

ARRANGED MARRIAGES, UNLIKELY PARTNERS

How Will Their Offspring Look?

BY EDWARD J.
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Religiously based healthcare organizations have entered a time of great testing. No current religious provider can independently deliver what payers are now demanding: a full range of high-quality care to a given population on a capitated basis. To remain on the playing field, religious providers must form meaningful and permanent relationships with others. Many are going through consolidations, mergers, joint ventures, acquisitions—what we might call “arranged marriages.”

Those organizations that view their work as ministry, as a work of service to all in need, and profess explicit values that determine their priorities, are likely to succeed in the long run. Little wonder, then, that religiously based organizations are concerned about maintaining their basic values in these new relationships. And they wonder how the “offspring” of these marriages will turn out. As with a man and woman plan-

ning to marry and start a family, an organization intending affiliation with another must carefully consider the nature of the entity such a union is likely to produce.

CULTURE AND CLIMATE

How can we predict the behavior of organizational offspring? I argue that the corporate *culture* and *climate* of the “parents” will determine the new entity’s actions. In my view, culture comprises the mores, values, beliefs, philosophy, hopes, and aspirations embodied in the organization’s vision. Climate, on the other hand, has to do with the organization’s processes: its approaches to decision making and resource allocation, its style of leadership, its relationship with its stakeholders, the degree to which employees influence their environment, and similar issues.

Because religiously based organizations have usually put a premium on maintaining an ethical

Summary In the new era of managed care, many religious healthcare providers are making “arranged marriages”—permanent partnerships with secular organizations. As they do so, the religious partners naturally ponder how best to ensure that their values permeate the new entity and thus prevail in later organizational “offspring.”

The organizations most likely to perpetuate their values are those with ethical corporate cultures and climates. These include religiously based healthcare providers, but such providers seem to lack confidence today in their ability to maintain culture and climate in newly formed partnerships. That may be fortunate because it prevents them from trying to impose their values on secular partners. Nevertheless, such values are often attractive to a prospective partner.

A religious healthcare provider will need market leverage, as well as attractive values, to make a good “marriage.” Even so, religious providers and secular investor-owned organizations are unlikely partners, because their motives and incentives differ radically. But religious providers can form solid relationships with secular, not-for-profit healthcare organizations if they take care to negotiate a binding commitment to maintain an ethical culture and climate.

However, Catholic providers are at a disadvantage in such negotiations because Catholic religious congregations are unlikely to continue as owner-sponsors much beyond another decade. It is crucial that a stable source of influence develop to ensure a religious presence in the offspring of new partnerships.

In each issue of *Health Progress* in 1995, the journal’s 75th anniversary logo highlights an article of particular significance to the Catholic health ministry.

corporate culture and climate, they will want to attempt to ensure that similar traits are shown by their offspring. I am not saying, incidentally, that secular organizations are less ethical than those with a religious base. But, given that base, the latter are likely to be especially sensitive to the permutations of ethical issues. Religious providers must be very clear about their values and exert as much influence as possible on the immediate product—a new operating entity—of their “marriages.” These values will then be more likely to prevail in later offspring, on which religiously based providers will have less impact.

CONSENSUS AND COMMITMENT

Most students of corporate culture agree that leadership from the top is the single most important factor in the creation and maintenance of an ethical corporate culture and climate. But it is difficult, if not impossible, to achieve this culture by issuing edicts. Good leaders develop an ethical culture and climate through *consensus* and *commitment*. They achieve consensus by encouraging among employees a shared understanding of the core values (including a shared language for those values) to be honored by the organization. They win employees' commitment by making sure the organization's internal procedures and processes are consistent with its values. Leaders can reinforce commitment with reward and recognition programs.

THE UNEASINESS OF SPONSORS

Sponsors of religiously based healthcare organizations seem to lack confidence today in their ability to create and maintain a values-based culture and climate in their own facilities.

Religious leaders often feel too removed from those facilities, or that the personal presence of clergy and religious is inadequate to influence them. Religious leaders appear especially uneasy about maintaining culture and climate in newly formed organizations—even when the religious organization is an equal partner with reserved authority over important aspects of mission, economic decisions, the range of services to be provided, and the election of governance and management leaders.

