RESEARCH BRIEF

Stronger Together Than Alone?

Assessing College Leaders' Attitudes Toward Mergers and Other Partnerships

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EXECUTIVE SUMMARY

College leaders report mild interest in merging their institutions with others, while a considerably larger number of them say their campus is already collaborating in some way with other campuses and expect to do more in the future.

Those are the main takeaways from a survey conducted this fall by *The Chronicle of Higher Education* and underwritten by Workday, a cloud-based software company, that sought to assess how college leaders view mergers and partnerships since the beginning of the Covid-19 pandemic.

Among the study's findings:

- A significant number of college leaders (25 percent) report that their institution might consider a merger in the future. About half that number (12 percent) think their institution should merge with another.
- While the number of institutions currently involved in merger discussions with other campuses is relatively low (7 percent), more officials (12 percent) say their institution has attempted a merger within the last five years.
- Other types of collaborative arrangements between institutions are more common than mergers: 62 percent report that their institution is a partner in a college consortium. More than one in three leaders (35 percent) report that their college has a shared-services agreement with another institution.
- More than half of officials (54 percent) say that the pandemic has not made them more likely to consider mergers, though 18 percent report their college is more likely to consider one than before the emergence of Covid-19. Nearly half (44 percent) say that Covid-19 has made them more likely to consider some kind of academic partnership.

The survey, conducted in September, yielded 282 responses from executive-level administrators and finance professionals at two- and four-year colleges in the United States.

Sixty percent came from institutions with fewer than 5,000 students, roughly mirroring the U.S. college landscape; colleges of that size make up about 66 percent of all institutions.

More than eight in 10 (82 percent) say they are "very knowledgeable" about collaborations between their campus and others, while 18 percent say they are "quite knowledgeable."

INTRODUCTION

Covid-19 has accelerated the pace of change at colleges in the United States. The rapid metamorphosis many institutions have experienced — turning from mostly in-person centers of higher learning to ones that can now reliably deliver remote education — has been hailed as an example of how resilient higher education can be.

Yet, faced with longstanding dilemmas, many of them existential, colleges have been loath to consider new management structures that might help struggling institutions get through tough times and plan a more secure future, experts say. Colleges have traditionally been slow to combine their forces through mergers and other types of collaborative arrangements, despite a host of storm clouds either on the horizon or directly overhead.

Graphic representations of leading college indicators feature a daunting number of downward-pointing arrows — ones that more than hint at sustainability challenges. Institutions face a looming downturn in the number of available high-school graduates, a Covid-era loss of one in eight faculty or staff members, and excess capacity, with colleges in the United States collectively maintaining at least 1.5 million empty undergraduate slots.

The nation's 4,000 degree-granting institutions simply do not and will not have enough students to go around. Some will struggle to find enough of them to continue paying their bills.

Beyond ongoing enrollment anxiety, college leaders must deal with escalating costs that strain budgets, some of which have yet to fully recover from the Great Recession. Parents and students demand more from their education. Meanwhile, colleges are also under pressure to offer education in more ways, including online, in-person, or a combination, and to increase the levels and ranges of student services — all of which takes more money. And ranking systems put together by media outlets and others have helped make large institutions with higher ratings even larger — often at the expense of small and mid-sized ones, which may strain to maintain their footing.

Many colleges are groaning under the weight of expectations and obligations. In recent years, at least one business guru has said that as many as half of all higher-ed institutions will be forced into bankruptcy in the coming decades.

Many would benefit, experts believe, from more partnerships that span a spectrum of possibilities — everything from, say, sharing library services on one end to a full-blown merger on the other. Colleges can collaborate to overcome declines in enrollment and income, or to expand their geographical reach. Mergers and other forms of partnerships are seen by some institutions as ways to guarantee better education and services to students.

Higher-ed observers are noting an uptick in academic partnerships, college consortia, and shared-services agreements that aim to help two or more colleges pool back-office operations, expand course and degree offerings, or more effectively teach students, especially those in rural areas who may not have access to the needed courses or materials.

Mergers represent the most severe form of restructuring, one that may entail becoming absorbed by another institution. That idea can invoke fear in college leaders and board members, many of them alumni, who see their job as maintaining an institution's identity. Because they involve combining academic programs, curricula, and leadership structures, mergers can be very difficult to do, especially for private institutions.

