



Mohammed Bin Rashid School Of Government

POLICY BRIEF

Policy Brief No.47

January 2018

Summary

Mergers and acquisitions between some hospitals within the UAE have been great highlight in recent debates. The success of merger and acquisitions hinges on the timely resolution of several concerns that the top management staff implemented, mutually, enhancing solutions in the areas of leadership, human resource management, staffing, benefit matters and culture adaptation. Recently, New Medical Center (NMC) Healthcare, UAE's largest private healthcare provider, bought Sharjah's Al Zahra Hospital, the largest healthcare acquisition in the Arabian Gulf in more than five years. This policy brief is intended to discuss some of the practical ways in which health leaders can approach scenarios of mergers and acquisitions. The health affairs briefing includes the distinction between leadership and management in healthcare, the assessment of the healthcare leadership needs during mergers and acquisitions, an evaluation of leadership challenges likely to be encountered and the strategies for leadership development.

Leadership: Synopsis

"Leadership is the ability of a superior to influence the behavior of a subordinate or group and persuade them to follow a particular course of action"- Chester Bernard

Health Affairs: Leadership Development Practice for Health Institutions During Mergers and Acquisitions

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Distinction Between Leadership and Management

Leadership and management are essential elements in any healthcare organization. Managers may organize staffing and daily activities of employees, yet leaders focus on the goals and mission of the organization. Leadership is often seen as a "complex process by which a person sets direction, and influences others to accomplish a mission, task, or objective and directs the organization in a way the makes it more cohesive and coherent" (Borkowski, 2009). The manager's and leader's role are to be different, yet they work in unison with each other (Kotter, 2009). Leaders motivate employees to reach organizational objectives and are instrumental in dealing with change in the organization. Deckard writes that managers guide employee development and workflow. They organize staffing and budgetary data, thus building a format in which the healthcare organization can accomplish its goals. Leaders also "articulate a direction or vision of what the future might look like" and "develop strategies for producing changes needed" by an organization. Deckard notes another role of leadership is to "recruit and retain employees who share their visions" (Borkowski, 2009).

During mergers and acquisitions, it is vital to the creation of transparency in an organization because this develops the ownership behavior in employees instead of a "renters" mentality (Studer, 2008). According the US Government Accountability Office (Barton, 2010), overall common characteristics that tend to lead to mergers and acquisitions (and even closures), hospitals suffered due to economic inefficiency, lack of accountability and lack of transparency (Healthcare Finance, 2017). Leaders must ensure that managers have a clear understanding of the



goals, mission and even financial aspects of an organization. A process for verifying and assessing organizational systems should be in place and explained to managers by leadership. Managers should take ownership to learn the organizations' goals, strategies and financial constructs. Communication skills needed by the manager to relay to staff why certain decisions are made in an organization. Studer (2008) believes that managers facilitate sharing of solutions and ideas from staff to leadership, which creates a transparency in an organization that encourages positive change and growth (Studer, 2008).

Therefore, in a nutshell, according to Hayes (2007) and Reichwald et al. (2005), leadership is the ability to influence a group toward the achievement of goals while, management use of authority inherent in designated formal rank to obtain compliance from organizational members.

Hospital Acquisitions & Mergers

Hospital acquisitions, mergers, and closures have changed the configuration of hospitals in across the world which became hallmarks of the industry in the 1980s and early 1990s. Hospital capacity has been reduced through downsizing and closures (Barton, 2010) that may have resulted from excess capacity. For instance in the US, 176 hospital mergers occurred with increasing regularity during the period of 1990 and 1997 (Barton, 2010; Bazzoli, 2004). According to reports from PricewaterhouseCoopers, referred to 2016 as the 'year of merger mania' (PwC, 2016).

In the local context of the UAE, there are over 100 public and private hospitals, and 2,000 healthcare centres and clinics. These numbers are growing exponentially due to the confidence created through historical population growth, government estimates showing the population continuing to rise, and the gradual rollout of mandatory health insurance driving new revenues into the system (Adams, 2016). Most recently, New Medical Center (NMC) Healthcare, UAE's largest private healthcare provider, bought Sharjah's Al Zahra Hospital, the largest healthcare acquisition in the Arabian Gulf in more than five years (National, 2016). NMC's acquisition of Al Zahra follows the merger earlier this year of its UAE-based competitor Al Noor Hospital Group with South Africa's Mediclinic International, which created the third-largest international healthcare group outside of the US (National, 2016). The UAE has topped the Middle East and North Africa region in inbound mergers and acquisitions regarding both numbers of deals and value of deals according to EY [formerly Ernst & Young] as illustrated in figure 1 (Gulf News, 2015)

