TIAA Institute

Mergers in higher education

A proactive strategy to a better future?

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.

The TIAA Institute commissioned this paper to offer insights to higher education leaders as they assess the many complex options associated with consolidating or merging institutions.

Ricardo Azziz is Chief Officer of Academic Health & Hospital Affairs at the State University of New York (SUNY) System Administration. Prior to that, he led a key merger in Georgia and served as president of the resulting institution, Georgia Regents University (now Augusta State University). Azziz and his co-authors argue that mergers are a tactic that should be considered seriously and, most importantly, proactively to enhance the successful pursuit of institutional missions.

Mergers ≠ Option of last resort

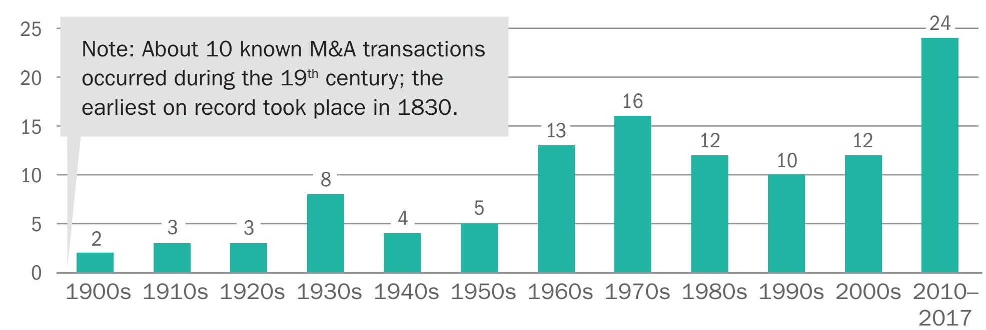
When mergers are considered only under dire circumstances, institutions likely will lack the necessary resources for a successful merger, and low levels of political goodwill, staff morale, and energy will hamper the effort.

Mergers provide opportunities for cost savings, operational synergies, and the chance to engage and re-energize stakeholders.

Increasing mergers and acquisitions activity in higher education

Consolidation in higher education is not new; however, as market dynamics and competitive pressures have intensified, mergers and acquisitions (M&A) have increased and are at their highest levels since 1900.

Number of M&A transactions in U.S. higher education 1900–2017

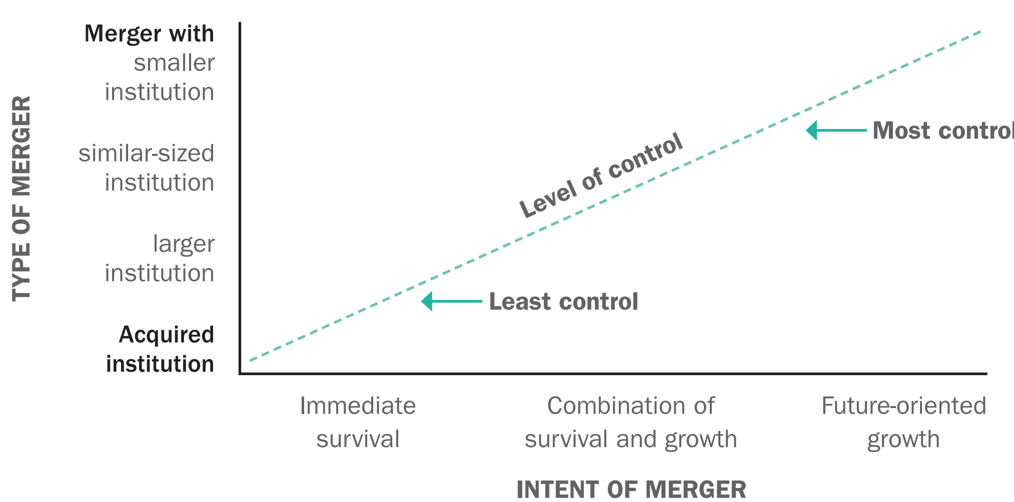


Note: The number of M&A transactions is not completely exhaustive. Some small-scale or distant-past mergers may not be represented. Source: Higher Education Mergers Blog; Parthenon-EY Analysis.

Institutional control over merger activity

The type of merger and disparity in size, if present, along with the institutional intent for the merger, play an important role in determining the degree of control any institution has over the merger process and outcome.

Level of control over a merger activity in relationship to the type and intent of merger



Seven critical elements for merger success

1. A compelling unifying vision
2. A committed and understanding governing body
3. The right leadership
4. An appropriate sense of urgency
5. A strong project management system
6. A robust and redundant communications plan
7. Sufficient dedicated resources

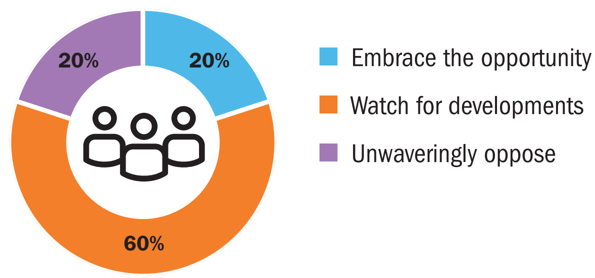
Read more

Azziz, R., Hentschke, G.C., Jacobs, L.A., Jacobs, B.C., Ladd, H. (2017). *Mergers in higher education: A proactive strategy to a better future?* New York, NY: TIAA Institute.

Advice from those who've been there

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. It is important for constituents to be aware of this disconnect.

Engaging constituencies: the "20-60-20" rule



The "20-60-20" rule. In any grand transformation, 20% of stakeholders will immediately embrace the opportunity, 60% will sit on the fence watching for developments, and 20% will unwaveringly oppose it. Leaders often spend an inordinate amount of energy, time and political capital to engage the opposing 20% in the belief that if they can convert these individuals, all others will come along. However, a more effective approach is to actively engage the 20% that has already committed, and work on converting the 60% that has delayed making a decision.

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