at least).   This approach has helped inform the drafting of the overall Roadmap Document and, in a reciprocal sense, the directions proposed in the Report seek to serve the goals of that document.   Thus an important platform has already been laid for the implementation of the Report's Recommendations.

4.42   One of the issues frequently raised with the Working Party was the focus of the Terms of Reference on just two institutions, HKUST and CUHK.   The merit of this approach is that it provided the opportunity to delve more deeply than might otherwise have been the case within the time-frame available.   This view is reinforced by the extent and value of the exchanges between the Working Party and the two Reference Groups and the material generated by each University in the course of the consultations.   This still leaves open, however, the need more actively to probe integration arrangements that might emerge elsewhere in the sector, and we feel that a specific Recommendation on this matter is appropriate to ensure all parties are involved and all options duly explored.

Recommendation 10:

That SEM should signal to other institutions in the higher education sector that their comment on the UGC Report and Recommendations will be particularly welcome, and that they should be encouraged to provide the UGC with practical ideas for carrying forward the goal of stronger institutional integration in Hong Kong's higher education sector.

4.43   Beyond the UGC, the Government itself occupies the central role in high level policy development, both through its approach to funding of higher education institutions and the setting of their regulatory environment.   Given the nature of the issues at hand, and signals already provided by the Government, it is important for SEM to have the opportunity to consult more broadly on what is being proposed, which leads to the final Recommendation.

Recommendation 11:

That in forwarding this Report of the Institutional Integration Working Party, the UGC should recommend to SEM that he put the Report into the public domain.

4.44   One of the interesting insights provided by the international literature on institutional integration is that "merger is a process, not an event".   There is considerable wisdom in this observation and the Working Party certainly is of the view that successful integration will come where consultation with, and interaction between, the affected

parties is of a high order.   Yet the changing face of higher education in the region and globally will continue apace, irrespective of the time schedule within which the UGC and higher education institutions in Hong Kong see their reform agenda operating.   There is a measure of urgency and the Working Party hopes to see significant progress before the onset of the 2005-08 triennium (and, of course, throughout it).   The UGC, with its Roadmap Document in hand, now is well placed to provide guidance and support for actions to flow from this Report.   This is one part of the mosaic that will show Hong Kong to be the higher education hub of the Region.

APPENDIX 1

INSTITUTIONAL INTEGRATION WORKING PARTY: TERMS OF REFERENCE, MEMBERSHIP AND SUPPORTING MATERIAL

This Appendix sets out the Terms of Reference for the IIWP, lists the membership of the IIWP and details of material provided to the Working Party by interested parties and references cited in the text.

Part A: Terms of Reference

The Institutional Integration Working Party was established at the UGC meeting in August 2003 with the following terms of reference:

"The IIWP is tasked to:

(a)   explore the feasibility of the idea of institutional integration in the university sector of Hong Kong, and in this respect, enunciate its possible objectives, potential benefits and likely difficulties, taking into account the needs of Hong Kong and recent international experience with institutional integration;

(b)   identify the key potential benefits and drawbacks of possible institutional integration involving CUHK and HKUST, and potential related elements and institutions;

(c)   formulate for consideration by the UGC at its January 2004 meeting advice which will enable the UGC to make recommendations to the Government at an early stage thereafter; and

(d)   in addressing the above tasks, the IIWP will:

(i)   consult closely with CUHK and HKUST; and

(ii)   bear in mind that the ultimate objective of any institutional integration must be to improve the quality and competitiveness of higher education in Hong Kong, with a view to positioning Hong Kong as the education hub in the region.

In conducting the study, the IIWP will take into account overseas experience on integration of higher education institutions, including both success and failure cases.   The IIWP will also make reference to the different integration models that have been tried out, and their respective advantages and drawbacks".

Part B: Membership of the Institutional Integration Working Party

The Working Party was under the Convenorship of Prof John Niland, who is a member of the UGC, Chairman of Research Australia and a former (1992-2002) Vice-Chancellor, University of New South Wales, Australia.   Other members of the Working Party comprised:

> Mr Philip Chen
> Mr Irving Koo
> Dr Alice Lam
> Mr Roger Luk
> Dr Steven Poon
> Mr Michael Stone

Part C: Relevant Documents

1.   Australia, the Ministerial Discussion Paper (April 2002).   *Higher Education at the Crossroads.*

2.   Chan Lau, Kit-ching and Cunich, Peter (2002).   *An Impossible Dream: Hong Kong University from Foundation to Re-establishment 1910-1950.*   Oxford University Press.

