

ADMINISTRATION

# Mergers Can Benefit All Involved — but They're Never Easy

By *Alina Tugend* | OCTOBER 21, 2018

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M. Scott Brauer for The Chronicle

Kent Devereaux, president of the New Hampshire Institute of Art, saw a shaky future for small colleges like his. He spoke with Michele Perkins, president of New England College, and they began planning for a merger that will be finalized by July 2019.

For Shimer College in Illinois, it was a matter of survival. For New England College in New Hampshire, it was an opportunity to expand its fine-arts program. For Georgia's university system, the goal was to lift graduation rates and enhance efficiency.

These three institutions, as varied as they are, have something in common: Over the past several years, they have all entered into the often tumultuous world of higher-education mergers. While many such efforts have an economic rationale, the reasons behind them are as diverse as the

institutions themselves.

Consolidation can be about finding a solvent partner or adding a new program, department, or school, like medicine or music. It can be to gain more real estate or to create a larger institution — or a smaller division — to more effectively serve students.

## Merging Isn't Easy, but Sometimes It's Necessary

It requires realistic forecasts, humility, and diplomacy. But for some institutions it can be the key to surviving and thriving.

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About 24 mergers or acquisitions took place from 2010 to 2017, compared with only 12 in the 2000s, according to a TIAA Institute report on higher-education mergers. Usually, although not always, one partner in a merger is facing an immediate or potential financial crisis.

"We are in a remarkable correction," says Lee Pelton, president of Emerson College.

"Colleges and universities tend to be very resilient even in tough times, but now they are faced with formidable and unprecedented challenges that threaten their viability."

Those challenges include changing demographics, with a declining number of 18- to 24-year-olds in many parts of the country; the lingering effects of the Great Recession; and, for public universities, continuing erosion of state support.

And, Pelton notes, it is primarily smaller, less-selective institutions — those with 1,000 students or fewer — that have the least ability to withstand the combined financial blows.

Emerson is focusing on becoming partners with international institutions. Starting in the fall of 2019, it will offer a joint degree with the Paris College of Art, and it is expanding to other countries as well, Pelton says. The college has not had serious discussions about merging with any American colleges.

Shimer College, founded in 1853 as the Mt. Carroll Seminary, had a tiny enrollment — never more than about 600 — and a turbulent history. It became a great-books program in the 20th century and fought for decades to stay alive.

"The short version is there were things that happened in the 21st century that led the institution to be extremely fragile," says Susan Henking, who was president from 2012 to 2017. In its last year, it had about 100 students and 10 faculty members. "It was a micro

college."

So, for Shimer, being acquired was a necessity. But why did North Central College, a private liberal-arts college of about 3,000 students in Naperville, Ill., want to acquire it?

"We did this from a position of strength," says Troy D. Hammond, president of North Central. "Shimer was consistent with our core mission, but very distinct. It was adding a well-defined, differentiating academic program to North Central College."

Seven of Shimer's 10 faculty members and several dozen students came over with the college, which is now the Shimer Great Books School of North Central College.

"I'm enthusiastic," Hammond says. "It was wonderful at commencement to see the handful of Shimer students merge right in and get their diplomas. In my mind, that's a huge success."

He says the Shimer faculty has integrated well, too, and "a surprisingly strong positive is the alumni support" of about 4,000 Shimer graduates.

"Our goal," he adds, "is to build it back up to the 100-plus students it was."

## **Strength and Weakness**

Merger is the common and politically palatable term most often used when two colleges come together, but as many have noted, there is rarely a merger of equals.

"There's always the acquired and the acquirer," says Paul J. LeBlanc, president of Southern New Hampshire University. "We speak of mergers to make the acquired feel better, but someone's driving the car."

Acknowledging that they are in a position of weakness, however, can be tough for many college boards, Pelton says. "Too many schools wait too long before considering an acquisition or merger. Then they miss opportunities for meaningful mergers or even acquisitions if they wait too long and become unattractive.

