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Mergers in Higher Education

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In recent years, and especially in the last two years, a number of states (GA, CT, ME, NH, AK, VT and PA) and higher education institutions have undertaken, or begun to plan for mergers. Merging higher education institutions can be seen as a way to save resources, increase competitiveness, improve the student experience, or adapt to changing political and economic realities. While mergers can save resources in the end, they tend to require additional resources in the short term, and are best begun before there is a financial crisis at hand and when there is a clear strategic vision for stakeholders to focus on. The decision to merge is not an easy one, and may be particularly challenging for board members, faculty, and staff who are deeply committed to institutional identity and mission and see merging as a threat to their college or university. Recognizing the deep ties that institutional stakeholders have, mergers are often most successful when initiated and/or led by an outside entity, such as a Governor, Legislature, or state higher education agency.

The Value of Planning

A former executive[1] with Concordia College (AL) advises others at similarly 'challenged' educational institutions to "monitor their institution's fiscal and operational health early and to purposefully think early about what for some institutions is the unthinkable: merging or closing their institution".

"I would say 90 percent of the time mergers are not viewed as a strategic alternative until it is too late," says Rick Beyer, a senior fellow and a 'mergers and private system affiliation' practice area leader at AGB Consulting. "Institutions looking for a long-term partner usually start the process late in their life cycle and thus have little to offer another institution, whereas, if they had started 18 months earlier, they would have been in a much better environment." Thus, attempts to negotiate a merger while in the throes of a public financial exigency significantly disadvantages the weaker partner. This suggests that advanced, centralized planning may play a valuable role in bringing such conversations out of the closet and into the boardroom, with appropriate analytical support. Offering planning assistance and data analytics through a centralized or system level, working in collaboration with the parties to a potential merger, has helped institutions navigate multiple challenges. At the Board of Trustees level, for example:

- Boards are often wedded to the status quo of the institution and lack experience relevant to dynamic organizational change. Dealing with change such as an educational institution merger is often outside most or all of their members' experiences.

[1] May/June 2020, David Tobenkin, College at a Crossroads: closures and mergers. AGB Volume 28, Number 3.

- The demands of such change takes long-range planning and attention to innumerable details to consider, plan, and execute which may extend beyond the tenures of many board members. Support in centralized planning enables ongoing consistency across personnel changes.
- Board members may inadvertently allow personal feelings to cloud their judgments, particularly in cases in which they are alumni and have strong emotions concerning changing or closing the school. In the minds of boards and leaders, merging is a failure of leadership—the disappearance of an institution perhaps and its legacy (Forbes-online, Feb. 27, 2020). Various stakeholders, including students, staff, faculty, and alumni can, for similar reasons, push back on such options even when they are in the best interests of all involved.

HECC recognizes that under the current higher education governance structure there is no single point of authority to implement mandates or bind institutions to action. HECC further recognizes that in a structure that has been established to respect individual institutions' prerogative for governance, institutional ownership and buy-in is a necessary precursor for change. However, with the implications of SB1 (or other forms of consolidation) on public education in Oregon, HECC can serve effectively in a planning consulting role, marshalling resources and expertise so that each new consolidation effort need not start out uninformed. Successful efforts in states where consolidation or other forms of merger have been implemented share certain attributes:

1. Focus on outcome for current and future students, as well as community.
2. Define and communicate core principles that are guiding efforts.
3. Rely on solid data and analytics; avoid anecdotally-based decisions.

In Oregon, however, a first-step might be a centralized analysis of the schools' enrollment trends, enrollment potential, and last 8 years' financial reports, to identify those most likely approaching organizational restructuring, or merger consideration.

Literature Review & Lessons for Oregon

1. There are multiple way to 'merge' institutions beyond the university absorbing a community college envisioned in SB1.

"Its definition can depend on the context. In some cases, like Georgia, it means a wholesale reorganization of the institutions in an existing public system into a smaller number of new ones. In others, like Maine and, potentially, Pennsylvania, consolidations involve merging a few colleges that are part of a larger system. But the strategy can also call for combining institutions under a single accreditation, an approach that is being pursued in Maine but was rejected in Alaska." (Chronicle of Higher Education, 2020)

2. Pursue a 'systemic' approach (proactive, not reactive)

"Higher education has an excess-capacity problem, says Ricardo Azziz, a former president of

Augusta University (GA), a co-author of a book on college mergers, and a merger consultant.

College enrollment in the US is down to 18 million from a peak of 20 million in 2011, and online options have expanded instructional capacity even more since then, Azziz says. Structural change is probably what needs to happen, says Aims C. McGuinness, a senior fellow with the National Center for Higher Education Management Systems. Considering widespread demographic declines and waning state support, he says, "Virtually every state has got to think more systemically."

The deepest and most systematic consolidation is in academic resources, but that option remains underused at public colleges. Rather than offering the same programs on every campus, or competing programs on several campuses, consolidations "allow you to rationalize education across a large number of campuses in a better way," says Azziz.

