



WHITE PAPER

## Four Steps to a Successful Post-Merger Integration Process

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In order to be successful, a merger must be followed up with a detailed course of action. Here are several specific places where physician groups routinely stub their toes when merging. But, if you get them right, your success rate will soar.

### 1. People

Mergers succeed or fail based on the quality and dedication of the people who execute them. Start with your leadership team. Determine the composition of the new management team as far ahead of time as possible. This helps mutually ensure physician owners that the integration process is beginning to unfold both smoothly and sensibly. Then, identify those individuals (and occasionally teams) who are outside the leadership realm but still essential to retain. Develop specific strategies to keep them engaged during the transition.

Be proactive and make opportunities. If your strategic intent calls for headcount reductions, do not rely on “natural attrition.” That is just abdication in the name of kindness. Similarly, even if reductions are not a big part of your plan, people expect them. Use the acquisition as a time to do a little constructive pruning if need be and consider the possibility of offering severance packages.

### 2. Patients

Attention to patients should seem like a priority at all times, but it is particularly true during periods of change and uncertainty. Because mergers are times of great internally-focused thinking and activity, an outward focus on patients can suffer during this time.

Competitors will seize any open opportunity to lure your patients away, and practice upheaval is one such door. They may spread misinformation and regale your key referring physicians with the dangers of your merger and the glory of their own practice. Do not let that happen.

Be proactive and convincing. Take the show on the road. All physicians must actively outreach and proactively engage referring physicians. Keep them in the loop with frequent communication. Walk them through what you are doing, if and how it will benefit them, and state clearly how they can get in contact with any questions or concerns throughout the process.

In addition, provide physician liaisons clear language about what they can (and cannot) say to referring physician practices.

Keep referring physicians informed and make sure to spend time listening to their concerns. This might even be a good time to probe what they like and don't like about your existing relationship or services you offer. If there is a weakness in their mind, it's better to open that door proactively with an eye toward solving it in the integration/transition process than let a competitor open the door with an eye toward leveraging it.

### **3. Culture**

Culture is woven into the fabric of a workplace over time. That makes it difficult to see and even more difficult to change. The list of deals that have famously failed because of mismatched cultures is epic.

The first, and perhaps most important, rule in dealing with culture during a post-merger integration is to compare the existing cultures and see how they will be combined. Do not downplay the culture as something that will work itself out. It won't.

Here are some questions to ask yourself:

- How are decisions made within your practice, unilaterally at the top or based on data and recommendations from employees? Are they made on the spot or only after thorough consideration?
- Is senior management dictatorial or consultative? Is junior management jaded or motivated?
- Is innovation a catchy tagline or a true religion? (Ditto collaboration.)
- Is success seen as a team effort or the result of a few star performers?
- Is the practice's technology investment driven more by opportunity or obsolescence?

The second rule in merging cultures is to know thyself. It is not possible to integrate two cultures based on an understanding of only one of them. Culture assessment should begin way before staring down the path of a merger-and well before the demands of a deal set in.

### **4. Communication**

In medical practice mergers, good communication is by far the simplest and cheapest way of reducing uncertainty and stress-two of the biggest causes of dysfunctional deals. Good communication can:

- ease or shorten the inevitable periods of reduced productivity;
- build trust with stakeholders;
- prevent the loss of key staff, patients, and valued referring physicians;
- clarify objectives and unify focus;
- ensure preparedness for expected changes; and
- pre-empt or deflate competitive rumors and disinformation.

Start by being up-front and direct about the rationale behind the deal. Don't assume that its logic and benefits are self-evident to employees or others. To the greatest extent possible, have clear and concise answers to the one question at the top of everyone's mind: "All that sounds fine, but how will the merger affect me?"

Here are some hints and guidelines for how to proceed with compassion and respect:

- Do not be an information cheapskate. Be open and transparent. Share more than you are comfortable sharing.
- Communicate the extent to which the practices will be integrated and how that will affect employees' jobs, benefits, reporting lines, information flows, and culture. If integration issues or actions have yet to be decided, be clear about an expected timeline for when they will be.
- Tailor your communications to different audiences. However, make sure all your messages are consistent by tying them back to the overall strategic intent of the deal.
- If there is no news to report, report that there is no news.
- Manage expectations and mood. Listen for concerns and questions, then address them straight on.
- As responsibility for communication trickles down the hierarchy, be very clear about what people should say and not say. "I don't know, but I'll find out" is always a better option than just winging it.
- Identify and engage staffers who can exert positive influence over others. Conversely, if there is a person or group who proves to be the source of recurring rumors or discontent, resolve their issue or get rid of them.
- Do not hide or shy away from bad news. Identify problems as they occur and seek to rectify them.
- Do what you say you will do. Nothing crushes morale and erodes productivity like a stream of empty promises.

The phases prior to a merger, e.g., strategic planning and due diligence, are indeed essential, but the integration that occurs post-merger is by far more important to the deal's overall success-or failure.

## ABOUT ABISA

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