Assessment of the Leadership Needs for Mergers and Acquisitions

Qualities & Characteristics

Management and leadership must be effective, to establish credibility and a record of accomplishment of excellent decision making throughout the organizational change in hospital mergers and acquisitions. In fact, this ability will help the leader to figure out what is needed to bring the business through the change process. Besides, for hospital mergers and acquisitions, the leadership type needed is 'transformational'; according to Eisenbach (1999), this literature is usually apprehensive with the aptitudes and competencies required to enact change lucratively. According to Bass, he states that this type of leadership usually possesses charisma; it provides scholarly stimulation; individualized consideration; and inspirational enthusiasm to employees (Bass, 1990). Transformational leaders are to converse clearly the significance of the organization's mission and objectives to employees (Beugré, 2006). The leader behaviors exhibited are visionary, idealism, challenges to the status quo, promotes both prospective thinking and self-reward/self-efficiency (Moonesar, 2015). According to Pawar (1997), the success factors for the effectiveness of a transformational leader would include openness to change, a collaborative degree of correspondence and lastly possessing the appropriate skills, competencies, and capabilities.

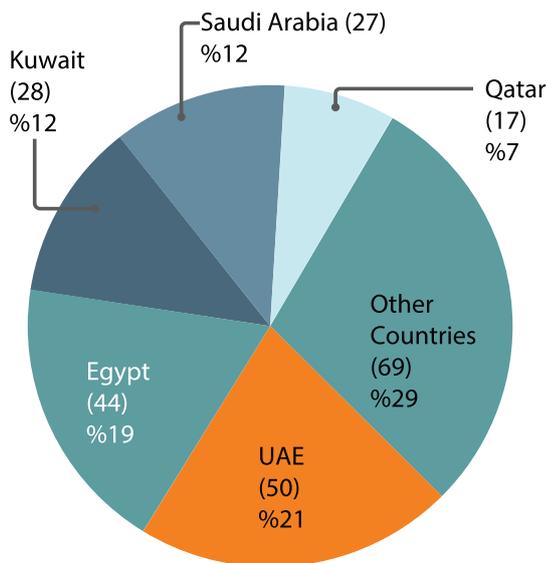
The following are some qualities and effective leadership for hospital mergers and acquisitions (Beugré, 2006; Eisenbach, 1999; Hayes, 2007):

1. *Vision and articulation.* Has a vision—expressed as an idealized goal—that proposes a future better than the status quo; and can clarify the importance of the vision in terms that are understandable to others.
2. *Personal risk.* Willing to take on high personal risk, incur high costs and engage in self-sacrifice to achieve the vision.
3. *Environmental sensitivity.* Able to make realistic assessments of the environmental constraints and resources needed to bring about change.
4. *Sensitivity to follower needs:* Perceptive of others' abilities and responsive to their needs and feelings.
5. *Unconventional behavior.* Engages in behaviors that are perceived as novel and counter to norms.

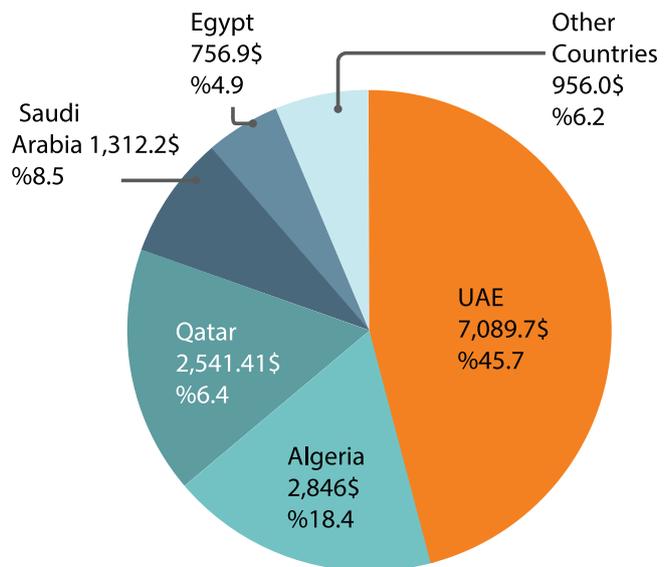
Figure 1: Showing the Mergers and Acquisitions trend in 2014