Still, mergers are nothing new. Both Carnegie Mellon University and Case Western Reserve University underwent separate mergers in 1967, and several other institutions, including Moravian College, had merged with smaller colleges in the decades prior.

Mergers remain relatively rare. More than 80 mergers or "combinations" were documented in the decade before Covid-19, according to a study by EY-Parthenon, a consulting firm — an average of around seven per year. And yet those numbers represent more than a 150-percent increase over the previous decade, when only 32 institutions said they were involved in mergers.

> **Colleges have traditionally been slow to combine their forces through mergers and other types of collaborative arrangements.**

During the pandemic, some observers report, institutions have become more aware of mergers.

"We began to see an increasing interest in mergers and partnerships before Covid," says Scott Friedman, a principal leader in higher-education strategy and analytics for Deloitte, a consulting firm. "The pressures that the pandemic placed on higher education are leading some institutions to move now, while they have some Covid-relief money, to strengthen their institutions for the future." Other colleges are looking to become stronger so they can become more suitable partners with other institutions.

"The arrow is inching upward and to the right," Friedman adds. "I only expect the number of mergers to increase over the next few years. There are a lot of institutions in areas that will be especially susceptible to the demographic cliff to come. For many of them, if they don't take the merger tack, they'll be forced to close."

More Awareness of Mergers

Consciousness of mergers may be growing, but few institutions are currently discussing such agreements. *The Chronicle* survey found that only about one in 14 colleges (7 percent) are considering mergers. A similar number say their institution is in discussions about acquiring another campus, while only 2 percent are in discussions that involve being acquired by another institution.

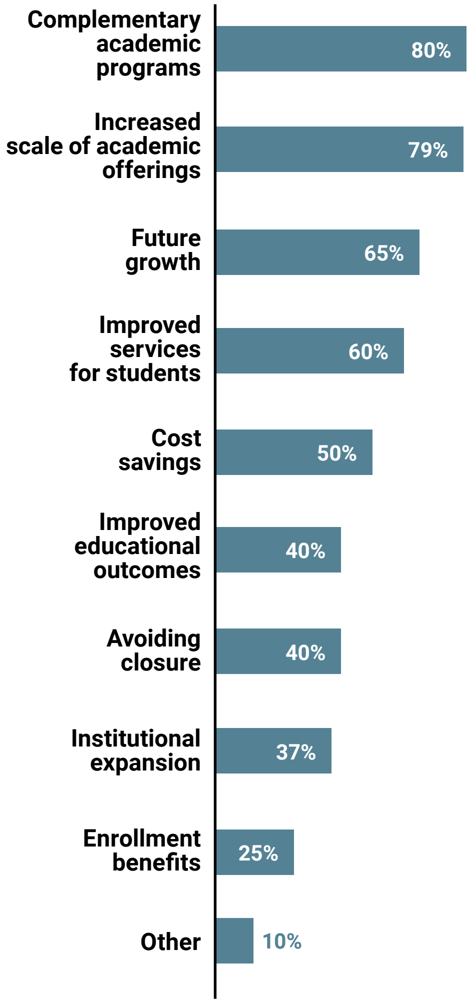
That doesn't mean that the numbers are low, some experts say.

"If you assume there are 4,000 degree-granting institutions out there and seven percent say they are looking into mergers, that's a lot of campuses — nearly 300," says John MacIntosh, managing partner at SeaChange Capital Partners, which, along with the ECMC Foundation and other philanthropies, makes grants to help institutions explore mergers. The survey's findings suggest a higher level of interest than that found in previous studies, MacIntosh adds.

The reasons why institutions consider mergers and how they come to fruition vary widely. There is no one-method-fits-all approach, experts say.

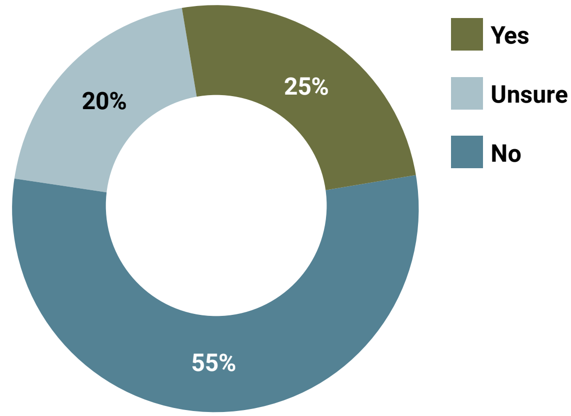
The reason cited most often by college officials involves providing more education or student services. Four in five survey respondents cite the development of complementary academic programs as a reason to merge, while a similar number (79 percent) cite an

Why colleges are considering a merger



Source: *Chronicle* survey

Do you think your campus might consider a merger with another institution in the future?



