

# Navigating Outreach and Networking to Support Successful Mergers, Affiliations, and Partnerships (MAP)

*We will get started in just a few minutes.*



*Scan for  
information on  
on special,  
upcoming  
Strategy  
Symposium in  
Puerto Rico!  
May 29-31<sup>st</sup>, 2024*

Brought to you by: AGB Consulting

**Dec. 12, 2023**

# Webinar Overview

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- ❑ Webinar recording and slides are emailed to you.
  
- ❑ Structure:
  - ❑ Conversation & slides
  - ❑ Audience Q&A
  
- ❑ Interaction: Questions and comments are strongly encouraged. Please use the Q&A button to send us questions.

# Meet Your Panelists



**Paul Friga, PhD**

AGB Senior Consultant,  
Practice Area Leader –  
Strategy & MAP

Former Trustee – Saint  
Francis University; Former  
Board Chair at St. Francis &  
Claire Church

Professor of Strategy &  
Consulting at UNC CH



**Ali Malekzadeh, PhD**

President at Roosevelt University  
with experience in Higher Ed MAP

AGB Senior Consultant

Creator of the American Dream  
Reconsidered Conference

Co-author of two books including  
*Organizational Culture in the  
Management of Mergers*



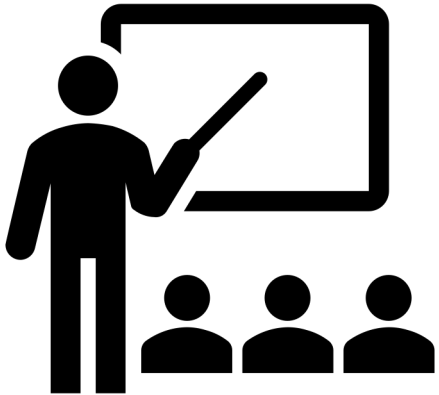
**Chris Moloney, PhD**

AGB Associate Vice  
President and Associate  
Managing Principal,  
Consulting

Instructor for Colorado  
State University and the  
University of Hawai'i Hilo

# Today's Agenda

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1. Why the Pace of Mergers and Closures will Increase
2. The Importance of Communication to Constituents
3. Pragmatic Advice Moving Forward and a Case Study

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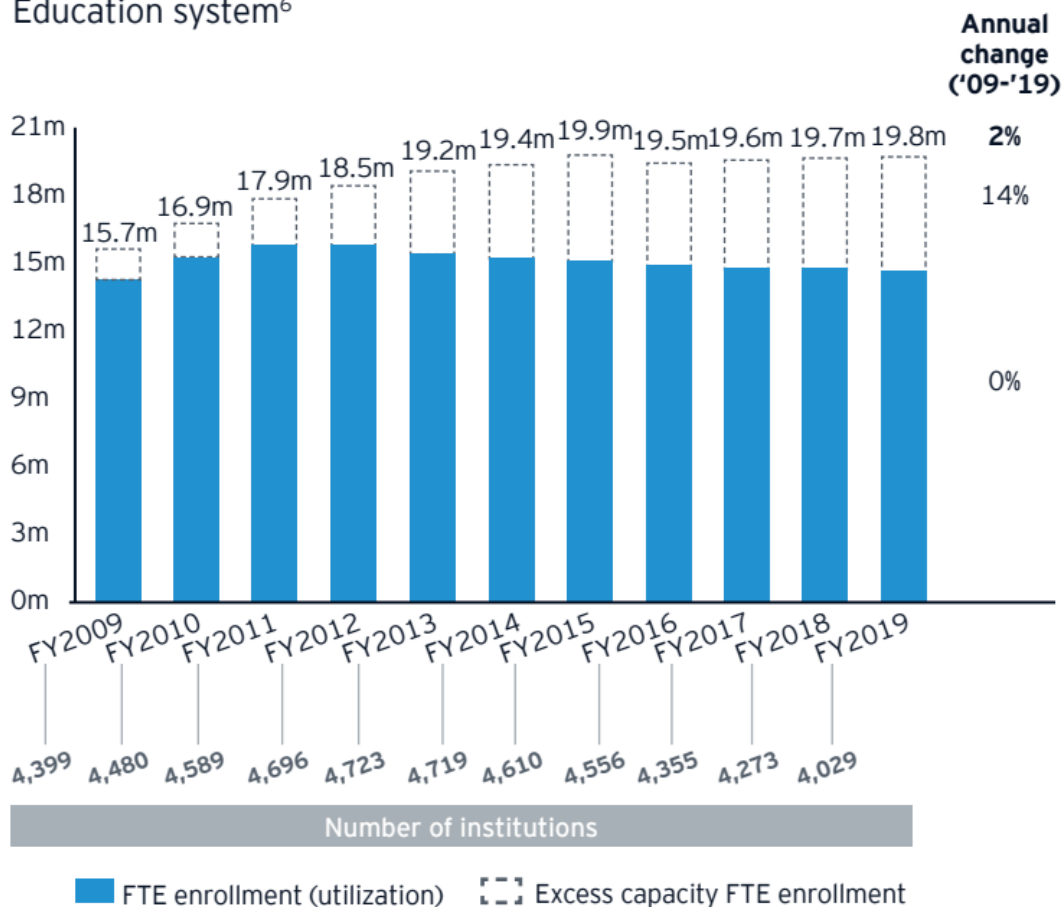
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# Our Starting Point Is An Over-supply of Higher Education