MENA Region Mergers & acquisitions trend in 2014

Target country shares by number of deals



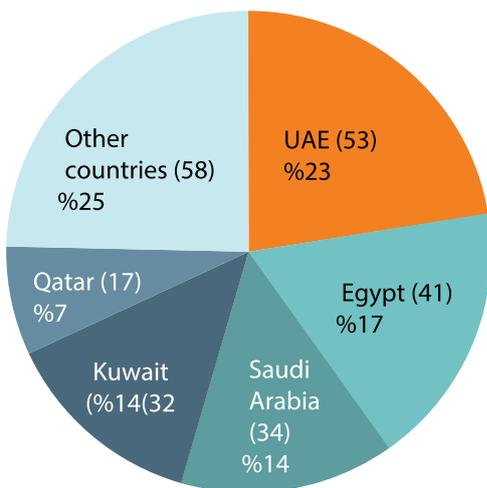
Target country shares by value of deals



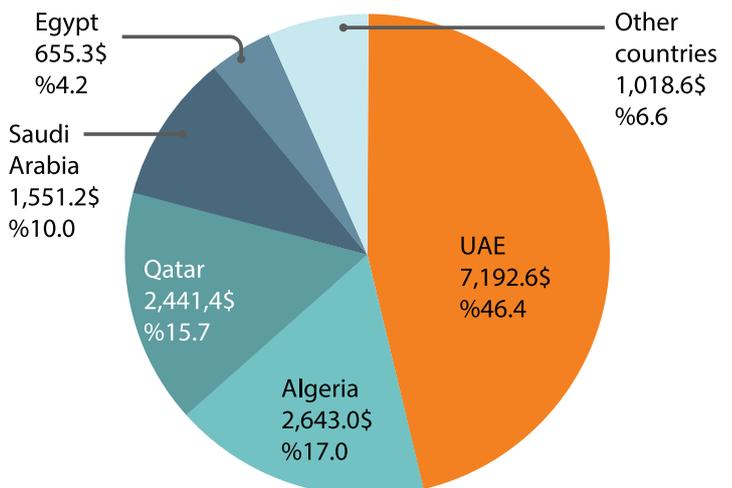
Total number of announced domestic deals in 2014 was 235

Total value of announced domestic deals in 2014 was 15.5\$b

Acquirer country shares by number of deals



Acquirer country shares by value of deals



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Total value of announced domestic deals in 2014 was 15.5\$b

Source: EY analysis of publicity available data © Gulf News

A recent example, Geisinger Health System, Jersey Shore Hospital signed integration agreement where the Jersey Shore leaders say they expect the integration to provide financial stability, job security (Healthcare Finance, 2017). Another example would include the Comprehensive Pharmacy Services in the US bought PharmaSource, and announced plans to expand services. The Memphis-based company provides pharmacy services to more than 500 hospitals and healthcare facilities (Healthcare Finance, 2017).

There are some key strategies and policy recommendations for developing integrated leadership that can be considered for the M&A hospitals. Emotional Intelligence is the first strategy to influence, motivate and manage emotions. How to be an assertive communicator is one strategy that leaders cannot be effective, unless they know how to communicate assertively during times of mergers and acquisitions. Successful leadership has to have the vision and strategic planning when creating the future. When there is a leadership team, using a variety of creative tools, your team will work together to build shared meaning and understanding not only about what the team is striving to achieve but also how they are going to work together to accomplish their goals.

Strategic Networking is another great strategy when it comes to building the relationships that count, and for approaching key people and developing mutually beneficial relationships. Lastly, building trust & high-performance teams are a key element when it comes to building trust, loyalty, setting expectations, goals, provide constructive feedback, coach, develop individuals, and motivate their teams to perform at higher levels. Other strategies include understanding style differences, behavioral and communication style, and how differences are often the key source of discord and conflict in the workplace. People of different styles see the world through their unique lenses, approach work from different perspectives, and communicate in distinct ways.

Leadership needs

Apparently, the expertise necessary to be a leader when dealing with mergers and acquisitions vary depending on the situation and each prospective leader has to assess whether he or she is capable of doing what is needed. A person leadership style does not have to be based just on personality – an individual can choose various styles, based on, the situation (Borkowski, 2011). An individual can and should develop his or her ability, in order to use various leadership styles; to fit any situation that arises. Creating a broad style, a style that can vary and techniques, which, work, all depends on what

the situation calls for and what fits the circumstances.