Source: *Chronicle* survey

increased scale of academic offerings. Six in 10 say a merger would improve services for students, while four in 10 cite improved educational outcomes.

But concerns over sustainability rival the desire to improve what colleges can deliver to students. Nearly two in three (65 percent) say that future growth is a driving force behind mergers.

Exactly half of the survey respondents say that cost savings is a primary reason to consider a merger. And avoiding college closures remains a concern. Four in 10 officials cite the prospect of shutting an institution's doors as a primary reason to merge. That figure is almost equal to the number (37 percent) of officials, perhaps looking at the merger question from an opposite perspective, who cite expansion as a reason to consider joining forces with another institution.

A recently inked merger between Northeastern University, with an enrollment of 19,000, and tiny Mills College, enrollment 700, shows how one institution's desire to grow can match up with another's desire to survive. When talks to merge Mills, a financially troubled institution that serves women and gender nonbinary students, with the University of California at Berkeley broke down early this year, Northeastern stepped into the breach.

Northeastern saw Mills's San Francisco Bay location, 135 campus acres in Oakland, and its programs in teaching education, gender studies, social justice, and women's studies as strengths that would help it fulfill its mission. Mills's officials, who faced closure in 2023, saw an opportunity to allow their students to finish their degrees on campus and offer them a chance to broaden their education.

"We're very strong in other areas, especially STEM and business," says Michael Armini, senior vice provost for external affairs at Northeastern. "The goal of a Northeastern education is to get students working out in the world, including at companies. We wanted to move into one of the most important economic areas in the world to create more opportunities for our students."

Northeastern received 75,000 student applications this year. The merger gives the university space — now on the West Coast — to accommodate more students while expanding its mission.

The combined institution — to be called Mills College at Northeastern University — is awaiting accreditation and will be gender inclusive when it opens sometime next year. The merger represents a growing reality that institutions must face, Armini says: "The notion that a private institution can sit in one place for 300 years is over."

Half of the institutions currently in merger discussions are private colleges, according to the survey. Another 15 percent of surveyed campus officials say they represent "specialized institutions."

> "The notion that a private institution can sit in one place for 300 years is over."

Leaders at private colleges, many under financial pressure, have more leeway than their counterparts at public institutions when it comes to seeking out mergers and other collaborative schemes. Size matters: The EY-Parthenon study found that 95 percent of the institutions involved in mergers last decade had fewer than 5,000 students. The vast majority are private colleges.

Geography plays a role, too. EY-Parthenon found that 80 percent of merger agreements were made between institutions in the same state.

Many public colleges, subject to funding decisions made by state legislatures, are also under pressure to merge. More than one-third of college officials considering mergers (35 percent) represent four-year public institutions; another five percent work at two-year public colleges.

In some state-university systems, elected officials are mandating mergers or seeking ways to consolidate their far-flung campuses, citing budget problems, declining enrollment in rural areas, the seismic shifts in college demographics to come, and the need to achieve economies of scale.

In Georgia, nine mergers between state colleges reduced the number of state institutions from 35 to 26. The moves have led to increased investment in academic support and administrative cost savings, though so far they are relatively small. Similar consolidation programs for public colleges in New Hampshire, Pennsylvania, and Texas aim to control costs and shrink the overall footprint of the state's campuses to adjust to future demand.

The culture of college campuses, particularly smaller and more remote ones, has a large effect on officials' willingness to start merger discussions. Even when a merger makes sense, and discussions have begun, few mergers make it to the finish line. Within the last five years, one in eight, or 12 percent, of college officials say their institutions have considered a merger that has failed to come to fruition.