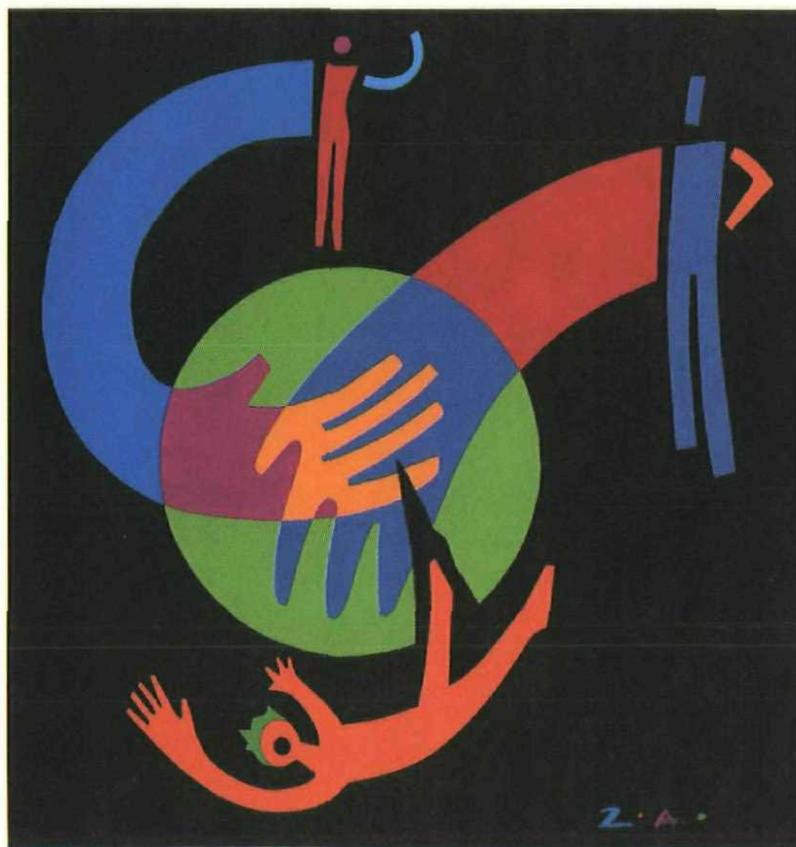
On the other hand, the uneasiness of religious

sponsors may be fortunate because it will prevent them from imposing their values on a nonreligious partner. Imposing values is like issuing edicts: It seldom works. Even if the partner agrees to accept the sponsor's values—as, perhaps, the price of closing the deal—the values may not be sustainable in the long run.

Instead of trying to force their values on a prospective secular partner, religious sponsors should candidly specify essential indicators which will demonstrate that values permeate the new organization's culture and climate. They should insist that the new partner pledge to support and develop the values.

VALUES ARE ATTRACTIVE

But is it *practical* for religious sponsors to be so candid about values when negotiating with a secular organization? I believe it is. An organiza-



tion's commitment to maintain ethical values, and to develop a corporate culture and climate based on them, will be attractive to many potential partners. After all, ethical values are different from personal desires or business objectives. They find support in diverse religions and moral philosophies. Ethical values are not abstractions—they grow out of our common participation in society and respond to specific social needs.

Without honesty, for example, communications are always problematic. Without fidelity to commitment, planning and coordination would be impossible. Ethical values enhance human freedom. The very centrality of values to our lives argues for their preservation by organizations as well as by individuals. Organizations have often found the development of explicit values to be a difficult but ultimately rewarding process. This is especially true when the process is participatory. Once the values are in place, minimum requirements of conduct are set and an operational commitment is established. Shared values form the basis of trust and cooperation, simplify the challenges to governance and management, and raise productivity and morale.

Ethical values are not only attractive to potential partners; they can help make a new partnership successful. Anyone who has attempted to bring together diverse organizations has soon discovered the importance of trust and cooperation; the need to eliminate a "we-they," "win-lose" mentality; and the release of new energy that sometimes follows the development of a values-based vision of the future.

PARTNERING WITH INVESTOR-OWNEDS

Although ethical values can be helpful in forming partnerships, they are certainly not sufficient. This will be especially true in partnership negoti-

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ations between a religiously based organization and a secular institution. In such talks, the religiously based organization will soon find that whatever leverage it possesses is related less to its values than to its relative strength in the market.

The prospects of permanent partnership between a religiously based healthcare organization and one that is secular and investor-owned are dubious. It

is highly unlikely such relationships can be effectively maintained over the long run.

The basic motives of the two types of organization are not in sync. Their basic incentives are at odds. Monies from which investors would derive financial benefits would, in a religiously based organization, be available for direct patient care. Even investor-owned organizations committed to values like high-quality service will not be willing to sustain marginal returns or losses for long.