Figure 2. Excess and utilized capacity in the US Higher Education system<sup>6</sup>



Capacity growth of 26% dwarfs enrollment growth of 3% (FY2009–FY2019)

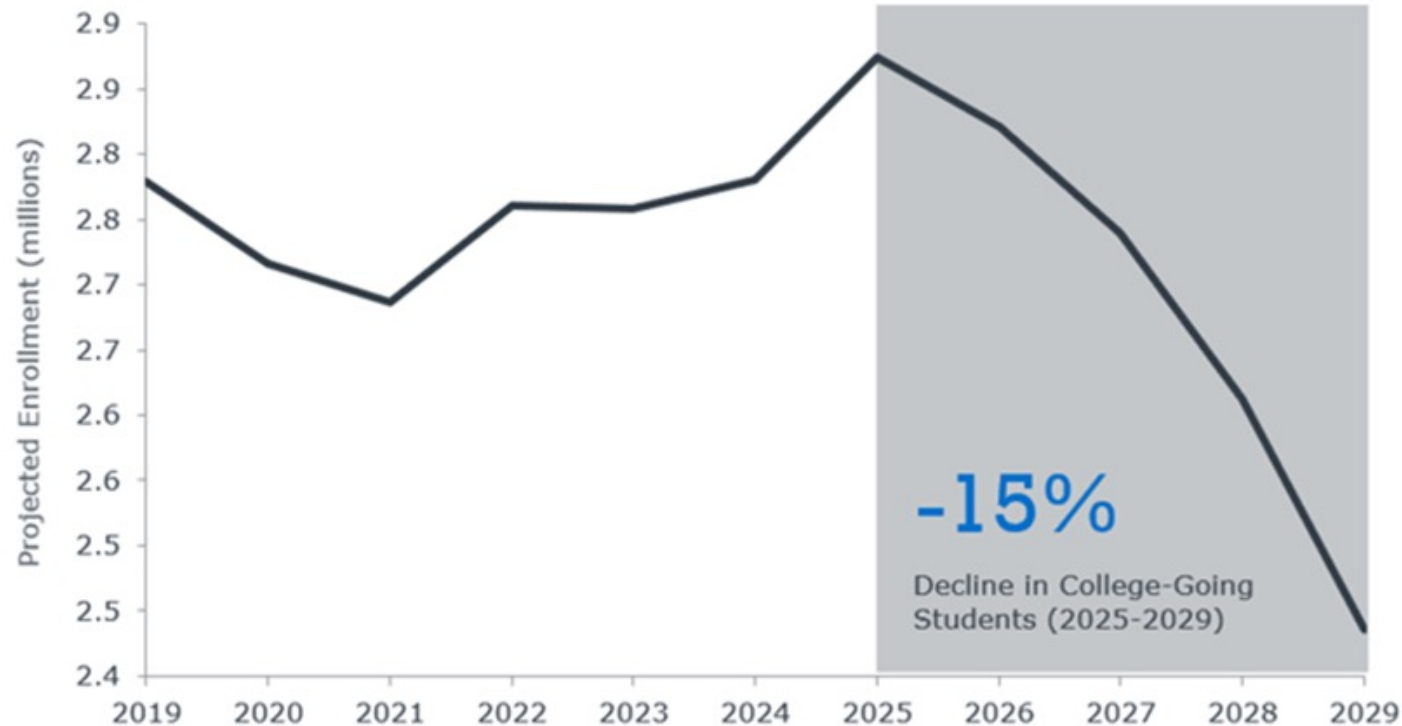
75% usage implies excess capacity of 3 million to 5 million seats