"Universities and colleges have to be forward thinking," he says, "and be crystal clear and highly analytical of who they are. There are plenty of opportunities if they have the courage to face the truth about their own institutions and the courage to think about mergers and acquisitions."

The tale of Mount Ida College, in Newton, Mass., shook up many small private colleges. Facing reduced enrollment and struggling financially, Mount Ida announced plans in February to merge with Lasell College, also in Newton.

The two colleges, about a 10-minute drive apart, had already worked together, combining their campus police departments several years before.

"We started to have conversations about how we could collaborate more and maybe explore an actual merger," says Michael Hoyle, Lasell's vice president for administration and finance and the chief financial officer. "We were financially much more stable than Mount Ida, but from a long-term perspective, it's easier to have an institution of 3,500 students than 2,100."



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Programs at the New Hampshire Institute of Art (above) will complement those at New England College, the institute's president says. "They have humanities, natural and social sciences, education, and management, and we're basically the fifth division, with arts."

But once the merger plan was made public, though, it turned out that "our lenders weren't excited about Mount Ida's financial position," he says. A month later, it was announced that the deal was dead.

Hoyle says the unexpected outcome "was very disappointing." Barry Brown, a former president of Mount Ida, could not be reached for comment, but in an interview with *The Boston Globe* he blamed Lasell for changing the terms of the proposal.

Hoyle, who also sat on Shimer's board, says the big lesson for him from the successful Shimer acquisition and the failed Mount Ida merger was that "when two boards of trustees are merging two colleges, it's really important to have an independent third consultant or mediator who acts as the go-between, so each board is getting the same information and the same data. The weaker party needs to be told, 'Remember why you're in this.' "

In April, Mount Ida announced that it would close and become part of the University of Massachusetts system.

LeBlanc, of Southern New Hampshire, says that twice he has been asked to speak with college boards about proposed mergers with other institutions, and "in both instances it made sense — and in both instances they got to the altar, freaked out, and walked away. Too often the board feels like they've failed, and that never feels good. And then there's always the last-ditch effort — 'Can we go to the alumni and donors one last time?' Schools are very hard to kill."

Southern New Hampshire made an offer to buy Daniel Webster College, in Nashua, but creditors didn't find the terms acceptable. The college closed last year.

## **Artful Convergences**

For Kent Devereaux, president of the New Hampshire Institute of Art, Mount Ida was "a wake-up call." Even before that, he saw that the future was shaky for small colleges like his. The institute serves 350 full-time undergraduate and graduate students.

"I took over this institution four years ago, and I knew it had demographic challenges," Devereux says. "We had 24 percent of applications from outside New England when I came on, and now we have 64 percent from outside New England. But although we were making progress, if we ran our enrollment or financials and everything else for five years in the future, we were not digging our moat wide enough and deep enough between us and our competitors."

About a year ago, Devereaux told his board, "We're going in the right direction, but we're not going fast enough in the right direction. Now is the time to look at complementary merger partners."

He reached out to Michele Perkins, president of New England College, and they had lunch. With about 1,140 undergraduates on campus, her college has been bucking the regional trend and growing, Perkins says.

But the idea of the merger was intriguing. And the more the two talked, the more interested they both became.

"It was like a good airline merger," Devereaux says. "We didn't have a lot of overlapping routes. We're complementary — they have humanities, natural and social sciences, education, and management, and we're basically the fifth division, with arts and design. It opened up all these possibilities that didn't exist before."

Adding a fine-arts program would strengthen her college, thought Perkins.

"There are professional areas in art and design that are growing," she says. "We offer an M.B.A. This is hypothetical, but what if we had an M.B.A. with a focus on art management? That could be very appealing."

Even the settings complemented each other, she says. The New Hampshire Institute of Art is in urban downtown Manchester. New England College is in bucolic Henniker, about 30 miles away. So students can experience both lifestyles.

"We anticipate there will be a shuttle running between the two colleges," Devereaux says, but they are also looking at enhancing New England College's already robust online platform for students at both sites, as well as having some professors teach classes on both campuses.