A host of concerns can scotch even negotiations begun in the best of faith. How will alumni, usually counted upon for a large share of donations, take to the idea of combining their institution with another? What will the fallout be from faculty and staff layoffs, should they happen? Will a merger guarantee equity to diverse student groups from all merged campuses?

"The whole process is very emotional," says Lynn Alvarez, vice president for programs and strategy at the ECMC Foundation, which has worked with SeaChange Capital Partners and other foundations to make $2.5 million available to support long-term partnerships among higher-ed institutions. "It can be very personal. There's a sense of loss. Colleges often need expert facilitators during merger discussions to help them through that."

What's more, colleges in trouble often wait too long before opening themselves up to the concept of mergers, making negotiations difficult, if not impossible. Though Mills College may be an exception, colleges facing insolvency or that have rundown physical assets generally don't make good prospective partners.

"It's important for institutions looking to merge to have capital — financial, physical, political, some equity — to bring to the table," says Ricardo Azziz, a research professor in health policy, management, and behavior at the University at Albany, part of the State University of New York. Azziz saw through the merger in Georgia that resulted in Augusta University, where he served as president.

"I'm a proponent of including discussions of mergers regularly in an institution's strategic-planning processes," he adds. "The trouble is, people don't want to talk about it. They run the risk of becoming zombie schools — ones that still have open doors but have trouble investing in programming or meeting payroll."

The survey shows that one in four college officials say that their institution might consider a merger in the future, while 12 percent say their college should merge — nearly double the amount of those who say their institution is currently in merger discussions (7 percent).

The effects of Covid on merger awareness are unclear, however, given the lack of comparable studies. Nineteen percent of college leaders agree that their institution is more likely to pursue a merger now than it was before Covid-19, but more than half (54 percent) disagree.

MacIntosh points to the 57 institutions since March that have applied for a "transformational partnership" grant from SeaChange Capital Partners as a sign of greater interest in mergers, but others say the survey numbers should be much higher, given what colleges are facing.

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Some wonder if concerns about survivability, post-Covid, have been pushed to the side as federal and state pandemic-relief funds have helped financially teetering institutions operate more effectively in the short term. "Higher education as an industry would be better served through more consolidations," says Rick Staisloff, founder and senior partner of rpk Group, a consulting firm. "Students would be better served if our institutions were stronger. But colleges continue to resist that."


Contract

Pursuing Nonmerger Partnerships

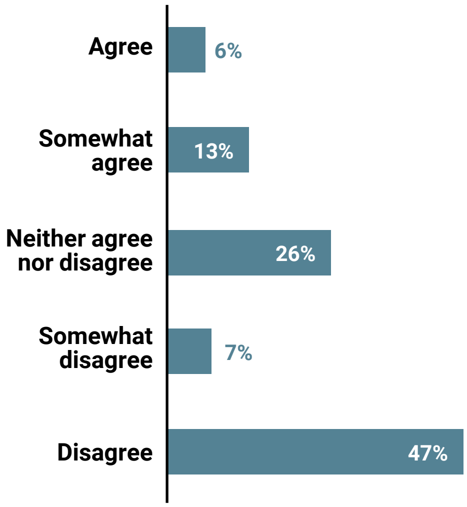
While many college leaders see mergers as a drastic, even scary, step to take, many more are open to other types of intercollege relationships.

Higher-education collaborations have gained popularity as colleges look to reduce operating costs while offering students more cultural and educational opportunities and more services.

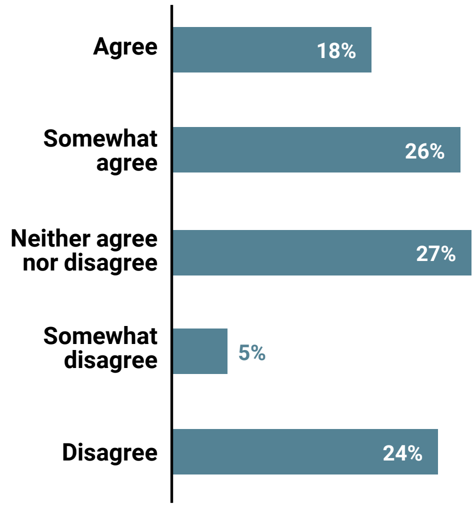
More than one in three college officials (35 percent) work at institutions that have formed shared-services agreements with other colleges, according to the survey. The reasons cited most often for forming an agreement include sharing IT costs (36 percent), enrollment services (26 percent), and human-resources functions (20 percent).