3.   Education Commission (1992).   *Education Commission Report No. 5 (June 1992).*   Hong Kong.

4.   French, Nigel F. (1999).   "The Reform of Higher Education in Hong Kong" – Chapter 8 in *Higher Education in a Post-binary Era: National Reforms and Institutional Responses* edited by Teather, David C.B. (1999).   Philadelphia: Kingsley, pp. 158-180.

5.   Fulton Commission (1963).   *Report of the Fulton Commission*.   Hong Kong: Government Printer.

6.   Harman, K & Meek, V.L. (2002).   "Introduction to special issue: 'Merger revisited: international perspectives on mergers in higher education'" *Higher Education*, 44(1), pp. 1-4.

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8.   Higher Education Division, Ministry of Education, Singapore (2003).   *Restructuring the University Sector - More Opportunities, Better Quality: Report of the Committee to Review the University Sector and Graduate Manpower Planning*.   Singapore.

9.   Hong Kong Institute of Education (1995).   *The Founding Year – Annual Report 1994-95*.   Hong Kong: HKIEd.

10. Lang, D. (2002a). 'There are mergers, and there are mergers: The forms of inter-institutional collaboration', *Higher Education Policy and Management*, 14(1), pp. 11-50.

11. Lang, D. (2002b). 'A lexicon of inter-institutional co-operation', *Higher Education*, 44(1), pp.153-183.

12. Letter to Chairman UGC from President of HKUST, copied to Vice-Chancellors of HKU and CUHK, dated 3 January 2004.

13. National Committee of Inquiry into Higher Education (UK) (1997). *Higher Education in the Learning Society*, Report of the National Committee of Inquiry into Higher Education, (Sir Ron Dearing, Chairman), NCHIE, Leeds.

14. Skodvin, O.J., (1999). 'Mergers in higher education – success or failure?', *Tertiary Education and Management*, 5(1), pp. 65–80.

15. Speech of the Chief Executive of HKSAR at the 40th Anniversary Banquet of CUHK (Dec 2003).

16. Sutherland, Steward R. (2002). *Higher Education in Hong Kong: Report of the University Grants Committee Commissioned by the Secretary for Education and Manpower*. Hong Kong: Government Printer.

17. The Chinese University of Hong Kong Reference Group (2003). *Recent Examples of Inter-institutional Collaboration between CUHK and HKUST*. Hong Kong: CUHK.

18. The Chinese University of Hong Kong Student Union (2003). *Survey on possible integration between CUHK and HKUST*. Hong Kong: CUHK.

19. The Chinese University of Hong Kong Task Force (2003). *The Chinese University of Hong Kong Task Force to Advise on Institutional Integration: Report Submitted to the University Council*. Hong Kong: CUHK.

20. The Hong Kong University of Science and Technology Reference Group (2003). *HKUST Institutional Collaboration: A Submission to the Institutional Integration Working Party of the University Grants Committee*. Hong Kong: HKUST.

21. The Hong Kong University of Science and Technology Reference Group (2003). *HKUST Institutional Integration Reference Group Report: Amplification and Augmentation of the HKUST Merger Task Force Report*. Hong Kong: HKUST.

22. The Hong Kong University of Science and Technology Student Union (2003). *Survey on possible integration between CUHK and HKUST conducted by HKUST Student Union*. Hong Kong: HKUST.

23. The Hong Kong University of Science and Technology Task Force (2002). *Exploration of the Idea of a Merger between the Hong Kong University of Science and Technology and the Chinese University of Hong Kong: Report of the Task Force established by the President in consultation with the Council Chairman of the HKUST,* Hong Kong: HKUST.

24. The University of Hong Kong (2003). *Fit for Purpose : A review of governance and management structures at The University of Hong Kong*. Hong Kong: HKU.

25. University Grants Committee (1996). *Higher Education in Hong Kong: A Report by the University Grants Committee of Hong Kong (October 1996)*. Hong Kong: Government Printer.

26. University Grants Committee (2003). *Facts and Figures 2002*. Hong Kong.

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In the course of the study, the IIWP also received comments/views/reference information from various other parties including the Student Unions of CityU, HKBU, CUHK, PolyU, HKUST, and HKU, Staff and Alumni Associations of HKUST, Faculty representatives on HKUST Reference Group and other HKUST staff. Such comments/views/reference information were in different forms including letters, emails, internet materials (e.g. HKUST website http://merger.ust.hk), etc.

