

# Leaders' Perceived Value of Leadership Competencies in Healthcare Organizations Participating in Mergers and Acquisitions

Allen Moore, MSHI, Vickie Skinner, DHA, Amber Arnold, DNP, Angela Burrell, PhD, Elizabeth Franklin, PhD, Kenneth Heard, JD, Seth Lirette, PhD, Marella Yates, DHA  
University of Mississippi Medical Center



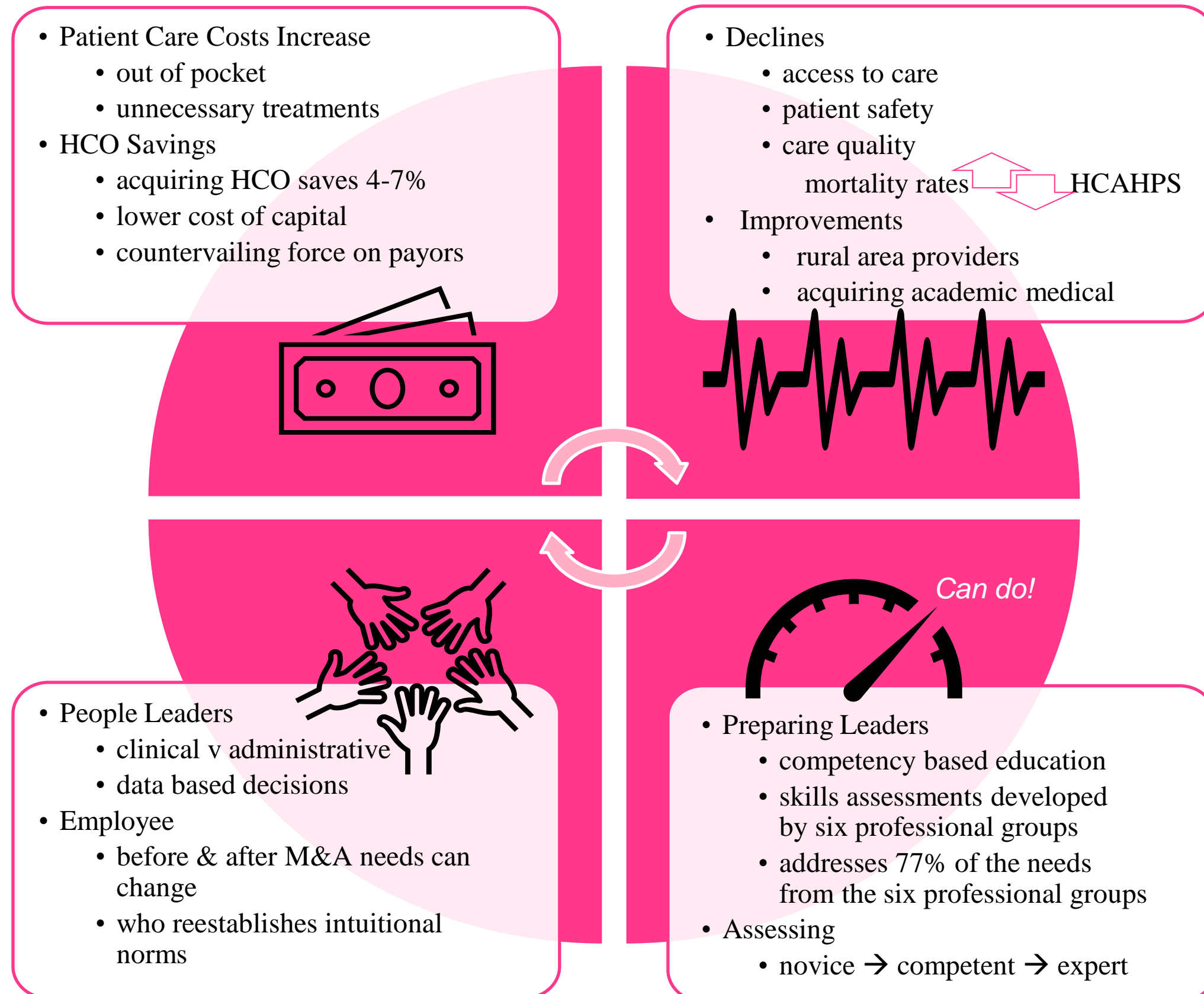
## Abstract

The increasing cost of care delivery creates financial challenges for healthcare organizations (HCOs). Annual U.S. healthcare costs have risen above \$4 trillion (Derlet et al., 2022; Li et al., 2023). Even considering the enormous expense, hospital profitability is declining (Chhabra et al., 2022; Pope & Yehia, 2023; Williams et al., 2020). In response to these challenges, HCO leaders may use mergers and acquisitions (M&A) as one commercial method available to help overcome the burden of economic downfalls. Research shows pursuing M&A can be risky for merging hospitals as integration failures in hospital M&A are common (Cerezo-Espinosa de los Monteros et al., 2021; Chhabra et al., 2022; Gale, 2015; Stokes & Bruce, 2021). Research has also revealed that hospital M&A can create operational instability and the need for intentional leadership (Appelbaum & Batt, 2021; Chesley, 2020; Heine et al., 2023). This study aimed to explore perceptions from leaders who had lived experiences with M&A to understand how they valued various leadership competencies through a two-phase explanatory sequential mixed methods study with those leaders. Phase one surveyed leaders recruited from four healthcare professional associations and HCO affiliated leaders (N = 86). The survey was based on the five competency domains from the American College of