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Dealing with the Emotional Impact of a Merger or Acquisition

Urgent message: Urgent care has seen significant merger and acquisition activity in recent years, which is certain to cause worries, frustrations, and stresses for employees. Understanding the problems—as well as the opportunities—associated with a change in ownership better positions employees to assure both the company and their career interests are well served.

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The robust growth of the urgent care business model continues to attract the interest of the private equity sector, making the industry a hotbed of merger and acquisition (M&A). In urgent care, private equity investors have identified and seized upon an opportunity to combine formerly local, physician-entrepreneurial businesses into regional and super-regional platforms. This allows the larger platforms to realize scale and expertise in operations, real estate, and marketing—while gaining negotiating leverage with payers and insurers. Additionally, the fact that urgent care is highly fragmented, consisting of many independent and local physician-run businesses, and that it's a retail-oriented, scalable business model, has spurred tremendous M&A activity.

When private equity executes urgent care mergers and acquisitions, though, they do so with a definitive exit strategy: selling via arbitrage, which is an academic way of saying "buy low, sell high." Thus, the business case for M&A in urgent care has been realizing "price-earnings multiple expansion" or an "arbitrage on the multiple." For example, private equity buys an independent practice for a price of, say, four times earnings, merges it with other urgent care acquisitions, and then sells the larger, scaled platform for up to 16-20 times earnings. This is due to the way arbitrage typically works; the larger company will sell at a higher multiple of earnings before interest, tax, depreciation, and amortization (EBITDA) simply because of its scale economies.

This is the vehicle private equity investors leverage to realize a profit with urgent care M&A.

How Mergers/Acquisitions Impact Urgent Care Employees

While profits and dividends are usually a good thing, there's an often-overlooked human element to mergers and acquisitions. In the wake of the "rightsizing" that occurs during a merger or acquisition, employees often

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experience a total upheaval of their professional lives. Indeed, there may be a complete restructuring of either the acquired company or the newly formed urgent care organization, forever transforming employees' once-familiar place of work. There could be a reorganizing of upper management, a reduction of the workforce, and/or across-the-board cost-cutting (including salaries and benefits), for instance. In other words, considerable workplace turmoil.

This turmoil is felt across every level of the urgent care organization. While corporate functions such as accounting, HR, marketing, and IT would seem the most obvious to be affected, the clinical function is impacted equally. While the clinical staff of nurses, medical assistants, technicians, and providers is vital to delivering patient care regardless of ownership, and thus would seem to be somewhat insulated from the upheaval happening all around them, all employees will have to cope with new pay and compensation policies, changes in culture, new leadership and management styles, and unfamiliar systems and processes—not to mention the emotional impact of seeing their past working relationships change or end.

What Urgent Care Employees Can Expect from M&A

In his insightful handbook, *The Employee Guide to Mergers and Acquisitions,* author Price Prichett lays outs in plain but compelling language the psychological consequences of a merger/acquisition for employees, and what they can expect to experience through a tumultuous transition period. Here we'll summarize Pritchett's work as it pertains to an urgent care merger/acquisition, as well as review the practical tips to surviving and thriving during a destabilizing merger or acquisition situation.

Three Psychological Shockwaves of a Merger/Acquisition

Upon initial news of the merger or acquisition being imminent, Pritchett characterizes three distinct "psychological shockwaves" that ripple through the company:

- Uncertainty and ambiguity
- Mistrust
- Self-preservation

Uncertainty and ambiguity. Employees are on edge and bracing for unpleasant surprises. Who is being let go? Who is changing departments? How is my role going to change? Who might quit? Everything is murky and uncertain.

At this stage, there are far more questions than answers. Executives and upper management tend to be discreet with the information they do have and offer very few details, promises, and assurances. There's a lot of improvising going on.

While everyone will find this period challenging, the uncertainty has a decidedly negative effect on employees who are not well-adapted to such a work environment. As their job and roles are blurred by changes and become less well-defined and organized, many employees will grow concerned, confused, and frustrated over what's taking place.

Mistrust. The second shockwave is a dramatic drop in trust throughout the company. Employees are wary that a merger/acquisition is taking place, hence their level of suspicion rises. And they feel like the leaders and decision makers always know more than they are willing to divulge. People feel like they must watch their back and can no longer take anyone at their word.

Self-preservation. Given the lack of trust amid the uncertainty of a merger, employees begin adopting strategies to protect themselves. Feeling that they cannot rely on the company, they start acting in ways that serve their best interest. This is manifested in some employees becoming aggressive and jockeying for position, with others lying low to avoid stirring the pot.

Taken together, these three shockwaves will typically result in a major decrease in the company's operating efficiency. The business is undergoing dramatic changes, and a whole new set of problems is soon to appear over the horizon.