Another example of systemic thinking: Sharing academic resources. "The University of Maine system… has been approved for a unified system of accreditation for its universities in order to give students at smaller campuses better access to a wider range of programs, and to share faculty members, courses, and eventually degrees across campuses." (Chronicle of Higher Education, Aug 2020)

3. Do colleges and universities have the necessary expertise to evaluate available options for restructuring and reinvesting? Recommended resources:

"Institutions should ideally integrate merger and closure analysis as a standard board practice, say authors of a new book on mergers, *Strategic Mergers in Higher Education*. Boards need to understand that considering the possibility of mergers and acquisitions should be part of their strategic planning at all times. Writes Azziz: "They need to consider the potential of mergers on a recurring basis as part of their basic board duties. We think boards should consider this every second year. *This should not just be about saving themselves but also looking for opportunities to grow the institution and how to create a better value proposition for students (emphasis added).*"

4. Be realistic about forces that may prevent optimal action by boards. "I would say 90 percent of the time mergers are not viewed as a strategic alternative until it is too late," (AGB).

- Boards are often wedded to the status quo or managing institutions, not to helping to guide them through dynamic change. Dealing with such change is often outside most or all of their members' experiences and skill sets.
- Board members can allow personal feelings to cloud their judgments, particularly in cases in which they are alumni with strong visceral emotions concerning changing.. or closing.. the institutions.
- Various stakeholders, including students, staff, faculty, and alumni can, for similar reasons, push back on such options even when they are in the best interests of all involved. …The challenges can be even greater for public institutions, given that state

authorization must be sought for major strategic actions and a wider pool of stakeholders must be consulted. (AGB Report, Feb 2018)

- The demands of such strategic change… takes long-range planning and attention to innumerable details to consider, plan, and execute… They may extend beyond the tenures of many board members.

5. **"Key Takeaways,"** quoted in full from "Mergers in Higher Education: A proactive strategy to a better future?" (Azziz, TIAA Institute), Sept 2017

- The decision to consolidate or merge institutions is never an easy one, and the process is nearly always painful and costly; however, mergers are a tactic that should be considered seriously and, most importantly, proactively by many higher education institutions and their leaders.
- Optimally, mergers should not be considered only in extremis, when few resources or assets exist, and political goodwill, staff morale, and energy are low.
- To ultimately be successful, mergers must be part of a larger strategic plan and not an isolated tactic or endpoint; cost savings or simply being bigger should not be the only, and probably not the primary, drivers of a merger.
- Seven critical elements for merger success include a compelling unifying vision; a committed and understanding governing body; the right leadership; an appropriate sense of urgency; a strong project management system; a robust and redundant communication plan; and sufficient dedicated resources.
- Mergers provide the opportunity for a number of gains, including financial savings, the leveraging of a greater size and scale, and the re-energizing and re-engaging of the institution's stakeholders.
- Mergers also cost. Costs relate to building and/or refurbishing necessary infrastructure; branding, communications, and university relations; addressing human capital needs; developing programmatic growth, synergies and short-term wins; opportunity costs; expenditure of political capital; and costs to leadership.
- Mergers have discordance in timing between gains and costs: while financial gains other than short-term reductions in administrative staff may take time to develop, many of the costs of a merger come due immediately and often even before the process has begun.

6. Insights from Connecticut:

Consolidation took considerable time and effort. Changes included:

- Creating a regionalized structure & consolidating all 12 community colleges into one accredited institution.
- Developing academic planning process; aligning curricula for more than 200 degree programs
- Plan for new personnel structure. Each campus would have chief executive officer, chief academic officer and chief financial officer under three regional presidents and an

overall college president. Also resulted in drop of 117 administrative/other FTE positions.

Key elements of plan and/or process of consolidation:

- Plan prioritized "refocusing the system to put the needs of students at the forefront." Combining institutions into single institution under a single accreditation served Connecticut's goal of making academic offerings and practices more consistent across all, for example: shared general-education curriculum, common guided academic pathways to keep students on track, made it easier to take classes across institutions.
- NOTE: This consolidation effort had continuous, significant resistance faculty leadership, and staff and faculty unions. The 'viewpoint' article penned by 24 'community college supporters' (July 2019) conveys the ongoing resistance.

Recommendations noted:

- Consider planning for "how much is this going to cost?" rather than "how much is this going to save"?
- Plan for transition costs which will reduce budgets available for academic and student support services.

7. Insights from Georgia:

- Merging campuses may offer advantage of economies of scale, and more efficient operations. But value is not in gaining savings; instead "it's how [resources] are being used where you see a difference" (vice-chancellor for organizational effectiveness), referring to investment in additional faculty and advisers.
- University System of Georgia mergers were successful in part because they were governed by six core principles that were adopted by the board. (AGB.org, 2020)
    - Increase opportunities to raise education attainment levels.
    - Improve accessibility, regional identity, and compatibility.
    - Avoid duplication of academic programs while optimizing access to instruction.
    - Create significant potential for economies of scale and scope.
    - Enhance regional economic development.
    - Streamline administrative services while maintaining or improving service level and quality.
- Earlier consolidations between pairs of institutions may be found at https://www.usg.edu/consolidation/