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Thunderbird calls off plan to work with Laureate and seeks another partner

Submitted by Scott Jaschik on April 14, 2014 - 3:00am

The Thunderbird School of Global Management last week announced that it was ending discussions on an alliance and joint venture with Laureate Education.

The deal with Laureate was controversial. It was strongly opposed by many Thunderbird alumni, who argued that a link with the for-profit Laureate would devalue the Thunderbird brand and, by extension, their degrees. While Thunderbird officials largely rejected the alumni arguments, the alliance with Laureate took a major hit last month when the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools rejected the plan.^[1]

At the time, Thunderbird and HLC did not discuss details of the accreditor's objections, and Thunderbird officials predicted they would quickly be able to resolve them. Since then, HLC has released a statement^[2] suggesting that the objections were significant.

The accreditor said that Thunderbird's request to have its accreditation include the new alliance with Laureate violated two requirements for such approvals (both of them broad requirements): "the ongoing continuation and maintenance of the institution historically affiliated with the commission with regard to its mission, objectives, outreach, scope, structure, and related factors." and that "the institution, including the revised governance and management structure of the institution, will continue to meet the commission's eligibility requirements, assumed practices, and criteria for accreditation."

In announcing that the deal was no longer being pursued, Thunderbird cited the HLC's actions. "Following the determination of the Higher Learning Commission not to approve the strategic alliance, as submitted, both parties decided that an amicable parting was in each organization's best interest," said the Thunderbird statement. It went on to say that Thunderbird was moving ahead "with the forging of a new strategic partnership."

A Laureate spokesman did not respond to a request to discuss the news.

Larry Penley, president of Thunderbird, in an interview Saturday, was critical of HLC's findings. "Higher education needs to change," he said. Penley speculated that the proposed alliance with Laureate was a "departure from what the commission was familiar with," which was unfortunate because "we really need innovation at this point."

The plan for the alliance with Laureate would have kept Thunderbird independent, but its campus would have been purchased by Laureate (which would have leased it back), and Laureate would have had a 5-4 majority on the board of the new joint venture. The hope was for Laureate, which has a mammoth, worldwide network of colleges, to help Thunderbird grow outside the United States.

With Laureate out of the picture, Penley said that Thunderbird is looking for a new partner -- one that would enhance Thunderbird's brand, mission and sustainability. He said that Thunderbird has been looking for the right partner for about a decade. Various press reports have indicated that Thunderbird has been in touch with Arizona State University and Hult International Business School about possible forms of collaboration. (Both of those entities are nonprofit.)

Penley said that discussions were started, but declined to say with whom. Arizona State declined to comment, and Hult did not respond to requests for comment.

Thunderbird has historically had a strong reputation as a freestanding business school. But while freestanding business schools have thrived in Europe (think INSEAD in France or IE in Spain), the leading American business schools are attached to universities. Enrollment at Thunderbird is about 1,000, and the 500 students in residence in the full-time program are less than half of what enrollment used to be.

Penley said that Thunderbird needs a partner to grow. "If you are a small school, if you are a small business school or a small liberal arts college, you have fixed costs," he said, and you don't enjoy economies of scale, making the economics challenging.

Most colleges worried about money would be thrilled by alumni offering to pledge tens of millions of dollars, but in a sign of how divided the college and many of its alumni are, Thunderbird recently turned down such an offer. [3] Penley said that the alumni wouldn't engage in discussions about the terms of the gift, which would require the release of many financial documents and the reconstitution of the Thunderbird board.

Will Counts, an alumnus who is executive director of the Thunderbird Independent Alumni Association, which made the offer, said that he was pleased to hear that Thunderbird was no longer trying to work with Laureate. But he said that the concerns about the business college's direction remain.

Counts said that "there are potential partners out there that could be well-suited for Thunderbird, but there are also options to remain independent."



The alumni group wants to have "fully transparent" discussions about Thunderbird's financial state, and prospects for growth before trying to replace Laureate with another partner, he said. But he said Thunderbird's leaders seem intent on pursuing partnerships without considering alternatives.