New Organizational Problems

As they are a natural consequence of mergers and acquisitions, management cannot prevent the three psychological shockwaves. Management can try to do their best to minimize and control them, but they can't be avoided entirely.

According to Pritchett, the three initial psychological shockwaves typically result in various organizational problems that management must be ready to navigate and cope with. They are as follows:

- **Communication Tangles**
  During a merger situation, the information flow between departments and business units is one of the first things to suffer. As all-around trust drops, employees will be reluctant to share information. People mince their words and refuse to make definite statements.

Also, employees will be less honest and forthcoming with management regarding their opinion on certain topics. And as there is little-to-no accurate information being circulated, the rumor mill tends to crank up. This dearth of quality, productive workplace communication can lead to genuine problems within a company.

- **Productivity Problems**
Naturally, once the communication channels are stymied, productivity nosedives. Few individuals and departments are willing to make firm decisions, so work stalls. Rather than doing their jobs, employees grouse, complain, and worry about the merger. This wastes many hours of productivity.

And since most employees have shifted into self-preservation mode, few are willing to go out on a limb and make a decision or take a risk. Everyone is playing it safe and would rather do nothing than inadvertently do the wrong thing.

- **Loss of Team Play**
Teamwork is another key factor that drops off during a merger/acquisition. As the merger itself is a major distraction, employees tend to go into their own little silos and simply not work well together, or at all. Sure, they protect their own little group or business unit, but this can cause the larger organizational wheels to grind to a halt. Projects that require collaboration from several departments often become a casualty of organizational politics.

Additionally, people leave and join new teams, which further hinders team play. People must learn to work together, often in new roles, which can be challenging in the initial stages.

- **Power Struggles**
In a merger, traditional power networks inevitably change. Some managers gain sway and authority, while others lose it. Meaning, the way things used to get done through the usual channels may not be effective anymore.

Also, corporate games and organizational politics ramp up during this period. Infighting can see a dramatic rise, with projects being abandoned or sabotaged due to people losing their former power and influence.

- **Low Morale, Weak Commitment**
As frustration mounts, many demoralized employees may simply quit trying. They feel the circumstances are too formidable an obstacle to overcome, and they eventually burn out from trying too hard to be a "good solider" and perform their job the way they used to.

Also, shifting departmental and corporate objectives can lead to confusion and a lack of firm direction for employees. Add to that the fact that when leaders leave the company or transfer to different business units, loyalties that had been forged over time are now absent, which affects motivation.

- **Bailing Out**
Every merger or acquisition results in employees who will simply refuse to be part of the new company and leave. Whether it's due to sheer frustration, or a fear that they would soon be demoted or fired, they decide to take their fate into their own hands and bail out preemptively.

And while there will always be a few employees who leave for a better opportunity elsewhere, many of those who bail out do so from a sense of ill-advised panic. They refuse to stick it out through the merger when it might have been in their best interest to stay on board during the transition.

- **Grief and Mourning**
When there is change, tumult, and upheaval in a person's life, they experience a natural and predictable emotional pattern. A workplace merger is no different, as this can be felt as a significant change or loss. The sense of security and familiarity employees used to enjoy at work may now be gone, which includes the camaraderie they shared with their coworkers and colleagues.

Overall, this can be a very stressful experience. Negative emotions during this period run the gamut, including anger, fear, worry, and sorrow. These are natural consequences of mergers though and are to be expected. During the grieving and mourning period, Pritchett identifies three distinct stages that leaders should anticipate their employees going through:

Stage 1: Shock and Numbness

When news of the merger comes down, many employees are stunned. While some people become numb, others panic—or vacilate back and forth between the two extremes. Notably, genuine emotional pain is largely absent at this stage. This is because people are still so shocked at the news that they haven't fully processed it. Still, some people will display anger and lash out at the most safe and convenient target.

Stage 2: Suffering

At this stage the full impact of the merger has sunken in, and true emotional pain is experienced. Fear of change is at its height during this stage, and people's true feelings become much more conspicuous and apparent.

Everyone is worried about the specifics, even if they're still fuzzy, of what is about to be lost or given up in the merger. There is a great deal of discussion regarding aspects of the merger that threaten to impact employees the most.

Management must understand that employees experiencing and expressing this range of emotions is all part of the healing process. Hence, management would do well to not attempt to scuttle or suppress these displays of emotion, as long as employees don't go overboard. This venting is cathartic and therapeutic.

There is a need, however, to distinguish between those who are grieving earnestly, and those who are simply insurgents who are actively trying to disrupt the organization. These people can cause real damage and must be dealt with accordingly. For the former group though, they're simply trying to cope with the new situation.