It is good to know varied leadership styles, in order to adapt to whatever situation that may arise. Coaching style is essential to helping staff to develop, to be assertive, and improve their work capability through guiding the process. Another style as healthcare leaders in getting healthcare professionals and practitioners through the transition consisting of people-oriented leadership or relations-oriented leadership. This is different from task-oriented leadership. In fact, people-oriented leadership, leaders are entirely paying attention to organize, supporting, and developing individuals in their teams. It is a participative style, and it tends to promote high-quality teamwork and creative collaboration. Most leaders tend to utilize task-oriented and people-oriented styles of leadership. While the transformational leadership approach is often highly effective, there is no one right way to lead or manage that fits all situations. To select the most effective approach when dealing with mergers and acquisitions, the following could be considered:

- The proficiency levels and experience of the team.
- The work involved (routine, or innovative and creativity).
- The organizational environment (stable or radically changing, conservative or adventurous).
- An individual can have own preferred or natural style.

Is leadership the responsibility of certain individuals during hospital mergers and acquisition?

Leadership is a driving force in the accomplishments of any healthcare organization. Leadership is indeed the responsibility of certain individuals within an organization; others are the followers who make the day-to-day operations a reality. Certain individuals of leadership have to focus on the bigger picture, the potential crises, the goals and the mission (Borkowski, 2009). Competency and excellence are the hallmark of effective leadership and hinge on flexibility, recognizing situations, analytical skills, and an understanding of people, process, and potential. Most individuals within an organization have goals. If the organization allowed everyone to act on them at the same time, can you image the chaos? What if the goal is not aligned with the chief executive officer?

Leadership in organizations starts with the direction from the board of directors. It is important to know leadership is not necessarily tied to a position of authority in an organization. In fact, it may be

easier to be a leader if one is not in a position of authority (Grossman & Valiga, 2005). They can ask the hard questions and emphasize a genuine desire to see the organization thrive without worrying about “party lines” (Grossman & Valiga, 2005). Particular individuals must be in command overall, but leaders know that leadership is at all levels. The importance of balance cannot be stressed enough. It is essential to create the proper blend of leadership that is flexible and adaptable to differing situation's factors.

Can leadership be learned? If so, how?

Leadership can be learnt; everyone has leadership ability. We can agree the common thread is that others are following the path set by leaders. Researchers have indicated that it is a complex process by which a person sets a direction, influences others to accomplish a mission, task, or objective, and directs the organization in a way that makes it more cohesive and coherent. Learned leadership starts with one knowing what is lacking in a leadership capacity. This plays a significant role in becoming a successful leader. When considering transformational leadership, a higher level of motivation and morality is expected. Aside from that, leaders must be taught to help design their purpose (Studer, 2008, p. 138). A recent example, Baptist Memorial Health Care, Mississippi Baptist Health merge to create one of US's largest non-profits. Baptist Memorial operates 17 hospitals in Arkansas, Mississippi and Tennessee; Mississippi Baptist runs four hospitals in the state (Healthcare Finance, 2017). No organization will become great without great leaders. Investing in them to give them the necessary skill set to accomplish the mission and goals is essential (Studer, 2008). As complex as leadership is, the phenomenon does not just happen (Grossman & Valiga, 2005, p. 4).

Evaluation of Leadership Challenges

Maxwell 2009, states that resistance to change may originate when the organization revises its mission and creates a new vision statement or responds to other internal or external forces within the organization. Challenges are encountered in unplanned or unexpected changes within the organization. Lippitt 1973, states that planned or unplanned changes within an organization will encounter resistance because change is very complex. It involves leaders' motivations in both resistances to changing the status quo. Resistance is not necessarily reserved to top priority managers but can be evident to entry, middle, and senior levels of management. Resistance to change can also arise from two sources: organizational barriers and individual barriers.

From an organizational perspective hospital mergers and acquisitions, barriers may include:

1. Lack of change agents.
2. Inadequate financial and or capacity.
3. Poor leadership and resistance by senior healthcare management.
4. Lack of technology.
5. Time restraints.
6. Poor infrastructure/operational conditions.