The cost of excess capacity could be as high as \$50 billion annually

# Declining #S Of High School Graduates And Fewer Enrollments Are Causing Financial Pressure

## Enrollment Projected to Drop Sharply After 2025

Forecasted Number of College-Going Students in the U.S. (millions), by Year of High School Graduation



## Update on Recent Enrollments:

Undergraduate enrollment remains 15% below 2010 levels, the most recent headcount peak. Analysts expect enrollment to continue shrinking because of a strong labor market and the resumption of student loan payments.

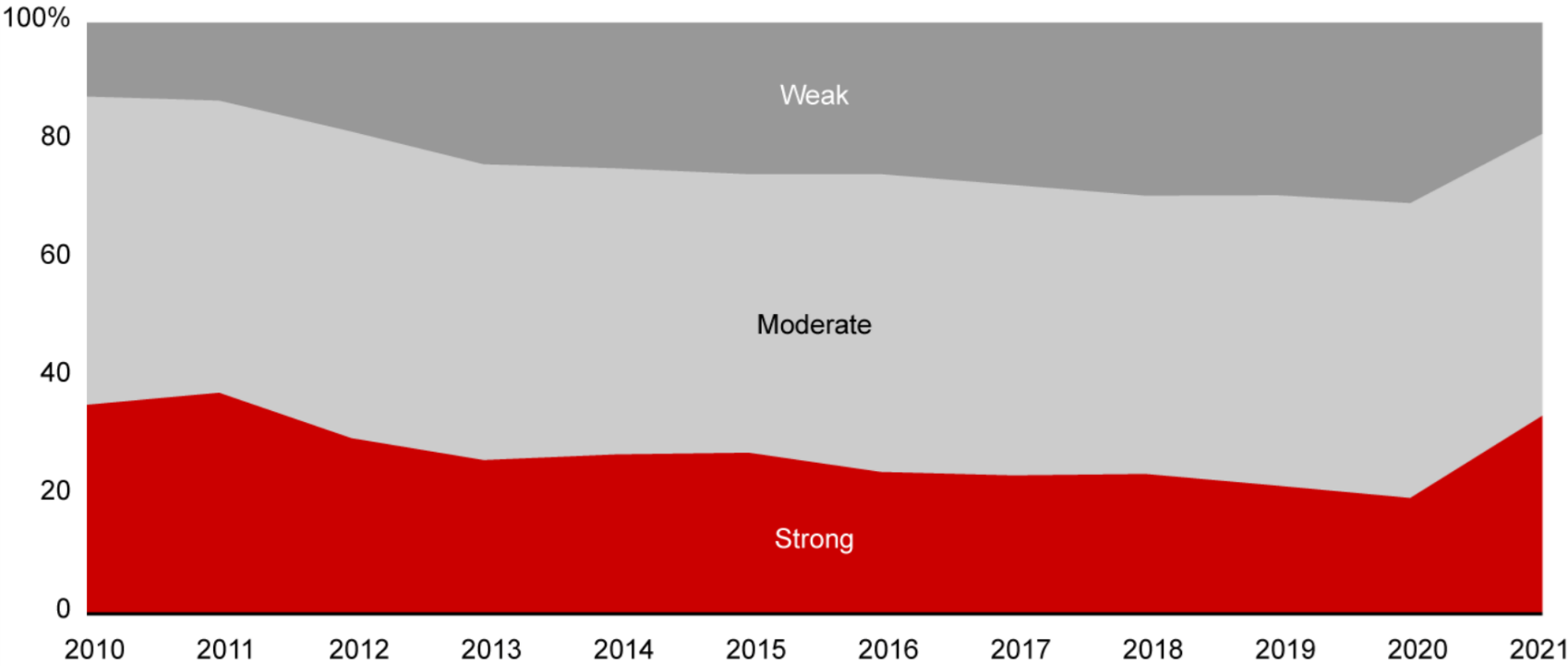
Enrollment has recently declined at all levels, with the steepest declines in the undergraduate sector. Here, enrollments have fallen year-over-year for the past two years, **-4.9% in spring 2021**, **-4.7% in spring 2022**, and another **-0.2% in spring 2023**.