Many employees will become resigned, apathetic, and moody, given that their prevailing feelings are hopelessness and impotence. This can lead to a lack of investment in performing their job to their usual standard, and mentally checking out. Again, management must show understanding during this time, and allow employees the space to express themselves within reason.

One of the best ways to navigate this stage is for employees to have someone they trust to confide in. If the employees don't feel they can trust company leadership or management, then they should look to their spouse or friends to vent. One of the most common ways employees vent is to lapse into moments of nostalgia, idealizing the way things used to be while reminiscing about old times.

This is also a time where many employees are at a heightened risk of throwing up their hands and quitting. Emotions are raw and at full throat, which can lead to irrational decision making. Organizations must brace themselves for the onslaught and do their best to maintain their organizational cohesiveness.

Stage 3: Resolution

At this point, employees have accepted the reality of their new situation and can begin taking meaningful action toward becoming productive employees again. Much of the negative emotions will have dissipated, and people can look at the circumstances of the merger more objectively.

In fact, during this stage, employees are more hopeful and willing to give the merger a chance. They become proactive and start seeking out information on the potential positive benefits of the change. People shake off their doldrums and become more action-oriented.

In short, people accept what's happening, and resolve to get down to the business of doing their jobs to the best of their ability under the new conditions. There might even be a renewed sense of enthusiasm that accompanies this emotional shift. And while there may be short relapses into suffering from time to time, most employees are truly ready to move on.

Putting Things Into Perspective

As Pritchett lays out, this three-stage process is simply what employees go through in a merger situation. Harboring negative feelings during the merger doesn't make an employee a malcontent. On the contrary, these emotions are to be expected in the wake of a dramatic change that involves a sense of change and loss.

No one is to blame, although mourning employees will often view managers and executives as convenient targets. But this is short-sighted, as the company leaders may not have had much choice in the merger and are trying their hardest to make it work for everyone. Regardless, at this point the focus must turn to what the employee can do to survive, and even thrive during the merger. To that end, Pritchett offers 10 essential steps employees can take to minimize potential problems for themselves, and even become a more valuable member of the new organization.

Survival Step 1: Control your attitude. When there's not much you can do about the circumstances around you, you still are in total control of your attitude. In the end, the merger is underway, and you have the choice of what kind of attitude you're going to have. Will you choose to focus and fixate on everything that you feel is wrong about the merger, or be a change agent and figure out how you can offer solutions? Will you view the merger as a career setback, or a prime opportunity to grow professionally?

This is not to say that there won't be frustrations, or moments of fear, depression, and professional inadequacy; there very well may be. The key is to seek out opportunities to get on board with the direction and vision of the new company and embrace—rather than shirk—the challenges ahead of you. Once you finally accept the merger and commit to having a positive attitude, it is likely that the positives will become more apparent and attractive.

Survival Step 2: Be tolerant of management mistakes. During a merger, there can be a lowered tolerance for management mistakes, resulting in overly disgruntled employees. After all, people are going to be sensitive during this transition. But it's key to remember that management made mistakes before the merger, as well.

Another thing to keep in mind is that management is likely privy to more information than you, so what seems like a mistake from your perspective may in fact be the move that was necessary at the time. Perhaps the move you disagree with was actually the lesser of two potential evils, and management simply chose the best option.

Additionally, management may be doing a lot of improvising, and faced with a number of tradeoffs. They won't be able to please everyone, so it's best to recognize that they have a tough job, too, and give them the benefit of the doubt wherever possible. Resist the urge to unfairly blame and criticize without knowing all the facts.

Survival Step 3: Expect changes and be a change agent. In a merger or acquisition, change is inevitable and expected. Amid change, employees will assume the stance of either resisting the change or going with the flow. Don't be one of the employees who fights change at every turn and suffers as a result. Rather, be a change agent, and maintain your flexibility toward adapting to the new workplace landscape.

You will likely have to deal with new bosses and coworkers. Your department or job function may be altered. Different processes may be installed and implemented. And there may be new performance expectations placed upon you.

Even if you thought things were running just fine before, the new leaders may see room for improvement and want to implement new systems. So, don't balk at every change that comes your way. Be as resourceful and proactive as you can, demonstrate initiative, and give things a chance. You may be pleasantly surprised at how they turn out.

Survival Step 4: Don't blame everything you don't like on the merger. During a merger, employees tend to romanticize the past and harken back to how wonderful things used to be. But the reality is there were problems before, so resist the urge to blame every little thing on the merger.

Companies change all the time, even in the absence of a merger. But the merger affects practically everyone, so it's an easy target to aim your frustrations at when changes you don't like are implemented. The better attitude to take here is to just accept that there will be things you don't like about any company. Besides, the merger may result in some the issues you had with the old company finally being resolved.

