Alice Guilhon describes how two leading French business schools realised their ambitions by merging with each other

SKEMA

THE STORY OF A MERGER

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Although mergers are common in business, they are far from typical in the higher education environment.

This could be partly because of the nature of higher education. Our production processes stretch over several years depending on the product (programme) so our decisions always impact the long-term. Our organisations also seem to have a certain built-in inertia.

Given this situation, implementing ground-breaking change in higher education is no mean feat. It involves breaking down familiar structures and processes, setting up new and unfamiliar ones and, to cap it all, no longer relying on the usual sources of revenue. To embark upon such a journey would be foolhardy without making sure that all collaborators are fully on board – and this means providing really convincing arguments.

In France, we started getting wind of inevitable government reforms from about 2007.

The first vague rumours became more and more concrete with each successive official declaration. The country would soon no longer be able to afford higher education, not only for the public sector but also private-sector institutions.

Two leading French business schools – CERAM, a business school run by the Nice Côte d'Azur Chamber of Commerce and Industry (CCI) and, ESC Lille, an association under the French 1901 law – rapidly perceived the situation as a straightjacket on their institutions' development and ultimately a threat to their very survival.

These preoccupations resulted in the two institutions coming to an obvious conclusion: only major change could stop our respective stories ending in tragedy. Such a project could even enable us to achieve a common dream of a global business school in line with the aspirations of students from all over the world and the expectations of companies in the new knowledge economy.

The merger between our institutions would entail the disappearance of both our brands. But it would give birth to a mega-project, propel our establishments out of their regional existences and hopefully set them up on the world stage.

In March 2009, a merger was confirmed.

Fast and furious: decision making that works

Our institutions had very different governance structures. However, the governing bodies of the two schools ratified the following principals:

A merger with governance balanced equally between the two entities

The President would be from Lille, the Dean from Nice; the bureau would be made up of nine people (four from the North region, four from the Alpes Maritimes and the President of the COS (an influential committee of alumni at Lille).

An equal balance, with equivalent contributions

The Statutes of the Lille Association were opened up to accommodate the higher-education branch of the CCI Nice Côte d'Azur. This brought in €20 million in premises and funds to balance Lille's contribution. All this had to be ratified by the Ministry of Industry, (given CERAM's relationship with the CCI) before an official announcement could be made.

The project time frame and collaborator commitment

CERAM personnel had to be prepared to give up their public-employee status and take on a new, private-sector work contract. In 2011, after two years working under a transitional contract, 99% of CERAM employees signed the SKEMA Business School private-sector contract. We thus knew that the staff were on board.

SKEMA's strategy, project and ambition

This had to be ratified by both governance bodies, a business plan being part of the deal. This plan included launching campuses in the US and elsewhere.

€6m

The total cost of the merger came to about €6 million, and in 2009 the budget was €54 million; five years later it is €67 million

All these decisions were taken quietly between March and the end of June 2009. On 29 June the general assemblies of each establishment ratified the project and announced it to collaborators. The following day, we presented the project to the press. The merger was announced officially on 30 June 2009.

We now needed a name that would express the project's true dimensions and an outside agency suggested SKEMA and this attracted us from the outset.

The acronym of "School of Knowledge Economy and Management" also has connotations with "scheme", whose widest sense comprises the idea of collaboration and teamwork: just what we needed!

Managing a merger involves a colossal amount of work, sometimes to the point of exhaustion. The students were present while we were still trying to work out the inevitable operational problems of setting up new methods and procedures. Moreover, companies continued to work with the school but they had different contacts in the new organisation; expectations on all sides were sometimes less than clear.

PROBLEMS AND OBSTACLES

Five stumbling blocks

SKEMA's President, Bernard Lecomte, and the members of the COS all have experience of company mergers. They had all warned me of one thing: people would be the main problem. However, blinded as I was by the rapid success of SKEMA's beginnings, I now confess that I did not take enough notice of their warning.