Reasons for individual perspective resistance come from the ‘wrong’ leadership, for instance, dictatorship style or authoritative style. The following may occur: a feeling of uncertainty because of the unknown, disrupted habits, loss of confidence, work overloaded, economic loss, lack of purpose, reduction in fulfillment of personal needs, stress both real and pseudo, loss of status and comfort zone in the previous administration, and loss of balance and power. It would be vital to consider from experiences and lessons learned where the management team is comfortable with the current style of operation; fear of the unknown is dominant, and the perception that the previous way of doing business is better than the perspective one. Where old management is concerned the answer to change can be expressed in the following way, “If it’s not broken why fix it”. To alleviate resistance to such a particular style of management, the incoming organization arising from the mergers and acquisitions could consider (Fountain, 1998):

- Defining their current organizational objective, policies, and practices.
- Examining existing conditions both external and internal.
- Conducting a management audit.
- Defining the need for change.
- The strategies for the organizational change of any substance and scale is likely to involve multiple levels of analysis.

Practical Strategies for Leadership Development

Healthcare organizations have recently begun to use systematic, sustained programs to develop leaders in order to enhance organizational performance. Hospital leadership has been positively associated

with greater clinical involvement in quality improvement and clinical outcomes, yet the development of leadership has been fragmented and ad hoc in most facilities. Current research has found that development should be life-long, competency-based, and assessment-oriented. Lifelong approaches include graduate education, in-service management training, and advanced growth opportunities through feedback and coaching, formal mentoring, and deliberately planned field experiences, fellowships, and developmental assignments. Competency-based means that understanding and performance of jobs should be evaluated regularly using identifiable skills proven associated with high organizational performance. Assessment-oriented implies that self-evaluation, and -360degree reviews to generate a planned development program for everyone.

According to Studer (2008), there are five best practices of actions to implement that an organization has to put into the process, to produce great leadership during times of mergers and acquisitions:

1. Reduce incidences of low performance.

Other workers will notice and become resentful. Chronic absenteeism, false or convenient illnesses, or simply passing the “buck” can cause contention in the ranks. Ignoring poor performance or poor workers can cause middle performers to become low-performers, while high performers either disengage or leave (Studer, 2008).

2. Accentuate the positive

This means positioning people, products, or company in a positive light. It's called managing up. Managing up is a process that is systematic and progressive (Studer, 2008). Make a real connection with employees every day by “Rounding.” This action is called “rounding for outcomes.” This is a critical leader behavior. Rounding helps to open communication with employees; it allows the manager to find out what is going right or not in an organization. By communicating with staff in key positions, interesting points and outcomes arise from this knowledge. This process has a serious purpose. It allows employees to connect with managers and for managers to respond by acting on points made by staff that “does the job” every day (Studer, 2008).

3. In addition to using, “Say thanks,” “write a note,” “thank-you note.” Most people would rather receive a three-sentence handwritten note than a two-page typed letter; it is more authentic and special. Sometimes, this could be sent to the employee's home. When an employee receives a thank-you note at home, it feels more personal (Studer, 2008). An organization recruits great employees. More than 25 percent of

employees, who leave positions, do so in the first 90 days of employment (Edmonson, et al., 2001).

4. To retain a new team member, the leader needs to build a relationship. By scheduling two one-on-one meetings, the first at 30 days and the second at 90 days, has an enormous impact on retention (Studer, 2008).

5. Other key strategies of leadership development include coaching mentoring, action learning and -360degree feedback that can be applied to the hospital M & A (Borkowski, 2011; Hayes, 2007).

- Coaching involves practical, goal-focused forms of one-on-one learning and ideally behavioral change (House et al., 1999).
- Mentoring is typically defined as a committed, long-term relationship in which a senior person supports the personal and professional development of a junior person. The top management team could be the mentors.
- Action learning is a set of organization development practices in which important real-time organizational problems are dealt with (Palus & Horth, 2003).
- The -360degree feedback process works best if it starts with the executives at the top of the organization and cascades downward throughout the organization (Chappelow, 2004).

Conclusion

From this health affairs policy briefing, mergers and acquisitions between some hospitals within the UAE have been great highlight in recent debates. The success of merger and acquisitions hinges on the timely resolution of several concerns that the top management staff implemented, mutually, enhancing solutions in the areas of leadership, human resource management, staffing, benefit matters and culture adaptation. This policy brief highlighted some of the practical ways in which health leaders can approach scenarios of mergers and acquisitions. The health affairs briefing included the distinction between leadership and management in healthcare, the assessment of the healthcare leadership needs during mergers and acquisitions, an evaluation of leadership challenges likely to be encountered and the strategies for leadership development.

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