Colleges often join forces so they can manage one service or function together. Five Catholic colleges on the West Coast, for example, have pooled their employees' health insurance. In doing so, they have avoided the high cost of private insurance, which has shot up about 20 percent this year alone, says Paul Fitzgerald, president at the University of San Francisco, which is part of the pool.

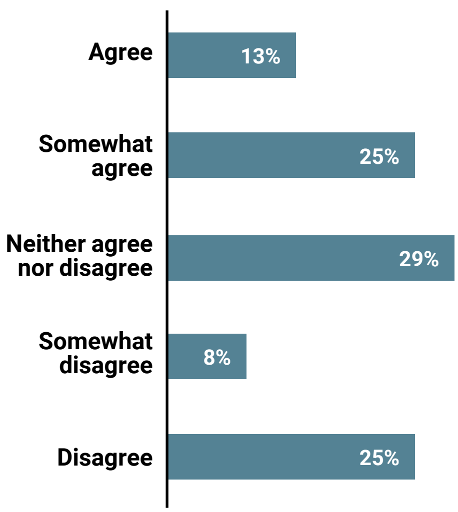
How much do you agree with this statement: "My college is more likely to consider a merger than before the outbreak of Covid-19?"



How much do you agree with this statement: "My college is more likely to consider an academic partnership than before the outbreak of Covid-19?"



How much do you agree with this statement: "My college is more likely to consider a shared-services agreement than before the outbreak of Covid-19?"



More college officials (41 percent) say they are looking to expand their shared-services agreements than those who aren't (38 percent). More survey respondents agree (38 percent) than disagree (33 percent) that their institution is more likely now than before the emergence of Covid-19 to consider a shared-services agreement.

> **By adding facets of another institution to their own, colleges can distinguish themselves as unique in a crowded college landscape.**

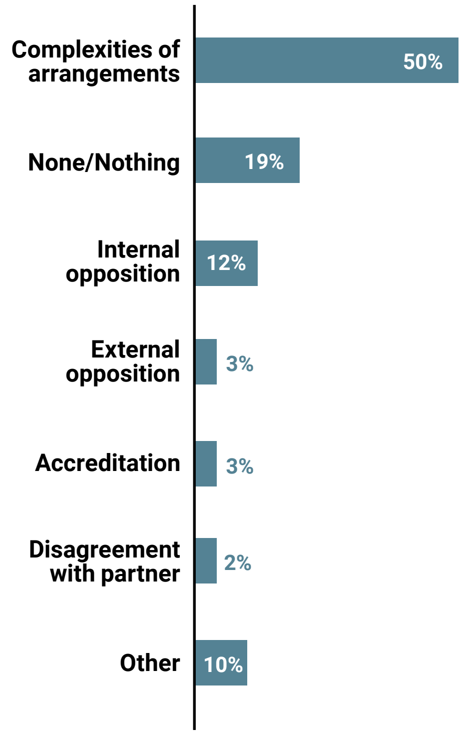
A solid majority (62 percent) of college officials report that their institution is a member of a consortium. Such arrangements typically cover a wider swath than shared-services agreements, and often involve more than two colleges. Consortia combine operations while allowing each college to maintain its identity and distinct mission.

For example, the Five Colleges Consortium in western Massachusetts, made up of four private colleges and one state university, offers students at all institutions joint academic programs, transportation between campuses, and a host of cultural and extracurricular activities. Consortiums are growing in popularity, experts say, and often for counterintuitive reasons: By adding facets of another institution to their own, colleges can distinguish themselves as unique in a crowded college landscape.

"As colleges continue to look for ways to differentiate themselves and offer more to students, these kinds of collaborations become more attractive," says Christine Smith, a managing director at Baker Tilly, a consulting firm.

> "When problems emerge, college leaders should look seriously at the opportunities that collaborations offer."

What has been the primary challenge to potential partnership opportunities with your institution?



Source: *Chronicle* survey

A partnership now in development in Vermont — what administrators there have labeled a "revolutionary transformation" — aims to combine the administrative functions and the leadership of some academic programs at four public institutions. The partnership contains some of the hallmarks of a consortium. Besides sharing services and combining back-office functions to save money, the partnership will expand flexible learning options and offer virtual library services to all students. Course credits earned at one institution will be recognized by all colleges in the partnership.