Healthcare Executives (2023) Leader Competency Directory. Phase two offered participants from Phase One (n = 10) the opportunity to discuss their experiences during interviews in context with the survey results. Phase one quantitative results indicated that leader competencies are valued differently by clinical and administrative leaders. Communication and Relationship Management competencies were shown to be the most valued (7.76%) above the other four competencies. Further, leaders felt most strongly about their competencies found in the Business Acumen domain. Qualitative results produced nine broad themes, three subthemes, and one predominate theme – adapt and influence. The results suggest that leaders tailoring their communications to their followers can improve their chances of success when implementing an M&A strategy.

## Background and Significance

Contributing factors to HCO financial challenges are an aging population, increasing prevalence of chronic illnesses, the COVID-19 pandemic, and an unfavorable regulatory changes which may promote competition. These challenges can culminate in potential revenue losses. Expansion through M&A may provide HCOs with additional revenue from enhanced service lines in new geographies (Burns & Pauly, 2023; Hayford, 2012; Postma & Roos, 2016; Shaygan, 2018). Historically, those HCOs with M&A intentions have been announced at an average annual rate of approximately 97 hospitals since the 2010 passage of the Affordable Care Act (National Institute for Health Care Management, 2020; Owsley & Lindrooth, 2022; Schmitt, 2017). However, not all M&A is completed as announced (Cerezo-Espinosa de los Monteros et al., 2021; Chhabra et al., 2022; Robinson & Knight, 2018).