However, graduate-level enrollments have been more resilient throughout the pandemic. They decreased by only -0.1% in spring 2020, grew by 4.6% in spring 2021, declined -0.8% in spring 2022, and declined again by -2.2% in spring 2023.

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# The Majority of Universities and Colleges Are In a Weak to Moderate Financial Position

The annual composite score measures a university's resiliency based on three equally weighted metrics: **primary reserve ratio**, **net margin**, and **three-year enrollment growth**



Note: n=1,504

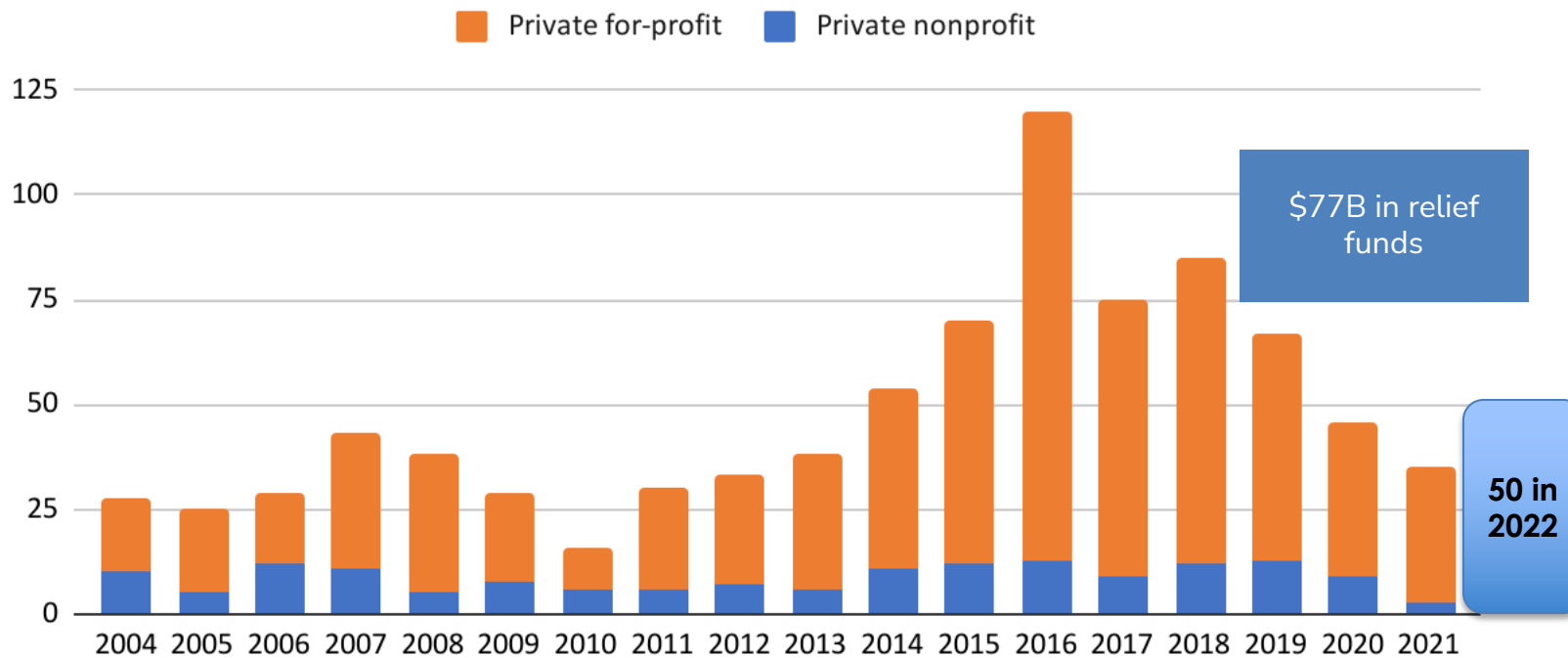
Temporary uptick due to significant federal support and strong endowment returns (not likely to be sustainable).