"We need to take the time to look inward," he said. "Trying to push another partnership immediately after the HLC's rejection shows a lack of due diligence and caring for the long-term outcome for the school."

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- [1] <http://www.insidehighered.com/news/2014/03/17/accreditor-rejects-laureates-partnership-thunderbird#sthash.dACOFMUR.dpbs>
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BUSINESS SCHOOLS

Thunderbird School Ends Pursuit of Partnership With Laureate

Cash-Strapped School Gives Up Plan to Work With University Operator

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By MELISSA KORN CONNECT
April 9, 2014 5:28 p.m. ET

The Thunderbird School of Global Management has parted ways with international university operator Laureate Education Inc., officially ending its pursuit of a multimillion-dollar joint venture that would have shored up the finances of the cash-strapped business school.

The move, confirmed by Thunderbird on Wednesday, amounts to an admission of defeat for both parties. The deal was dealt a blow earlier this year when an accrediting body rejected the proposed joint venture, citing concerns about whether Thunderbird could maintain its mission, scope and structure.

After the accreditor's decision was made public March 14, leaders at Glendale, Ariz.-based Thunderbird said in a letter that the school was "exploring various strategic alternatives, including models of collaboration with Laureate." The school could have resubmitted a proposal to the accreditor in the fall. But Laureate, which runs a network of more than 75 for- and nonprofit institutions world-wide, encouraged the business school to consider options without them, and Thunderbird President Larry Edward Penley confirmed the school was open to other proposals.

The two organizations agreed to "end discussions" and had "an amicable parting," according to a statement issued by Thunderbird.

"It's time to move on to accomplish exactly what we intended to do from the start," Dr. Penley said in an interview Wednesday.

That goal includes finding an option that supports Thunderbird's mission of global education, preserving the school's brand and providing for its long-term sustainability.

The organizations haven't severed ties completely. Dr. Penley confirmed that Thunderbird still maintains a line of credit with Laureate, which according to county records was established last summer for as much as \$7 million.

Laureate spokesman Matthew Yale said the company will "support Thunderbird from the sidelines." He added that while the proposed venture would have positioned Thunderbird for success, "in the absence of support from their regulator, we respect that they need to pursue a different structure with a different partner."

Dr. Penley said he's "pleased with progress" the school has made with other potential partners, but declined to name them, citing confidentiality agreements.

The school's board of trustees on Friday formally rejected a proposed cash infusion of millions of dollars by the Thunderbird Independent Alumni Association, a group that had opposed the Laureate deal.

Trustees cited a lack of information on the source of the funds, concern about the group's intention to maintain Thunderbird's independent status and questions about who might dictate the makeup of the school's administration going forward. The TIAA

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had responded to the board's initial follow-up questions Thursday by asking for an in-person meeting after the board suggested a phone call.

"The board asked perfectly reasonable questions about the proposal," but didn't get sufficient answers, Dr. Penley said.

Thunderbird ended fiscal 2013 with a loss of \$8.7 million, more than double a year-earlier loss, and had \$5.6 million in cash and short-term investments as of June 30, according to its annual report. The Laureate deal would have stabilized the school's finances and offered a platform for international expansion.

Adding to the school's woes is a continued shake-up in its trustee ranks. According to people familiar with the board changes, Thunderbird has lost five board members in the past few months: Beth Brooke, Ronald Goode, Blair Sheppard, F. Richard Hsu and Scott Walker. The school said it currently has 23 trustees, including ex officio members.

Mr. Sheppard, a global leader of strategy and leadership at PricewaterhouseCoopers, said in an interview that he couldn't devote the time to Thunderbird that he felt was necessary right now. He stepped down last week.

Mr. Hsu said in a call Wednesday that he retired last month because he is "getting on in years." The 88-year-old, who runs the J.T. Tai & Co. Foundation, a charitable organization, is now a trustee emeritus. He said his change in status "has absolutely nothing to do" with recent developments at the school.

Ms. Brooke declined to comment, while Messrs. Goode and Walker weren't immediately available for comment.