## Costs



## Culture

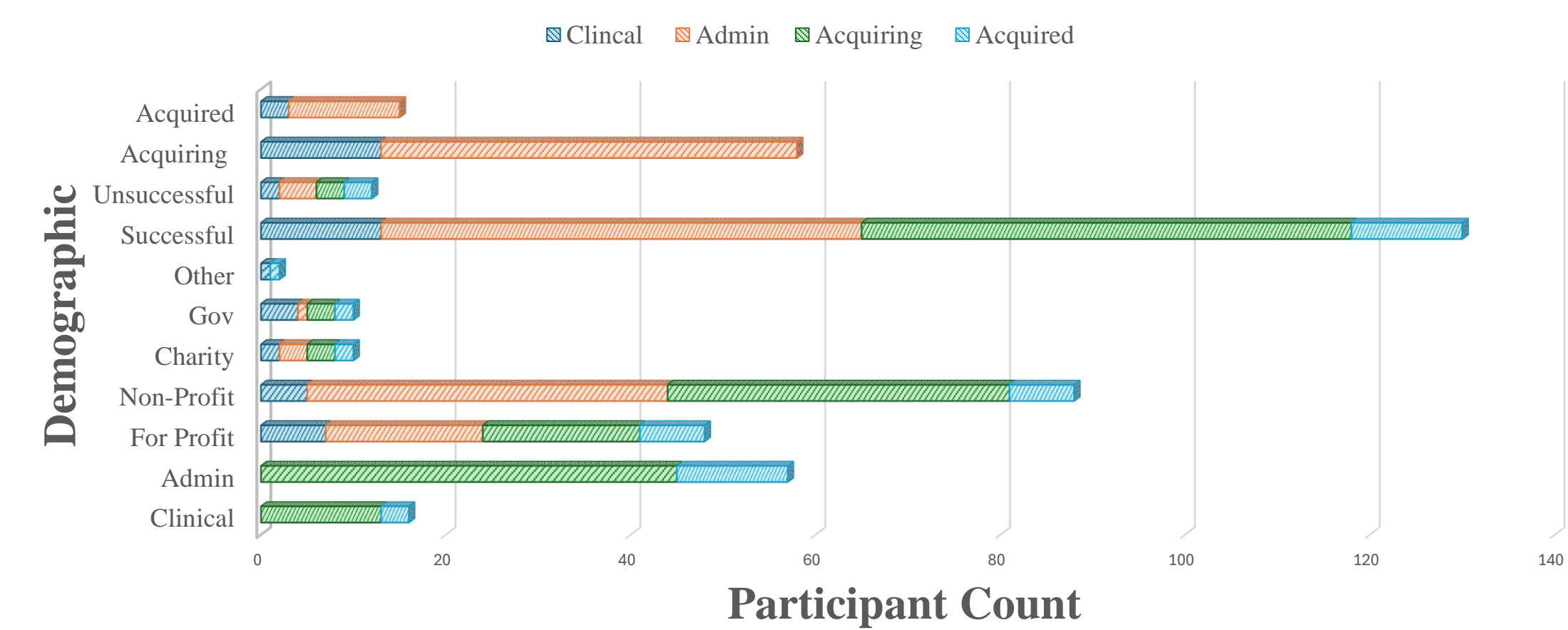
## Competency

## Participants

Participants were recruited from the memberships of the Medical Group Management Association (MGMA), the Healthcare Financial Management Association (HFMA), the LinkedIn online communities of the Mississippi Hospital Association (MHA), the Hospital Executive Network (HEN), and the researcher's professional page. The three-week recruiting process resulted in 86 participants for phase one and ten for phase two. Participants served in various organizations, roles, at the acquiring and acquired organizations, and with differing lengths of experience in leadership positions.

The study's inclusion criteria for participation were that individuals currently or previously needed to have been in a HCO leadership role during the M&A activity and not employed as an individual contributor.