# We Expect More Closures In The Future

## College closures

861 colleges and universities have ceased operations since 2004



Data source: SHEEO analysis of PEPS database at U.S. Department of Education

- According to EY-Parthenon, **80% of college closures have fewer than 1000 students.**
- 861 colleges and 9,499 campuses have closed since 2004
- Fitch Ratings issued a deteriorating outlook for U.S. colleges and universities in 2024, citing high labor and wage costs, elevated interest rates and uneven enrollment gains across the sector.

# Cooperation Could Also Be Key For Survival

- A macro trend is forming that will see multiple institutions join or create Private System Affiliation (PSA) supporting organizations and Course Sharing.
- Private institutions will have an opportunity to access a significant depth of resources to grow their revenue and transition their business model.
- **Clayton Christenson's prediction: "by 2028, a quarter of universities in the US could go bankrupt, merge, restructure or close" – not likely to happen at that pace but still coming**



National  
University  
System



7rize



The Council of  
Independent Colleges

*Over the next five years, private system affiliation models and course sharing will increase.*

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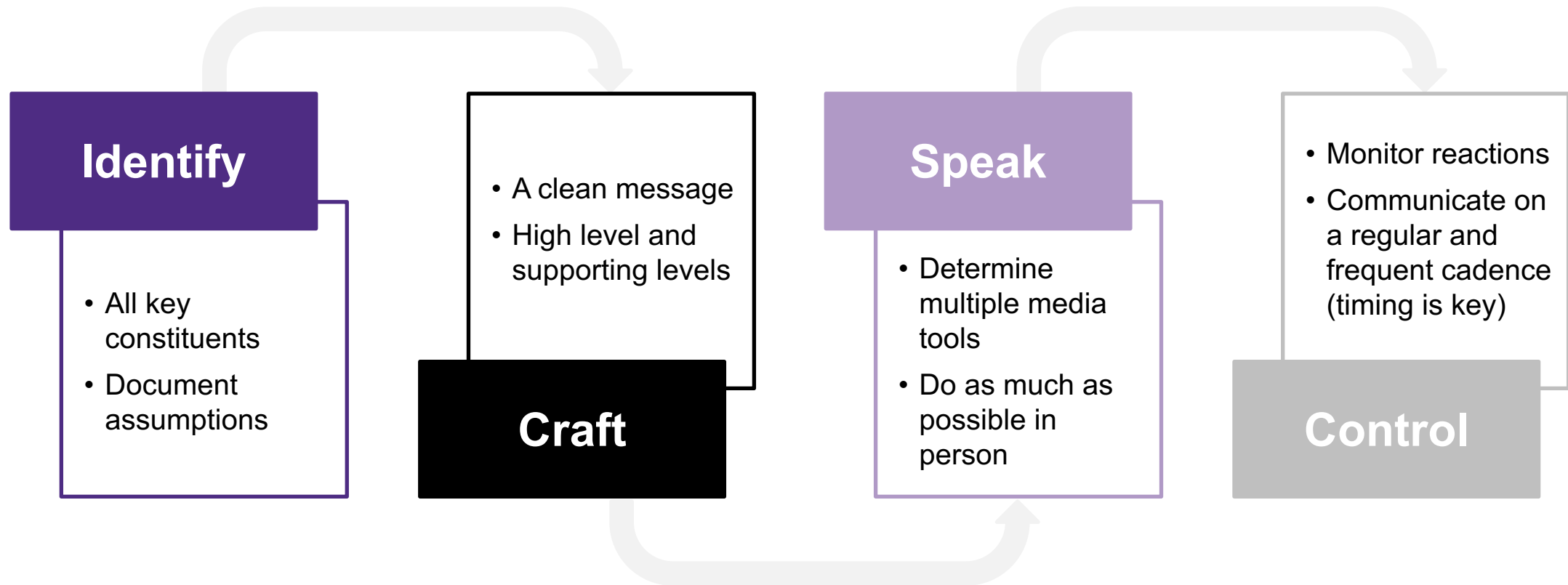