"Within the system, it has been very beneficial for the students in some disciplines, such as nursing, to begin in one place and continue in another," says John Mills, interim president at Northern Vermont University. "It's also important for us to highlight degree elevation. The Northern Vermont online-degree program gets strong interest from students at the other schools."

Two in three college leaders from institutions which are part of consortia say that improving academic-program offerings is the primary purpose of being in one. Another one-third cite purchasing operations, while managing study-abroad programs (23 percent) and technology sharing (21 percent) also also were cited.

When asked about the challenges of forming partnerships with other colleges, half of the survey respondents cite the complexity of making arrangements. Often, complications arise when institutions try to figure out which college will be responsible for which services, experts say.

“Finances can become a real stumbling block,” says Smith. “Institutions worry about transparency and whether they will get all the services they’re hoping to get out of the partnership.”

Still, many more colleges are opting for such partnerships instead of mergers — though forming looser types of partnerships may lead to more openness to mergers in the long run, Smith says.

Another 19 percent of college officials say there were no challenges as they formed a partnership, while 12 percent cite internal opposition to partnerships as a barrier. The data indicate that while partnerships might entail headaches, a significant number of college leaders are nevertheless interested in pursuing them.

Overall, 44 percent of college leaders say their institution is more likely to consider an academic partnership than it was before the outbreak of Covid-19; only 29 percent disagreed.

Yet, some see room for improvement in the survey numbers. “I was hopeful that the pandemic would make institutions more open to the benefits, though it doesn’t look like it’s happening,” Staisloff says. “Too often, they think they can handle things on their own.”

“When problems emerge, college leaders should look seriously at the opportunities that collaborations offer,” he adds. “I’d say that 100 percent of institutions would benefit from some kind of partnership arrangement.”

CONCLUSION

In 1967, there were 320 Catholic colleges in the United States. Now, after a string of mergers and closings, there are fewer than 200. Yet, overall enrollment at the remaining institutions has grown by 60 percent — a sign that while mergers are often seen as contractions or worse, they can lead to stronger combined institutions that can educate more students and do it better.

And yet mergers remain an unpopular option for college leaders. Presidents and chancellors, hired to strengthen an institution, often serve as its cheerleaders and chief fundraisers. Even though mergers might be the best move a struggling institution can make, they can connote failure.

College trustees, many of whom may have graduated from the institution they now serve, are often loath to consider combining forces with another college for fear that theirs will lose its identity and uniqueness. Faculty members and students have their own concerns, including job security and diversity and inclusiveness.

The Chronicle survey evinces reluctance among college officials. But the results also demonstrate a significant level of interest in future mergers.

For now, colleges favor other kinds of partnerships. As they continue to be faced with cost concerns, worries about enrollment, and a more demanding group of students and their parents, colleges are finding some benefit in joining together to provide more academic programs and student services while reducing operating expenses.

More students can now take advantage of a wide range of degree programs that span two or more campuses. And many colleges have lowered the cost of operations at the surviving institutions — something that will aid their viability — by joining together.

As more consider how to project themselves into a future that can be foreboding, college officials will need to determine whether cross-college collaboration is a necessary step. Whether they decide to try and survive as single entities, or merge either to sustain themselves or to make themselves larger and stronger, institutions will be more likely to focus on serving students better through a wide range of collaborative arrangements.

The image of college as a haven of age-old, ivy-covered brick walls that have contained seemingly endless generations of students is torn and faded. Given the challenges colleges now face, they are now more open to turning to each other for help in crafting a sustainable vision of the future.

METHODOLOGY

The survey, conducted in September, yielded 282 responses from executive-level administrators and finance professionals at two- and four-year colleges in the United States. Nearly all of them — 99 percent — work at their institutions full time. More than one-third (37 percent) serve as chancellor or president, 17 percent as provost, and 13 percent as vice president.

Almost half (49 percent) work at four-year private colleges, while 32 percent represent public colleges. Nearly one in five (19 percent) work at community colleges.

Sixty percent come from institutions with fewer than 5,000 students, 24 percent from colleges with 5,000 to 19,999 students, and 16 percent with enrollment levels of 20,000 or more.

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