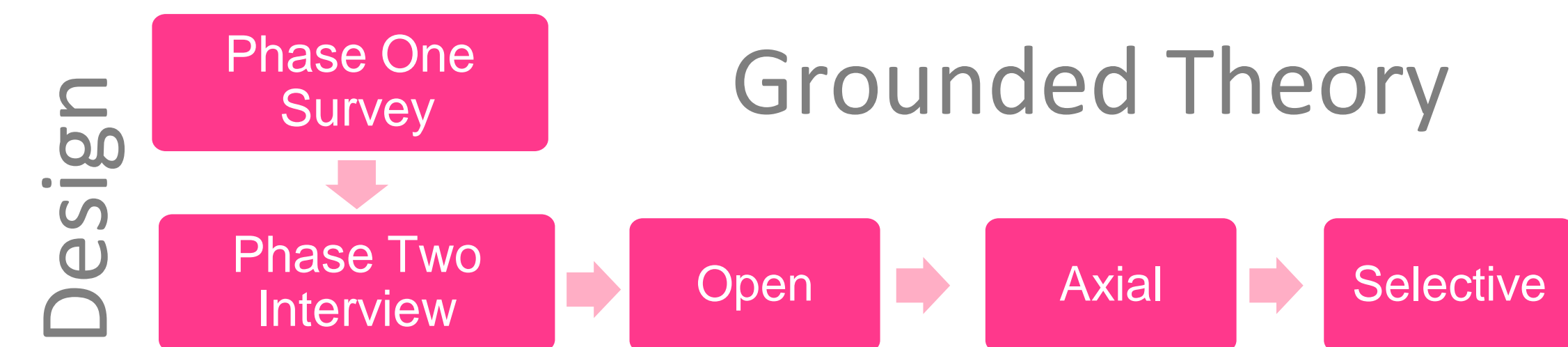
## Composite Demographics



## Design & Investigation

The purpose of this study was to explore healthcare leaders' estimation of the success or failure of their M&A and the role that ACHE healthcare leader competencies may have played during their lived M&A experience. The research sought to address these three questions.

1. What do healthcare leaders report about the success of their hospitals' M&A and their leadership competencies during M&A in the context of the five ACHE competency domains?
2. What are healthcare leaders' perceptions of and experiences with hospital M&A and the role of ACHE leadership competencies during the transition?
3. How do the experiences and perceptions of healthcare leaders regarding hospital M&A in the context of the ACHE leader competencies help explain what leaders reported regarding the success of their hospitals' M&A activity?



The researcher designed the study using an explanatory sequential mixed-methods approach, divided into two distinct phases. A six-item questionnaire collected data regarding the participant's perception of their leadership competencies during their most recent M&A activity. Five items on the questionnaire paralleled the five ACHE (2023) competency domains. The ACHE domains are measures of "expertise in critical areas of healthcare management" (p.1) using a five-point Likert scale from novice (1) to expert (5). The associated domains are (a) leadership, (b) communication and relationship management, (c) professionalism, (d) knowledge of the healthcare environment, and (e) business knowledge and skills [acumen]. The sixth item on the questionnaire was arranged in two parts. Participants were asked to rank the competencies they perceived as most valuable to the HCO during their lived M&A experiences from the least valuable (1) to the most valuable (5). In the second part of the question, they were asked again to consider their most recent M&A, as if it occurred in a perfect world, and rank their competencies they now perceived would have been most valuable to the HCO during the M&A. The Phase One findings guided the Phase Two semi-structured interview guide. The guide prompted participants to discuss their interpretations of the survey results.