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**2. The Importance of Communication to Constituents**

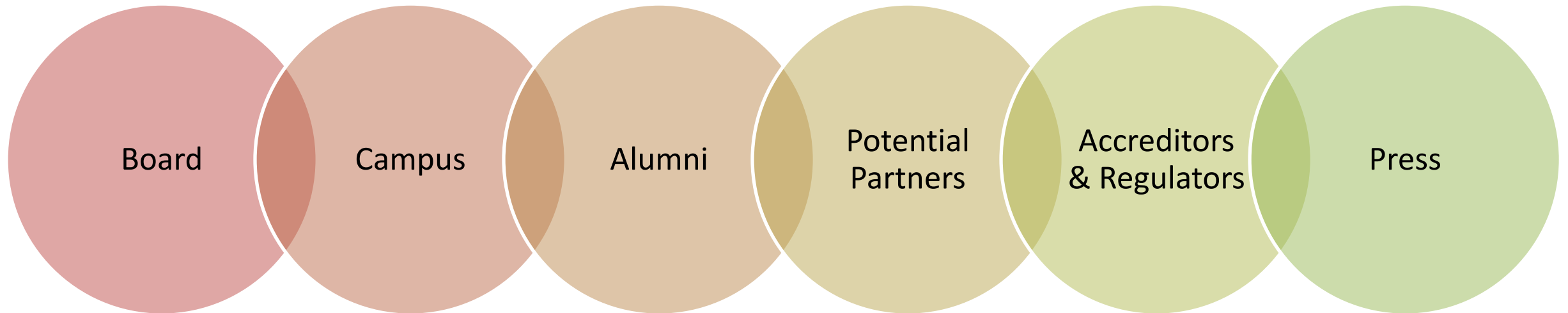
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# Critical Success Factors For Strategic Communication



