



AN *INSIDE HIGHER ED* SPECIAL REPORT

The Growing Role of Mergers in Higher Ed

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Executive Summary

Colleges and universities find themselves facing an uncertain future as student populations shift, financial pressures mount and skepticism rises about the value of a higher education. In the coming years, presidents and boards of trustees may very well find themselves fighting for the survival of their institutions—if they aren't already.

Smart leaders do more than hope to keep their heads above water. They seek strategies to navigate the coming waves, or to improve their position if they are already confident in their course. One such strategy is merger.

Mergers and acquisitions carry a stigma in higher education, where every college professes a fierce dedication to its own unique mission and the barriers to major institutional change seem dauntingly high. Concerns about preserving mission, dealing with faculty members, pleasing alumni and overcoming a culture that has long encouraged silence about problems can make

the idea of pursuing a merger seem like an insurmountable challenge.

But talking about a merger doesn't guarantee a battle between constituencies on campus. Nor does it amount to a betrayal of an institution's identity.

A well-thought-out merger process can help presidents, boards, faculty members, students and staff members understand where a college stands and where it must go in order to preserve its mission and values into the future. Such a process can be successful even if it does not result in a consummated merger. It can help leaders choose from a range of actions: perhaps a strategic partnership with another college that doesn't quite amount to a full merger, or maybe a specific plan for trimming expenses and refocusing student recruitment.

Without assuming a merger is the best strategy for every institution, this report aims to serve as a guide for considering the strategy. To address practical concerns, it sketches

out a basic framework around which leaders can build their own merger process, and it includes sidebars on important stumbling blocks such as approaching accreditors and talking to faculty. To answer the question of why any college would consider merging, it explores the data and projections that cause leaders to worry about the future of their institutions. For those who want to learn from others' experience, it features several case studies examining colleges that have successfully merged—and looking at some that have tried and failed.

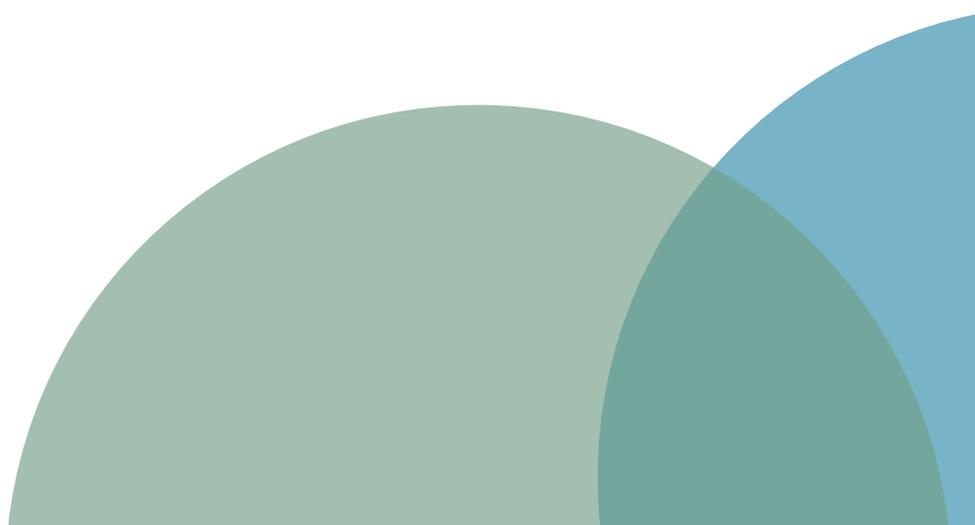
The point is not that any institution should or should not merge with another. It is that colleges and universities of all types and sizes could benefit from asking the question “Should we merge?” and then answering it calmly and strategically. ■



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BOSTON UNIVERSITY
WHEELLOCK COLLEGE OF
EDUCATION & HUMAN DEVELOPMENT



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Introduction: A Tale of Two Mergers

On the last Tuesday of August 2017, Wheelock College and Boston University said they were entering merger talks. Forty-three days later, they announced a deal to have Wheelock become a part of Boston University.

In late February 2018, Mount Ida College and Lasell College revealed their own merger discussions. Those talks were dead before the end of March. Then in early April, Mount Ida revealed that its land would instead be acquired by the University of Massachusetts. Mount Ida would cease to operate.

In some ways, the two cases weren't so different. Wheelock and Mount Ida were both ending their existence as independent institutions in the face of intense enrollment and financial pressures. Parts of both were being folded into much larger, better-off institutions.

But in important ways, the two colleges secured very different fates. Wheelock's name was to live on at Boston University as the Wheelock College of Education & Human Development, and operations were

to continue on its campus for the immediate future. Wheelock students were granted the ability to matriculate at nearby BU, and most indicated they would do so. Some faculty and staff members were offered positions at the much larger and better-resourced BU.