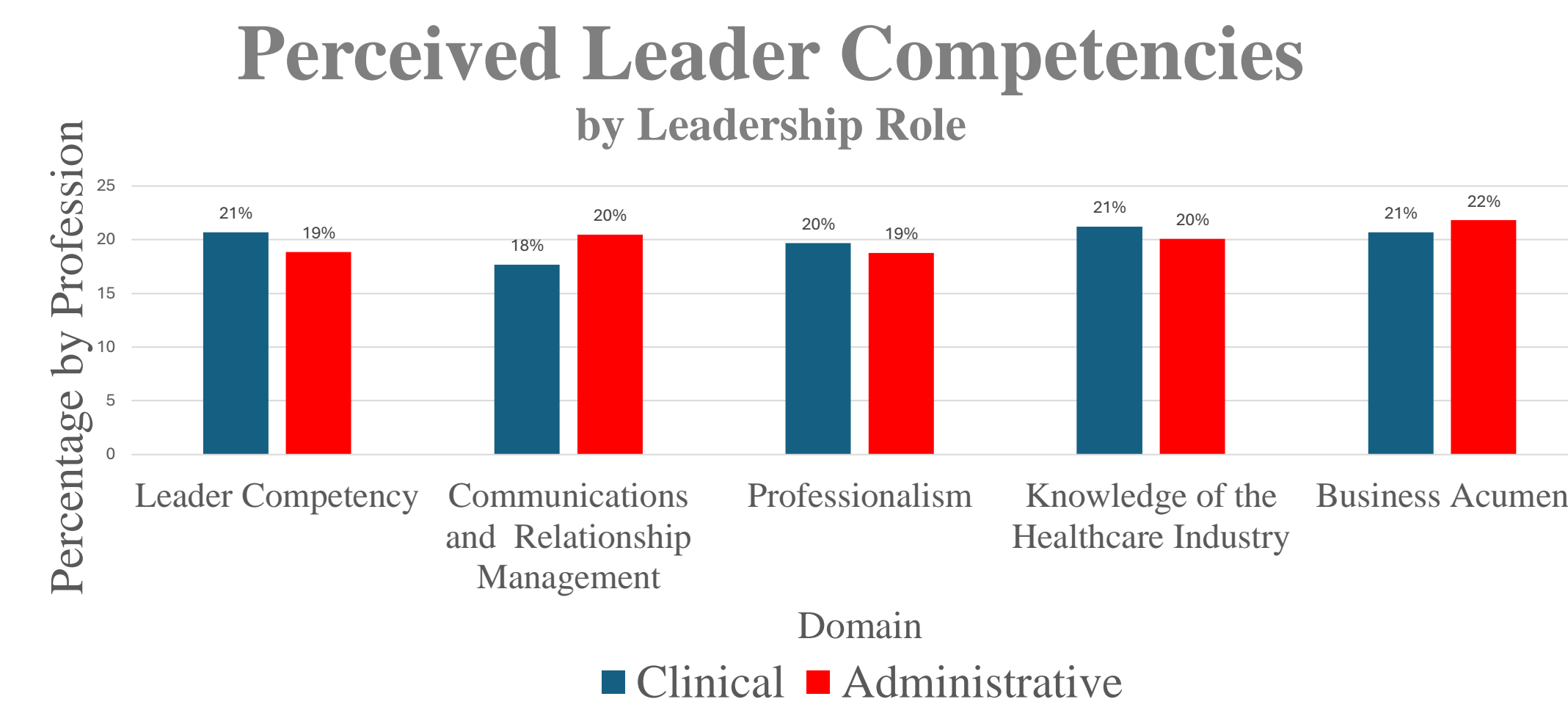
Quantitative data analysis focused on descriptive statistics, including counts and percentages, due to the purely categorical nature of the data. Fisher's exact tests were used for inferential analysis. Qualitative analysis of the data was performed using grounded theory, beneficial to the study for several reasons due its support of economical data collection, the cyclical review of findings that spurred further investigation and deeper insights, and its support for a pragmatic approach to the research (Charmaz, 2006).