# Key Constituents For Mergers, Affiliations, and Partnerships

**Communicate carefully and regularly**

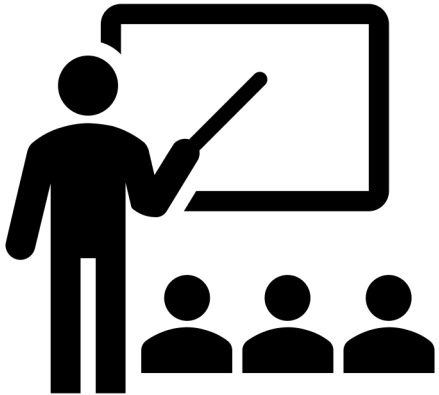


# Merger Strategy Framework

	Assess	Explore	Implement
<b>Strategic Questions</b>	<ul style="list-style-type: none"> <li>• What is our long term vision?</li> <li>• What is our prosperity gap?</li> <li>• Are we in a strong/weak position?</li> </ul>	<ul style="list-style-type: none"> <li>• What do we offer?</li> <li>• What are our gaps to fill?</li> <li>• Who are our potential partners?</li> </ul>	<ul style="list-style-type: none"> <li>• What organizational structure?</li> <li>• Who leads integration?</li> <li>• Revenue and cost synergies?</li> </ul>
<b>Key Steps</b>	<ul style="list-style-type: none"> <li>• Conduct benchmarking</li> <li>• Create 3-year historical and 3-year forecasts (enrollments, operating margin, and cash flow)</li> <li>• Calculate key financial ratios</li> </ul>	<ul style="list-style-type: none"> <li>• Create a “pitch deck”</li> <li>• Develop partnership decision criteria</li> <li>• Scan the country for candidates</li> </ul>	<ul style="list-style-type: none"> <li>• Establish joint university project management</li> <li>• Integrate academic and administrative functions</li> <li>• Develop dashboard performance metrics</li> </ul>
<b>Role of Board</b>	<ul style="list-style-type: none"> <li>• Surface the issue</li> <li>• Require a dashboard</li> <li>• Read/educate all on merger topic</li> </ul>	<ul style="list-style-type: none"> <li>• Support due diligence</li> <li>• Approve the deal</li> <li>• Sell to key constituents</li> </ul>	<ul style="list-style-type: none"> <li>• Support adequate resource needs</li> <li>• Support the president</li> <li>• Plan for the next deal</li> </ul>
<b>Role of President</b>	<ul style="list-style-type: none"> <li>• Provide benchmarking results</li> <li>• Develop scenario plans</li> <li>• Identify strategic option and pros/cons</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver final recommendations</li> <li>• Connect with prospective partners</li> <li>• Sell to campus</li> </ul>	<ul style="list-style-type: none"> <li>• Establish team for implementation</li> <li>• Educate the community</li> <li>• Communicate the early wins and benefits</li> </ul>

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# Tips Moving Forward With A Good MAP Strategy





# The AGB Approach to Forming a MAP Strategy

## Phase 1

### Strategic Assessment

- Review current overall financial position and forecasted revenues and expenses
- Understand the strategic plan and assist in creation of long-term aspirations and goals
- Calculate financial and other gaps to be filled by Mergers, Affiliations, and Partnerships
- Clarify unique value proposition to offer partner candidates
- Review past acquisition efforts for key takeaways

## Phase 2

### Decision Matrix and Scan

- Identify the positive attributes of a potential Merger and Affiliations candidate
- Develop a scoring system to allow a disciplined methodology for candidate review
- Scan universities for potential candidates and gather data
- Rank order options based upon the framework with quantitative and qualitative support
- Identify higher level next steps for opportunity seeking and outreach

***Key Goal: Identify strategic attributes and prospective partners that, if acquired, would advance the institution toward its future vision***

