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Acquisition Strategy – Securing Management

By Julie Decker

Tuesday, December 19, 2006

Acquisition Strategy – Securing Management

By Julie Decker

The success is not in the acquisition it is in the integration. This issue discusses the human factor in healthcare mergers and acquisitions.

Corporate spokespeople are fond of stating that "our employees are our most important asset." Unfortunately, sometimes this merely represents lip service. In the setting of a merger, failure to recognize the importance of this adage can result in adverse consequences, and according to numerous economic studies, a failed deal.

As discussed in previous issues, the valuation of a company is driven by many factors. One of the most important is projected future revenues and earnings. It should be obvious that such results are accomplished by the employees and management. Changes in this group, or a diminished commitment on their part, can change the equation in a negative way. Therefore, it is critical to secure your management team as early as possible in the acquisition process. If you are an entrepreneur looking to sell your business, remembering this will ensure a successful outcome, both in terms of a happy buyer and realizing a potential earnout.

Of course, it is not always easy to maintain a stable relationship with the workforce during a period of change. Employees invariably regard change with anxiety, and the uncertainties surrounding an acquisition can result in the loss of valuable team members if the situation is not controlled. While employees will fear that the acquisition will result in cost-reduction via reduced headcount, it is imperative that they are focused on maintaining operations and loyalty during the transition period. Once the due diligence has been completed and retention decisions have been made, buyers and sellers should work together to develop a transition plan that is ready to execute immediately.

It may be possible to secure critical members of management by offering retention packages and /or options in the new company; assuring their role in the "new" organization for their commitment to remain. At the same time, consider offering onsite placement assistance for those employees whose positions will be eliminated. This is a small investment and represents a meaningful effort on management's part to repay the loyalty employees have shown and to create a favorable message about the new corporate culture. This strategy will save time, energy and money which would need to be devoted to recruiting and retraining; it also preserves fundamental structural elements of the company.

Invariably, it costs more to repair a problem than to prevent it in the first place, as any healthcare provider will surely know. Although focusing on the measures we discussed today will cost money, the return on that investment will pay off post-acquisition. A successful M&A transaction is defined by the details of how people are treated. As a seller, the employees helped you achieve the success that led to the deal. As a buyer, the employees will be the critical driver of replicating that success in the future. To achieve a successful merger and deliver the promise to shareholders and stakeholders, the human factor must not be overlooked.



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