## Research Findings

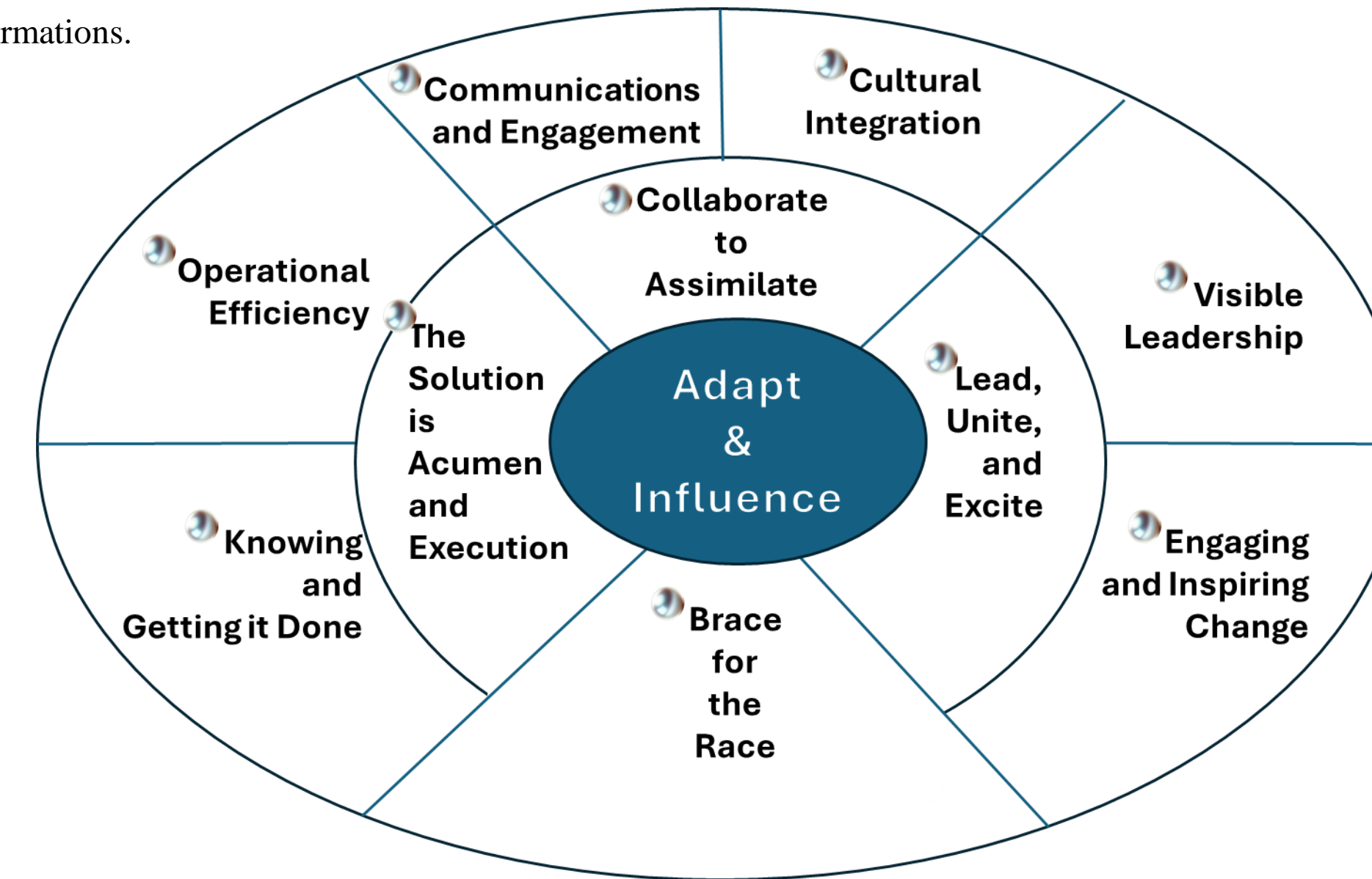
Data from the two phases clarified leaders' actual and ideal leadership competencies in their most recent M&A. Using the grounded theory analysis the researcher identified 'Adapt and Influence' as the predominate theme.

HCOs are typically run by a duality of administrative and clinical leaders (Saxena, 2021). The study data suggest leader consensus on strong Business Acumen competencies in their most recent M&A. Clinicians felt proficient in Healthcare Knowledge, Professionalism, and Leadership, while administrators saw their strengths in Business Acumen and Relationship Management.