Last year, seven of 30 trustees resigned or chose not to renew their terms, and an eighth, then-president of the school's official alumni association, said she was kicked off the board. Thunderbird added five new trustees in the fall, all of whom remain on the board.

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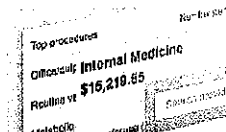
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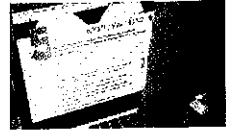
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March 17, 2014

Accreditor Rejects Partnership Between Business School and For-Profit Group

By Eric Kelderman

A deal between the Thunderbird School of Global Management and a for-profit education company has been rejected by the business school's regional accreditor, giving at least a temporary victory to an alumni group and some former board members who said the arrangement would turn Thunderbird into a "diploma mill."

Thunderbird, based in Arizona, had been seeking a partnership with Laureate Education Inc. in order to shore up its troubled finances. The arrangement would have brought the school \$53-million through a sale-leaseback of its campus and \$13-million more to start online and undergraduate programs and to expand its international sites.

Thunderbird pursued the deal with Laureate after rejecting several other suitors, including Arizona State University and the Hult International Business School, saying that the for-profit company was the only one that would sustain its financial health and protect its brand.

Some alumni and members of Thunderbird's Board of Trustees who resigned after the partnership was announced described the arrangement as a rotten deal that would create a windfall for Laureate at the expense of Thunderbird's reputation and academic quality.

Some also charged that Laureate was just buying the school's accreditation. Thunderbird's Independent Alumni Association even hired a law firm and filed a complaint with the school's accreditor, the Higher Learning Commission of the North Central Association of Colleges and Schools, charging that the agreement

had been tainted by conflicts of interest and had not been properly vetted by the entire governing board.

Thunderbird announced on Friday that the Higher Learning Commission had nixed the deal with Laureate "based on specific elements of the strategic alliance," according to a news release from the school's president, Larry E. Penley, and the chair of the Board of Trustees, Ann Iverson.

Under the terms of its accreditation, the school must receive approval for a "change of control, organization, or structure," according to the notice from the Higher Learning Commission on its decision. Neither the school nor the accreditor provided any details on why the commission had rejected the deal.

Thunderbird can reapply for approval of the partnership later this year, and a statement from Laureate said that the company and the school "intend to explore other models of collaboration that would respond to the specific concerns expressed by the Higher Learning Commission."

As an alternative to the deal with Laureate, the Independent Alumni Association has offered to assist Thunderbird with \$17-million as part of a plan to restructure the Board of Trustees and turn the school into an "alumni membership based" nonprofit organization.

Correction (3/17/2014, 6:18 a.m.): This article originally misstated the name of the accreditor. It is the North Central Association of Colleges and Schools, not Schools and Colleges. The article has been updated to reflect this correction.

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whatsamattau • 3 hours ago

With a score of 1.8 (from a 3.0 in 2011) Thunderbird drifts ever closer to failing the College Financial Responsibility Test.

Soon they'll need to provide a letter of credit further diminishing their ability to pay their bills. "In the event a school with a composite score less than 1.5 posts a letter of credit equal to 50 percent or more of their Title IV aid received".

Goodbye Laureate. Hello Chapter 7.

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willynilly • 2 hours ago

The accreditors are wising up, aren't they? It is a shame that they did not develop immunity to the slick bamboozling tactics of the for-profit fraud schools at their outset. If the six regional accreditors were on top of their game earlier, none of these scam schools would have qualified for regional accreditation. They would be left to rely on that shady and phony, straw-man accrediting body most of these dumps now align with in order to trick the public into believing they are really accredited.

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cynical1 • 2 hours ago

I'm not sure what would devalue a Thunderbird degree more: selling itself to a for-profit scam corp; or being a business school that was unable to come up with a viable business model and running itself into bankruptcy. There is hope for them, but they will probably need to cut some corners, doubled-down on teaching, and scale back research.

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whatsamattau → cynical1 • an hour ago

How impressed can anyone be with an institution that claims to "bring the business world into your classroom" - while their own trustees ignore basic accounting principles?

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