Beside the academic benefits, the two institutions expect to see savings from combining back-office expenses and health-care costs. The merger has two phases, and the schools will be fully consolidated by July 2019, with a name still to be decided.

## **Sustaining the College Business Model**

The New Hampshire Institute will no longer be a stand-alone institution, but the price, Devereaux says, is worth it.

"We can survive or we can thrive," he says. "I've visited a lot of small colleges, and at a certain point, they're just getting by. We're not doing our students any favors by doing that."

Tufts University saw similar benefits as New England College when it acquired the School of the Museum of Fine Arts, in Boston.

"We believed we could bring the school back to viability and, once at viability, it would be of great benefit to Tufts," says James Glaser, dean of the Tufts School of Arts and Sciences. "This was a very targeted way to elevate the arts at the university. In terms of pedagogy and research and scholarship, there are very exciting collaborations with visual artists or performance artists." The acquisition became the School of the Museum of Fine Arts at Tufts in 2016.

The school and Tufts have a partnership dating back to 1945. "The long-term relationship made the merger easier," Glaser says. "In particular, it gave the SMFA faculty some trust in Tufts. They understood some of our systems and were familiar with our leadership and some of our students. That said, there were still a lot of challenges in bringing the two institutions together."

Those included combining computer systems, financial-aid policies, and transportation. For example, the buses shuttling the students the seven miles between the two institutions "were too big to fit under the bridges" along the Charles River, he says, "so they had to take a circuitous route. So we got smaller buses, but then you have to run more of them."

## **The Georgia Example**

Both private and public institutions have to balance the needs and desires of students, faculty members, alumni, boards, and accreditors when merging. But public institutions also have to negotiate political oversight, state coordinating boards, and often unions.

Georgia's merger of 18 of its 35 state colleges and universities — leaving it with 26 currently — has been closely watched and largely admired by those in higher education.

"Looking at what Georgia has done — maybe that's the way forward," says Brian Prescott, vice president of the National Center for Higher Education Management Systems, or Nchems, a nonprofit organization that advises colleges on higher-education policy. Noting that the state is not facing "the bleak demographic picture as in a lot of other areas," he says, "they could create more student success by consolidating efforts." But he also noted that unlike private universities, the University System of Georgia is a public system, with a governing board, so it "could be very directive about which institutions to consolidate and what steps to take in doing so."

The mergers began in 2012, and "this is the first calendar year we don't have a consolidation underway," says John Fuchko III, vice chancellor for organizational effectiveness in the Georgia system. "That could change next year."

Georgia's mergers included all sorts of combinations — two-year colleges with other two-years and with four-years, four-year institutions with other four-years.

"Our No. 1 priority is to increase degree attainment within the state, and the second piece is student affordability," Fuchko says. "The third is efficiency."

According to a study by a scholar in higher-education management, Lauren Russell, students attending Georgia institutions that consolidated were more likely to complete two semesters of college than were similar students at nonconsolidated institutions after the unions took effect. She also found that four-year on-time graduation rates increased.

There were no statistically significant increases in total spending, she notes, and spending did seem to shift from student services to academic support with no apparent increase in in-state tuition, she found.



"It takes about a decade before you can conclusively say a merger is successful," says Ricardo Azziz, chief officer of academic health and hospital affairs in the State University of New York system, but Georgia's appears to have succeeded. Azziz previously served as president of Georgia Health Sciences University, leading the merger of that institution with Augusta State University to form what is now called Augusta University.

Georgia has qualities besides beneficial demographics that helped make the mergers work, including generous scholarships

that help keep top students in state, he says.

"I do think other states can emulate it, but it requires a very strong and determined legislature, governor, and board," says Azziz, who was also lead author of the TIAA Institute's report on higher-education mergers.

But even successful mergers — whether private, public, or a combination — take an enormous effort, patience, and good will.

As Glaser, of Tufts, puts it: "In the medium and long run, it will be a real boon to the university. In the short run, it's a lot of work."

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