*Leader Perceived Competencies by Role*

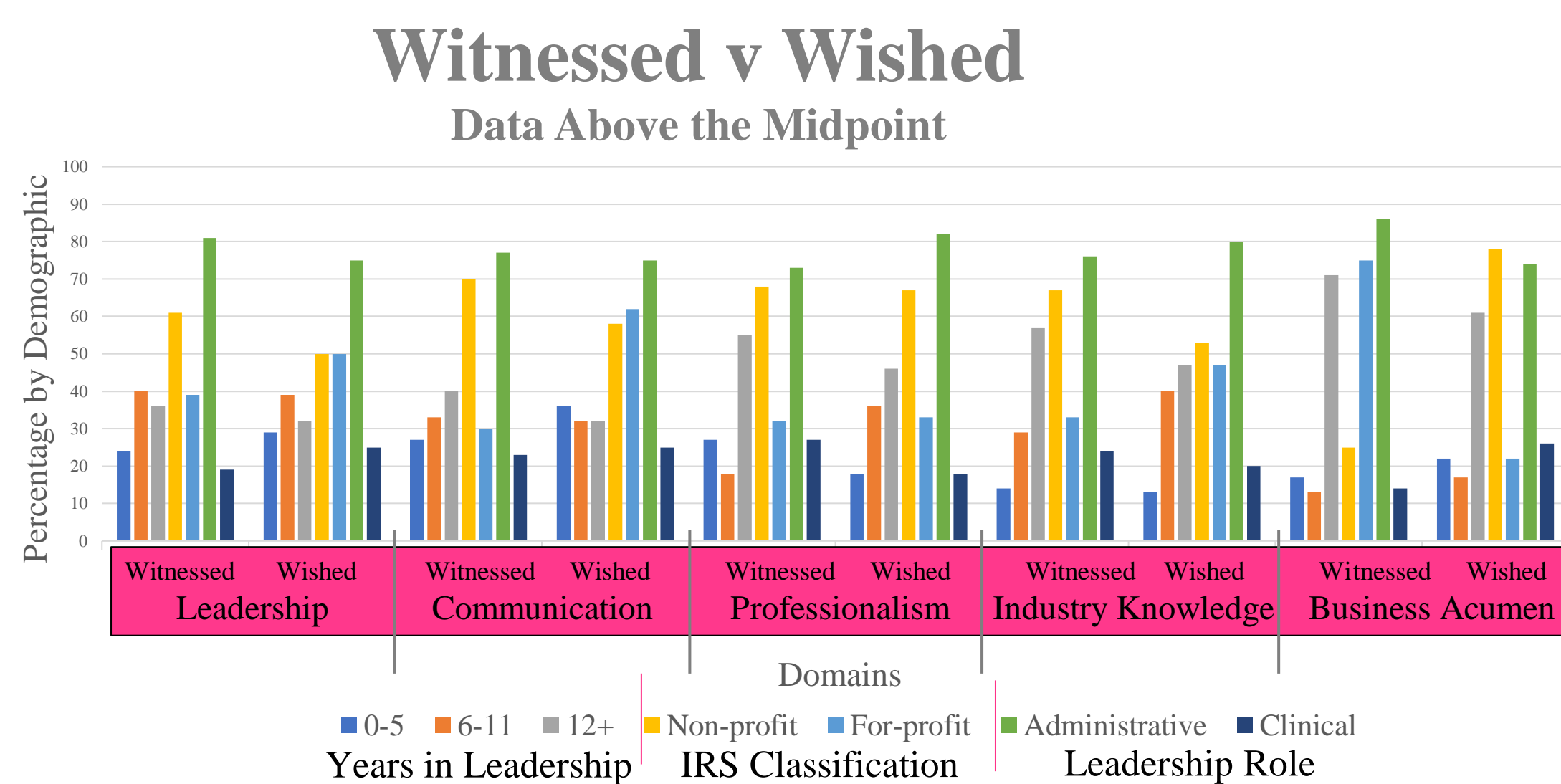


Through open analysis, the data yielded nine subthemes. Subsequently, through axial coding, three primary themes emerged. Refining the open and axial coding led to the identification of overarching narratives, or selective codes, indicating that leaders play a pivotal role in adapting and influencing their organizations during M&A transformations.