Survival Step 5: Be prepared for psychological soreness. Probably the most unpalatable thing about mergers for employees is that they involve considerable change. People are creatures of habit and routine, and change means breaking those habits and routines. And since people are naturally resistant to change, you can expect some "psychological soreness" to result.

Since psychological soreness is unpleasant, you'll see a lot of overt and covert resistance to the new changes. This resistance can come in the form of complaining, substandard performance, and procrastination. However, the sooner you can come to grips with the new routine, the sooner you can begin to develop new habits that will help you avoid problems and meet the new performance expectations.

Survival Step 6: Get to know the other company. People often analogize mergers to marriages. If this is the case, then it's a good idea to learn a few things about your marriage partner. And if the merger is with a company that was a former competitor, you will have to dispel any negative feelings you may be harboring toward them and learn to work together.

Indeed, you should embrace the new company wholeheartedly to facilitate the transition. A great place to start in familiarizing yourself with your new partner is by reviewing their marketing materials, such as websites, social media channels, brochures, and newsletters. You can also talk with employees of the new company and seek out opportunities to connect both socially and professionally. Don't remain on the sidelines. Rather, extend yourself, and demonstrate that you are part of the new team.

Survival Step 7: Use the merger as an opportunity for growth. A merger is a true wake-up call for many employees. If you've grown stale in your job, a merger can be a real shock to the system. It can cause you to reevaluate yourself and take a critical look at not only your job performance, but your career prospects. It can also reveal to you whether you're living up to your potential, or just coasting.

This is the perfect time to stretch yourself professionally and set some new career goals. No matter what changes comes down the pike—a new boss, a new department, or new responsibilities—embrace them and seize the opportunity to grow. In fact, actively seek them out, if you can handle them. The last thing you want to do is add more stress to your professional life by taking on too much additional responsibility too soon. Still, it's a good idea to view the merger as a fresh start and take aim at some new professional and career targets.

"Amid all the distractions that a merger situation brings, the best way to stay grounded is to keep doing your job to the best of your abilities."

Survival Step 8: Keep your sense of humor. Sometimes, the best way to approach a professional adversity is with a sense of humor. It can help lighten your mood and keep things in their proper perspective. Don't take things too seriously and look for the humor in the situation.

This principle goes back to the first survival step, controlling your attitude. Ultimately, you have the choice on how you will deal with the merger situation. Laugh or cry, the choice is up to you. Why not have a laugh? If something funny arises, and it's appropriate to, why not chuckle about it with your coworkers? They say laughter is indeed the best medicine, and it's a great stress reliever. So, have a sense of humor when you can, as it will help uplift those around you.

Survival Step 9: Practice good stress management techniques. No matter the flavor of a merger or acquisition—friendly or hostile—employee anecdotes consistently shows that the most prevalent reaction is stress.

This is to be expected, especially if your professional identity—not to mention your paycheck—is threatened. Work relationships may be altered or dissolved, and new demands may have to be met. Stress is a normal response to a threat, real or perceived, and often in a merger situation, it's not entirely clear which is which.

Hence, stress management is critical, and can be approached in a variety of ways. Some people look to physical activity like exercise, golf, yoga, swimming, gardening, or long walks to relieve stress. Others prefer deep breathing exercises and meditation to relieve stress. Still others take comfort in spending time with friends and family. Regardless, having an outlet to manage your stress will keep you mentally and emotionally healthy during the merger, and shield you from burnout.

Lastly, you can control your own mind as a form of stress management. You accomplish this by ignoring rumors and gossip and refusing to take things personally. Remain calm and look at every situation as objectively as possible. Don't make anything personal or allow it to affect your self-worth.

Survival Step 10: Keep doing your job. Amid all the myriad distractions that a merger situation brings, the best way to stay grounded is to keep doing your job to the best of your abilities. Even when management is dragging their feet on important decisions and companywide communication has slowed, resolve to continue working hard. Don't give in to the tendency to just throw your hands up in frustration.

Don't succumb to peer pressure if those around you have decided to mail it in and slack off. Instead, look for ways that you can positively impact your coworkers, the company, and yourself by taking your responsibilities seriously. No matter what, don't give away your power and leave your professional fate in the hands of others by being a substandard employee. By remaining diligent and continuing to work hard, management will likely notice, which can only benefit you in the long run.

Conclusion

As urgent care sees increased M&A activity, companies will have to deal with the psychological shockwaves that accompany the dramatic loss and change a merger brings—as well the secondary problems that result for employees across every level of the organization. By understanding, accepting, and developing strategies to navigate the emotional processes that employees and the company as a whole has to go through, urgent care leaders are better equipped to steer the company through this tumultuous time—so it can emerge on the other side a greater overall organization. ■