Mergers vs. Closures in Higher Ed: How Timing Can Make All the Difference

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The landscape of higher education has shifted dramatically since March 2020. Over 80 public or nonprofit colleges have either closed, merged, or announced plans to do so. With rising costs and the looming demographic cliff driven by declining birth rates since the 2007 recession, it's clear that many more institutions could follow suit.

While both mergers and closures are drastic moves, they are worlds apart. Mergers typically allow students to finish their degrees, protect institutional legacies, and save jobs for faculty and staff. Closures, on the other hand, can bring an abrupt end to an institution's existence, negatively impacting students, alumni, and the surrounding community.

The key difference often comes down to timing. Institutions that act too late or refuse to acknowledge their financial troubles may find themselves facing closure instead of a merger. Boards and administrators must watch for early signs of distress: persistent enrollment declines, rising discount rates, reliance on shrinking government funding, growing deficits, and a diminishing endowment. When these indicators start appearing, it's time to act.

When an institution recognizes the threat, forming a special task force to assess its financial health is crucial. This team should also consider whether to bring in a consultant to help identify potential merger partners and evaluate the institution's strengths and weaknesses in this context.

While some institutions hesitate to take these steps, fearing it will push them into a merger they're not ready for, the process doesn't lock them into a decision. Mergers often begin with a non-disclosure agreement and due diligence studies. These studies can reveal the merits of a potential merger, or they can help an institution realize it can weather the storm on its own. Taking these steps early can be the difference between a successful merger and a sudden closure.

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