When participants stack-ranked the competencies they witnessed versus what they wished had been present, the consensus was a desire for greater competencies in the Communications and Relationship Management domain, 9.26% higher than the next highest domain – Business Acumen. Two measures were statistically significant at a p-value of <0.05. The domains below the 0.1 p-value threshold were Communications and Relationship Management (0.083) and Professionalism (0.012).

*Leader Competencies Witnessed Versus Wished*



Note. Data above the midpoint has been selected to identify the most strongly desired perceptions.

## Solution & Implementation

Data collected from the two phases revealed leaders' perceptions of their competencies and their desired competencies, underscores the need for adaptability during M&A-associated organizational transformation. The study suggests that leaders must recognize and resolve competency gaps between their current skill sets and those they wished had been present during their most recent M&A. The findings also revealed relevant and timely wisdom that leaders may adopt to improve their chances of success.

The researcher has developed and will deliver to the healthcare and investment industries a bespoke reference entitled "Pearls of Wisdom for the HCO Leader Facing M&A". Pearls will incorporate the study's findings to aid leaders on their M&A journey by offering a series of *when* and *then* steps derived from the study's common themes. The Pearls will be electronically distributed to healthcare leaders who are involved in M&A. Pearls may also be used as an early planning tool by consultants Kaufman Hall, Accenture, KPMG, and investment bankers at JP Morgan. Further, contacts at HLTH, VIVE, and iBIG will be solicited for speaking engagements. It may also be found on the researcher's corporate website <https://www.MNAhospitalleadership.com>.

## Limitations

Recruiting issues were central to this study's constraints. Many of the participants recruited from social media (n = 509) proved fraudulent. It is undetermined which social media posting invited the fraud. While fraud in academic research is uncommon, it is a growing problem (Pozzar et al., 2020). Although unrelated, the Change Health medical claims clearing house cyber event, which "forced the company to disconnect more than 100 systems on February 21", impacted recruiting a day after the process began (Rundle & Stupp, 2024, para. 4). The cyber event forced one professional organizations to issue the request for participation to their membership approximately 12 days after the researcher's initial request.

Participant bias may also be a limitation. Most interviewees indicated their participation in a successful and unsuccessful M&A activity. This paring may indicate a bias by participants to be included in the M&A success demographic rather than only being associated with failed M&A activities. A further bias may be found in the demographics where most participants (74%) were identified as part of the administrative profession. This lack of clinical participation may have biased the results toward a more the actions from those from an administrative culture. The generalizability of the research may be limited by the lack of clinical responses and interviews.

## Conclusion

The findings indicated that leader perceived competencies vary between administrative and clinical staff. During M&A, administrative leaders perceived their competencies as higher in the Communications and Relationship Management and Business Acumen domains. Likewise, clinical leaders perceived their competencies as higher in the domains of Professionalism, Leadership, and Knowledge of the Industry. During future transitions, administrative and clinical leaders acknowledged they would like to experience greater competency measures from the Communications and Relationship Management domain. The researcher's novel M&A guide, Pearls of Wisdom for HCO Leaders Facing M&A may be used to close the gap between the unexpected disruptive events of M&A. This collection of wisdom from experienced peers offers leaders a series of *when* and *then* scenarios to help them forecast responses to unforeseen problems.

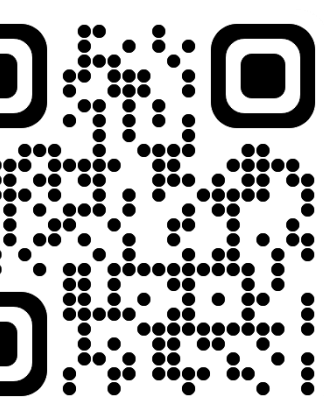
## Select Literature Cited

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The complete list of literature may be found at the QR Code:



For more information contact: Allen Moore @ 256-415-1234