



WHITE PAPER

## Identifying the Right Reasons for a Practice Merger

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Like every long-term relationship, it's imperative that physician group mergers happen for the right reasons. When two practices hold a strong position in their respective arenas, a merger aimed to enhance their position in the market or capture a larger share makes perfect sense. However, practices often fail to realize this. Many physicians consider mergers as last ditch effort to save their flagging position. The combining forces can augment their footing in the market and led to a successful merger.

### **Have an Eye for Risks**

A merger is an extremely significant move for each physician group involved. It is a tight ropewalk and even a small slip can pour millions down a drain. Timely identification of weaknesses, risks, and threats, whether internal or external, can save huge costs and efforts. Internal risks can include cultural frictions, potential layoffs, low productivity or power struggles at the helm. External risks may include a low acceptance of service lines through combined synergies, sudden change in market dynamics, regulatory changes, etc. Although it is not possible to be impeccably far-sighted, precision in dealing with such potential risks is a must.

### **Cultural Compatibility**

While absolute cultural congruency is not always possible, it is advisable to find the closest fit while planning a merger. Both physician groups must recognize their similarities and more importantly acknowledge their differences. Then can they strive to create a new culture which reflects the core beliefs of the practice. The creation of a brand new identity with employee support leads to a sense of belongingness and continued efforts towards a shared goal. Thus the staff can be engaged in a new culture, new goals, and a new future.

### **Maintaining Leadership**

As much as it is required to identify the correct reasons for a merger, it is also required to retain the correct people after the merger. The success of a merger hinges on a seamless transition and effective implementation. Many physician groups take too long to set the key leadership in place, thus creating confusion and apprehension. Choosing whom to retain and whom to let go is a dicey game, but this is where judgement and skill play a role. If the pillars of the each

physician group are retained judiciously, the path becomes easier. However, if employees feel out of place since the beginning, they may drift apart leaving a big vacuum in the newly-merged practice.

### **Communication is the Base**

Studies have proven that management of the human side of a merger is an important factor to maximizing the value of the deal. Effective employee communication and culture integration are the most difficult to achieve, but have maximum importance in the success of the merger. Conveying the decision to merge at the appropriate time helps to reduce a lot of uncertainties both in the pre and post-merger stage. Uncertainties lead to speculation and weaken trust. Grapevine conversations only result in loss of productivity. The more open the communication, the better it is.

### **Successful Integration is Critical**

Life comes full circle post-merger implementation. This article shows how to identify things at the pre-merger stage, but that is just one side of the coin. Actually, it is the post-merger implementation that decides the fate (I will address this in next month's article). It is how the newly formed relationship is nurtured. There is stress of performance in core-business areas amid changed circumstances and the time pressure is tremendous. Unlocking synergies quickly and obtaining support from key personnel is critical at this juncture.

Physician group mergers must take place for strategic reasons, such as to improving competitive capabilities, expanding footprints, achieving economies of scale, increasing patient base, testing new geographies, enhancing brand equity, rather than superficial reasons like tax benefits or to save oneself from market risks. Physician group mergers must be considered as a means to fulfill far greater strategic outcomes rather than a mere ends in themselves.

## ABOUT ABISA

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