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The Paradox of Higher Ed Mergers and Acquisitions

Interest in mergers and acquisitions (M&A) has grown among college and university leaders and board members over the past few years. While we might characterize this as “nontraditional” strategic thinking, it is to be encouraged. Industrywide change is afoot, and **leaders are appropriately asking how to position their institutions for success in the coming decades.** M&A could be one such avenue.

This growing trend has been fueled, at least in part, by a narrative of Darwinian inevitability that has become commonplace among higher ed prognosticators. While financial, demographic, and other headwinds continue to increase for colleges and universities, the operating model will become unsustainable for many small and regional institutions. The weak will be gobbled up by strong institutions hungry for growth. Or so it would seem.

The Realities of the M&A Landscape

The same factors that make an institution available for acquisition generally make it unattractive to many potential buyers. Unlike the corporate sector, where companies are considered for acquisition because of attractive features such as innovative products or sharp growth trajectories, higher education acquisitions typically occur when a smaller institution is struggling and facing possible closure. This distinction may explain why some board members — veterans of corporate M&A — find themselves disillusioned by the options available.

For every successful merger or acquisition, there is significantly more window-shopping. Higher education leaders are faced with a situation where the challenges of the next decade, combined with the reluctance of larger institutions to absorb smaller ones, could yield more closures than mergers. This would be an unfortunate outcome for the students, faculty, staff, and broader communities of struggling institutions.

Reasons for Failure

- Headaches outweigh the benefits
- Academic programs do not align
- The finances simply do not work

Creating a Win-Win-Win

- Geographic expansion for the acquirer
- Enhanced college access for communities
- Preserved legacy for the acquired

What must change to subvert the paradox and convert the window-shoppers into deal-makers? First, the category of higher education **M&A must be reframed as a mission-oriented activity.** The very term "M&A" strikes many in higher education as evidence of the intrusion of the corporate and financial sectors into academia. But this doesn't reflect reality. Institutions seeking acquirers often serve populations with tenuous access to higher education.

A key to breaking the cycle of window-shopping is to find "win-win-wins" among institutions with compatible aims. By recalibrating expectations, the higher education M&A ecosystem will become healthier for sellers and acquirers alike.

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