Mount Ida, on the other hand, would watch its students and campus divvied up by different institutions within the public University of Massachusetts system. Students in good standing were to be offered admission to UMass Dartmouth, some 60 miles away. UMass Amherst, the system's flagship campus 90 miles away, would receive Mount Ida's 74-acre campus. The nearby UMass Boston was to receive nothing aside from the prospect of transfer students.

The UMass arrangement soon came under intense scrutiny from students, parents and public officials as confusing and conflicting details trickled out. Many students in Mount Ida specialty programs without matches in the UMass system waited anxiously to hear

about teach-out plans. Massachusetts Board of Higher Education chairman Chris Gabrieli [described](#) the situation as a “hot mess.”

Massachusetts wasn't the only state wrapped up in a hot merger mess in April—nor were private colleges alone in driving the conversation. In neighboring Connecticut, the Connecticut State Colleges and Universities system reeled after its accreditor rejected a plan to merge 12 community colleges. The Pennsylvania State System of Higher Education grappled with its future after two different reports released less than a year apart came to conflicting conclusions about whether mergers were appropriate for its 14 universities.

Despite the many struggles playing out last spring, hopes remained high for Wheelock and Boston University. Recent history shows other examples of mergers that were in many ways successful, like Middlebury College's addition of the Monterey Institute of International Studies in 2010, or the merger of Philadelphia University and Thomas Jefferson University in 2017. Among public institutions, the University System of Georgia pulled off a string of consolidations starting in 2011 with relatively little drama.

While every situation had its unique factors, it's still valuable to ask what the leaders steering each deal did differently. In the cases of the Boston-area mergers, why was Wheelock able to secure an agreement satisfying more

WHAT'S IN A LABEL?

This report frequently uses the term “merger” in the broad sense of any combination of two institutions. But the labels “mergers” and “acquisitions” can be used more specifically to describe two distinct types of transaction.

In the corporate world, a merger is the combination of two entities of the same approximate size and standing. Executives from both precursor institutions are retained, and stockholders from both companies go on to hold shares in the merged business. Little if any cash changes hands in a true merger. Think of the merger completed in September 2017 between the Dow Chemical Co. and E. I. du Pont de Nemours and Co. into DowDuPont. Dow shareholders received a share of the new company for every share they owned, and DuPont shareholders received 1.282 shares for each of their shares.

In an acquisition, one institution takes ownership of another, either by buying enough shares to assume control of the corporate entity in what is called a stock sale or by purchasing parts of a company in what is called an asset sale. In an example of a deal including both a stock and asset sale, Bayer closed an acquisition of Monsanto valued at \$63 billion, including outstanding debt assumed, by paying \$128 per share in June 2018. To satisfy regulators, Bayer planned to sell agricultural businesses assets to BASF for 7.6 billion euros, or about \$9 billion.

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WHAT'S IN A LABEL?

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Higher education has generally avoided publicly using the word “acquisition,” instead stretching the term “merger” to cover almost any transaction. In many cases, this is done because of the political sensitivities involved in bringing together two institutions with two distinct cultures and constituencies.

Nonetheless, most M&A activity among colleges and universities fits the definition of acquisitions.

“I would say most merger discussions are not truly the merger of equals, no matter how often they’re presented that way,” says Chris Gabrieli, chairman of the board of the Massachusetts Department of Higher Education. One side usually needs the merger more, and that side is usually in the weaker position.

Mergers will have to win accreditor approval, so it should be noted that accreditors consider them complex substantive changes that can trigger other types of accreditation changes.

“We often find that institutions refer generally to mergers while we work with them to determine the appropriate category for the transaction,” said Heather F. Perfetti, vice president for legal affairs and chief of staff at the Middle States Commission on Higher Education, in an email.

Higher ed boards and administrators may very well choose to announce all types of M&A transactions as mergers if they feel it is appropriate. But they should be open and honest with themselves about the essence of the transactions. And they shouldn’t be surprised if press coverage of the deals is specific about their true nature. ■

of its constituents than was Mount Ida? Did leaders there approach the merger process differently or follow a distinctive pathway? Could either institution have realistically done better for itself? How did those in charge at Boston University and the University of Massachusetts approach the situations?

Contrasting the Boston-area merger attempts and studying higher ed mergers elsewhere provides insights that can be applied to other situations. Such studies also prompt broader questions to answer. Which constituencies need to be heard from when a merger is on the table—and how should each group be valued? What unique considerations do leaders of public institutions need to take into account?

Many of those questions are complex and challenging to answer. Before a campus’s leaders can address them, they must tackle two other questions: Why do mergers seem to be discussed with increasing frequency in higher education? And where are they most likely to take place? ■



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