We came across five main problems:

1 | Forecasting costs

Launching a brand and other costs inherent to logistics are easy to identify. However, other expenses are not so easy to see coming. Considerable costs were generated by transforming the different management and accounting procedures of the two establishments into a single set of processes.

Furthermore, there are always some individuals who do not wish to stick with the project (about 5% in the case of SKEMA) and who must be helped to leave the organisation in the least damaging way.

Finally, creating a global multi-site school in France and abroad demands investment in technology, whether for management or pedagogical purposes.

In short, the total cost of the merger came to about €6 million. Fortunately, the new establishment covered this and the management team decided to depreciate two financial exercises to help spread the costs. In 2009 the budget was €54 million; five years later it is €67 million.

2 | *Deconstruction-reconstruction*

Breaking down the processes that people had been using for years generated considerable problems. Though we created multi-service task forces to completely rewrite processes and procedures, a company the size of SKEMA would never function like either CERAM or ESC Lille. Getting this right took hours and hours of negotiation, explanation and adjustment until we finally achieved a mode of operating that suited our ambitions.

3 | *New HR competences and procedures*

Changing the culture meant developing skills inside SKEMA at every level. From the very beginning, we wanted to set up a highly client-oriented international culture of excellence. We standardised contracts by objective, implemented management training and defined collective objectives. In this way we were able to raise gradually the skill levels of most of our collaborators.

99%

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KEYS TO SUCCESS

Five ways to merge and expand... at the same time!

1 | *Solve governance issues upstream*

This is probably why we were able to move forward with an efficient and speedy decision process. Once the distribution of "power" had been dealt with, decisions could be focused and effective. The Nice Côte d'Azur CCI gift to SKEMA was certainly one of the factors that encouraged trust between the partners, creating a vital condition for the merger's success

2 | *Make projects a priority*

We very early focused our attention on development projects. Thus the US campus became a priority as early as January 2010.

3 | *Communicate incessantly*

A project this size will not just happen if you do not explain it. We therefore decided to communicate constantly over at least two years to make things clear. We met with collaborators and included our social partners all the way through to set up a climate of confidence in the project.

4 | *Get your hands dirty*

Directors have to show that they are in the same boat as their collaborators. It is not enough to draw up a project and decree its existence. You have to set an example. To understand dysfunctions and prescribe the appropriate remedies the management team never stopped redesigning the processes and procedures, being there on the spot and on all the campuses.

4 | *A business school as a business?*

In SKEMA, we set up a management and monitoring system similar to that used in international companies. Very quickly we noticed that creating a new culture made people anxious. They worried that they would not be "good enough".

Reporting, managing multi-site teams, managing responsibly and being ever-more demanding were probably our most difficult tasks during the first three years. We had countless negotiations with our social partners to come up with a common view of the challenges we faced, and to implement the management system we aspired to.

5 | *Resistance to change*

The "it was better before" syndrome was at first very strong but gradually faded. Such resistance was expressed throughout the hierarchy, curiously enough especially at the top.

The faculty was the first group to really merge but resistance remained strong among administrative staff. However, little by little, the "better before" syndrome affected only those who had the most to lose. Some of them are still with us; others have left.

5 | *Be passionate and committed*

A final element of success is the passionate commitment of everyone involved in the merger project. This shows in the confidence between top management, teams of collaborators and students.

During this time, SKEMA was audited by EQUIS and AACSB. In 2011 the school was re-accredited for three years by EQUIS and one year later by AACSB for five years.

EQUIS was very helpful: it validated the strategy a few months after the merger, showed us the ways for improvements and reaffirmed the priorities that were identified in the strategic plan. In 2014, the school won EQUIS accreditation for five years.

Conclusion

Whatever the future brings, this adventure has only succeeded because our collaborators, managers and students "bought" the project – and supported it come hell or high water. Our successful journey has not only been a matter of strategy; the human adventure is what has always propelled us forward.

It now remains for us to achieve our 2015-2020 strategic plan....but that's another story!

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ABOUT THE AUTHORS

Alice Guilhon is Dean, SKEMA Business School, France, China, US, Brazil.