APPENDIX 2

INSTITUTIONAL INTEGRATION LITERATURE

Presented below is a selection of references in the international literature dealing with institutional integration in its various forms. Given the more dramatic effect of mergers, this form of integration has attracted most research attention. The references listed have been drawn from bibliographies in key books, articles, government reports, etc. (Where a reference from the literature is actually cited in the text of this Report, it is listed in Appendix 1 Part C, not here.)

1.   Books and Book Chapters

Dahllöf, Urban and Selander, Staffan (eds.) (1996). *Expanding Colleges and New Universities. Selected Case Studies from Non-metropolitan Areas in Australia, Scotland and Scandinavia.*   Uppsala: Department of Education, Uppsala University.

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Goedegebuure, L. (1992). *Mergers in Higher Education. A Comparative Perspective.* Utrecht: Lemma.

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2.   Articles

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APPENDIX 3

INSTANCES OF INSTITUTIONAL INTEGRATION IN THE PAST DECADE

A scan through the international literature on institutional integration listed in Appendix 2, and standard internet searches of other available sources (e.g. leading newspapers, professional magazines, etc.) quickly bring to light a myriad of mentions of universities and other institutions of higher learning over the past decade which, one way or another, have (apparently) been seriously involved in merger, federation or deep collaboration activity. The list below is by no means extensive, or exhaustive; nor is it intended to be authoritative in respect to particular institutions. Rather, it is presented as an overall body of activity to illustrate the relevance of institutional integration in recent times. It also serves to underscore the point that in developing public policy for a higher education sector, the way the institutions relate to and engage with one another is a central issue.

Part A: Integrations Completed

West London Institute of Higher Education and Brunel University (United Kingdom, 1994)

The Welsh Agricultural College and the University College of Wales, Aberystwyth (UK, 1994)

Chengdu Science and Technology University and Sichuan University to form Sichuan (Union) University (China, 1994)

The British Postgraduate Medical Federation and Imperial College of Science, Technology & Medicine, King's College London, University College London and London University (UK, 1995)

Winchester School of Art merged with The University of Southampton (UK, 1996)

Salford College of Technology merged with The University of Salford (UK, 1996)

George Washington University and Mount Vernon College (US, 1996)

Ningbo University, Ningbo Normal College and Ningbo branch of the Zhejiang Aquatics Institute (China, 1996)

Ontario Institute for Studies in Education with the University of Toronto (Canada, 1996)

Wellington Polytechnic and Massey University (New Zealand, 1997)

Technical University of Nova Scotia and Dalhousie University (Canada, 1997)

Royal Postgraduate Medical School and Charing Cross & Westminster Medical School and the Imperial College of Science, Technology & Medicine (UK, 1997)

Hangzhou University, Zhejiang Agricultural University and Zhejiang Medical University – formed Zhejiang University (China, 1998-99)

Loughborough College of Art and Design and Loughborough University (UK 1998)

Moray House Institute of Education and the University of Edinburgh (UK, 1999)

The Scottish College of Textiles and Heriot-Watt University (UK, 1999)

Lesley College and the Art Institute of Boston (US, 1999)

Tsinghua University and Chinese Central Academy of Arts and Design (China, 1999)

Harvard University and Radcliffe College (US, 1999)

St Andrew's College of Education and the University of Glasgow (UK, 1999)

Westhill College and the University of Birmingham (UK, 1999)

Peking University and Beijing Medical University (China, 2000)

Jilin University, Jilin Polytechnic University, Changchun Science and Technology University, Changchun Post and Telecommunication University, and Dr. Norman Bethune Medical University (China, 2000)

Shandong University, Shandong Medical Sciences University and Shandong Engineering University (China, 2000)

Sichuan University and Huaxi Medical Sciences University (China, 2000)

Xi'an Jiaotong University, Xi'an Medical University, and Shanxi Institute of Finance and Economics (China, 2000)

Wuhan Polytechnical University, Wuhan University of Communications Science and Technology, and Wuhan University of Automobile Industry – formed Wuhan Science and Engineering University (China, 2000)

Zhongshan University and Zhongshan Medical Sciences University (China, 2000)

Alliant University (California School of Professional Psychology) and US International University (US, 2000)

Westminster College, Oxford and Oxford Brookes University (UK, 2000)