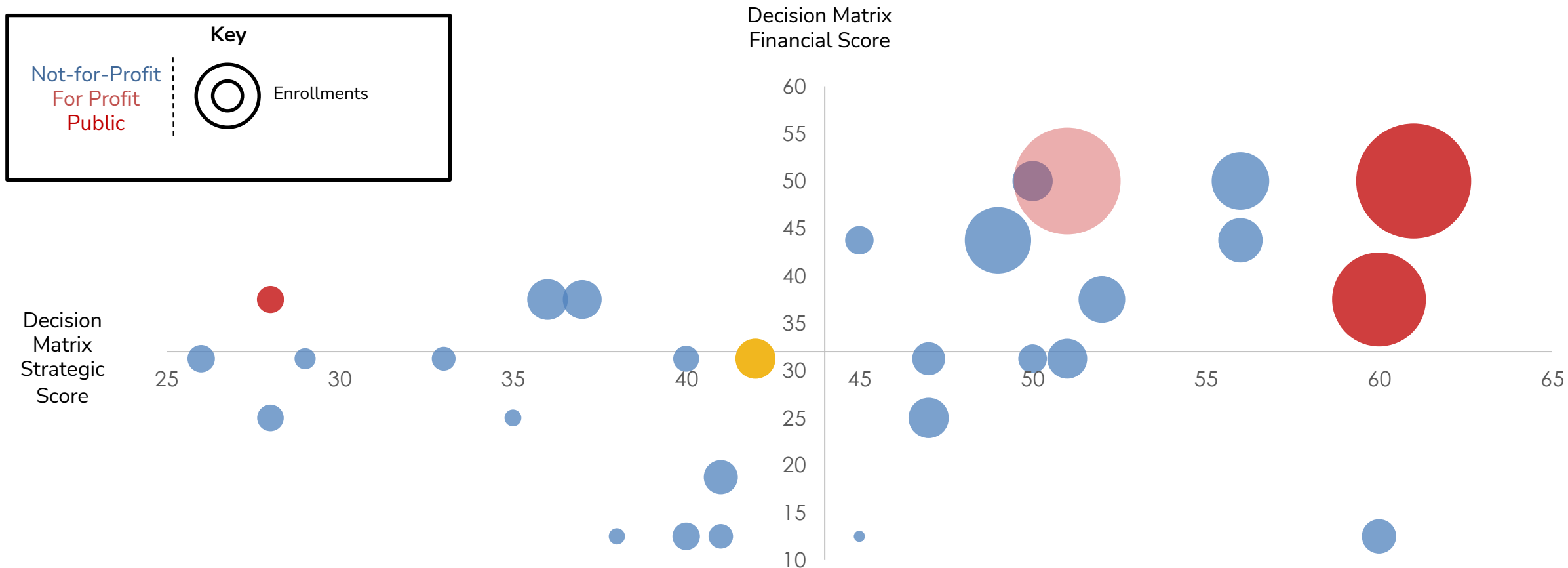
# We Also Employ a Filter Approach to Prioritize Opportunities

## *Illustrative example*



# We Employ Analytical Visualization Tools to Summarize Our Data and Recommendations

## *Illustrative example*



# Case Study – Roosevelt University



ROBERT MORRIS  
UNIVERSITY  
ILLINOIS



- Robert Morris University became integrated under Roosevelt University as of March 9<sup>th</sup>, 2020
- Robert Morris' former President Mablene Krueger became COO of Roosevelt's Schaumburg Campus
- Robert Morris Experiential College was born
- Combined programs increased opportunities for students at both locations
- Expansion of extracurricular programming also included new athletic programs and other opportunities for student involvement

**Keys to success: communication and integration**

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# Discussion With Attendees





# Join AGB and The Chronicle of Higher Education in Puerto Rico: **May 29-31, 2024**

AGB | THE CHRONICLE  
OF HIGHER EDUCATION

MAY 29-31 | HYATT GRAND RESERVE PUERTO RICO

## The Strategy Symposium

A Blueprint for Higher Education Trustees



Scan for more info  
and to register!

- Price includes hotel accommodations and all meals
- Agenda well-suited for individual or small team attendance
- Early-bird discount pricing ends January 19, 2024
- President or designee attends free when 3 trustees register



Learn More: [www.chronicle.com/trustee-strategy-symposium](http://www.chronicle.com/trustee-strategy-symposium)

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# Upcoming Webinars and Opportunities to Engage

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- **December 14, 2pm ET** – *Navigating Turbulence: Modern Strategy for Presidents and Trustees – for Private Institutions (with Marjorie Hass, President of CIC)*
- **January 10, 2pm ET** – *Navigating Turbulence: Modern Strategy for Presidents and Trustees – for Public Institutions (with Mark Becker, President of APLU)*
- Engage us in a strategy conversation – we’d like to learn how we can help your board, leadership, and institution!
  - Email [consulting@agb.org](mailto:consulting@agb.org), [cmoloney@agb.org](mailto:cmoloney@agb.org), or [pfriga@agb.org](mailto:pfriga@agb.org)