Wye College and Imperial College of Science, Technology & Medicine (UK, 2000)

North Riding College and The University of Hull (UK, 2000)

Barat College and DePaul University (US, 2000)

Westark College and University of Arkansas (US, 2000)

College of Insurance and St Johns University (US, 2000)

Northern College of Education and Aberdeen and Dundee Universities (UK, 2001)

Bretton Hall College and the University of Leeds (UK, 2001)

The University of North London and Guildhall University – formed London Metropolitan (UK, 2001)

Manchester University and University of Manchester Institute of Science and Technology (UK, 2002-04)

Fordham University and Marymount College (US, 2002)

ML Sultan Technikon and Natal Technikon into the Durban Institute of Technology (South Africa, 2002)

Part B: Integrations Incomplete or Abandoned

University of New England and Southern Cross University (Australia, 1994)

Eastern Washington University and Washington State University (US, 1997)

Tianjin University and Nankai University (China)

St Andrews University and Dundee University (UK, 2000)

Edinburgh College of Art and Heriot-Watt University (UK, 2001)

Birmingham University and Aston College (UK, 2001)

Roosevelt University and National-Louis University (US, 2001)

Bradford University and Bradford College (UK, 2002)

California College of Arts and Crafts and the San Francisco Art Institute (US, 2003)

Cardiff University and University of Wales College of Medicine (UK, 2002)

New York University and Mt Sinai Medical School (US, 2002)

Rutgers University, the New Jersey Institute of Technology and the University of Medicine and Dentistry of New Jersey (US, 2002)

University of Wales, Bangor and the North East Wales Institute (UK, 2002)

Huddersfield University and Doncaster College (UK, 2003)

University of Aberdeen and the Robert Gordon University (UK, 2003)

University of Glamorgan and Merthyr Tydfil College (UK, 2003)

University of Glamorgan and the University of Wales Institute, Cardiff (UK, 2003)

Benedictine University and Springfield College (US, 2003)

University of Potchefstroom and University of North West (South Africa, 2003)

Technikons Pretoria, Northern Gauteng and North West (South Africa, 2003)

University of Fort Hare and the East London Campus of Rhodes University (South Africa, 2003)

University of Port Elizabeth and Port Elizabeth Technikon (South Africa, 2003)

University of Transkei/Border and Eastern Cape Technikons (South Africa, 2003)

Rand Afrikaans University and Wits Technikon (South Africa, 2003)

Cape Technikon and Peninsula Technikon (South Africa, 2003)

APPENDIX 4

SEM'S REMARKS IN RELATION TO THE "CRITICAL ISSUES" HIGHLIGHTED BY HKUST EXTRACTED FROM PUBLIC DOCUMENTS

SEM's letter to Council Chairman of HKUST dated 20 March 2003

"I stand by the comments attributed to me concerning your four critical issues."

"One point that I wish to stress, once again, is that the proposed integration of HKUST and CUHK is not meant to be a cost-saving measure, despite our financial constraints, but rather an initiative to further upgrade the quality and rationalise the delivery of university education here, in line with the broad direction of role differentiation recommended in the Sutherland Report[5]."

"We would certainly consider the possibility of specific Government support to facilitate progress towards such an objective."

SEM's letter to President of HKUST and Vice-Chancellor of CUHK dated 8 October 2002

"The Administration, working together with the University Grants Committee, stands ready to contribute in any appropriate manner to a smooth and successful exercise that would bring about benefits to society as a whole."

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[5] i.e. HER Report.

APPENDIX 5

ACKNOWLEDGEMENTS

I'm most grateful to many individuals and groups for their input to the process leading to the completion of *Integration Matters* in the time available.

Because CUHK and HKUST are specifically identified in the Terms of Reference as one point of focus, much fell to them for advice and information about the options available. They each gave valuable input through their Task Force reports on institutional integration, and subsequently, at the request of the Working Party, through the establishment of Reference Groups.

Several other universities also provided material to the Working Party, as did individuals at universities and elsewhere in Hong Kong.

Within the UGC, invaluable assistance has been provided by the Secretary-General, Michael Stone, his predecessor Peter Cheung, and their staff. Chapter 3 on "The Setting for Institutional Integration in Hong Kong" in particular is sourced to their efforts.

Finally, I'm most grateful for the guidance and advice of my colleagues on the Institutional Integration Working Party, including Dr Alice Lam, The Chairman of UGC.

John Niland