An investor-owned organization and a religiously based organization are inescapably different and pursue different goals. It would be better, in my opinion, for the sponsors of a religiously based institution to sell it outright than attempt to align its motives and incentives with those of an investor-owned organization.

PARTNERING WITH NOT-FOR-PROFITS

A religiously based healthcare provider considering affiliation with an organization that is secular but not-for-profit will have no problem with the motives of investors. However, it will likely have difficulties in establishing an *identity* for the new organization. Will the new entity be religious? Will it be partly religious and partly secular?

It is unreasonable for the religiously based organization to insist that the secular one embrace all of the former's beliefs and requirements. The secular partner often does not want

to be Catholic, or Lutheran, or Methodist in identity and structure. At most, it may be willing to honor such an identity only in those parts of the new entity that were religiously based before it was formed.

But such an arrangement will not prevail for very long. As assets are commingled and clinical services are aligned, a unified identity will inevitably evolve.

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.....
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PRACTICAL SUGGESTIONS

How, then, can religiously based organizations not only preserve their culture and climate but see it live on in their "offspring?" Here are some practical suggestions for healthcare leaders considering affiliation with a nonreligious partner:

- Negotiate a legally binding commitment to the development and maintenance of a values-based corporate culture and climate.
- Negotiate a commitment to take no action that might jeopardize the identity of the religiously based partner. Stipulate penalties and sanctions to be enforced by the religious partner should such action occur.
- Negotiate a permanent presence for the religious sponsor in the governance structure of the new entity. This should give the sponsor the power to veto any action threatening the religious partner's identity. The veto power should cover such issues as establishing a vision and mission for the new entity, choosing its chief executive officer, making major corporate changes, and approving strategies and budgets. It is likely—and indeed appropriate—that the secular partner will demand a similar power to protect its interests, too.

• Negotiate a commitment to create and sustain an internal ethical program staffed by qualified ethicists who can exert their influence in all major institutional matters so that values perme-

ate the entire organization.

• Negotiate a commitment to create, maintain, and expand an ecumenical pastoral care program dedicated to reaching out to all community people in need, touching their lives with a positive, healing impact.

• Negotiate control of the new entity by the community's citizens. Reject control by government, employers, insurers, and phy-

sicians.

• Negotiate an irrevocable commitment to be allowed to care for at least *your* share of uninsured and underinsured persons.

• Insist on the maintenance of not-for-profit status for the new entity.

Should a religiously based organization succeed in negotiating such long-range protections, it will have made a good "marriage" and gone a long way toward influencing its "offspring." For such negotiations to succeed, the organization will of course require considerable leverage and a tolerant partner. But then such tolerance may be what separates likely partners from unlikely ones.

FUTURE OUTLOOK

I have two reservations concerning the advice just given. First, I urged religiously based partners to retain veto power over any major corporate changes in the new entity. But this stipulation may not appeal to the secular partner, even if it also possesses veto power. So turbulent is the current world of healthcare that the secular partner may be planning a series of changes in corporate structure—and would not want its hands tied by the religious partner's veto. Investor-owned healthcare organizations are especially prone these days to changes in ownership structure. This is one more reason why partnerships between investor-owned and religiously based institutions are not promising.

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My second reservation concerns the stability of the religiously based partner. For the negotiations I have outlined to succeed, it is essential that this partner be a continuing presence in healthcare. Unfortunately, such stability cannot be assumed when Catholic partners are involved, given the extreme vulnerability of Catholic congregations as sponsors of healthcare institutions. Sadly, all reasonable signs point to the inability of most—if not all—Catholic religious congregations to continue as owners-sponsors much beyond another decade, if indeed that long.

What then will replace that source of influence? Who will exercise the necessary authority on behalf of the offspring of the "marriages" now being consummated? Only two options realistically exist: Either the Church will provide such direction and influence directly; or lay associations, empowered by the Church, will replace the religious congregations as cosponsors with secular partners dedicated to service to the community.

I see no perceptible movement in either of these two directions at present. I fear that denial, inaction, and failure to take the long view dominate many Catholic settings today. Non-Catholic religious partners appear to have more freedom and fewer constraints.

The bottom line is to make every effort to preserve a religious presence for our offspring, both human and institutional. The stakes are very high and the outcome very uncertain. As we forge the deals and work through the challenges of change, let us make Mark's wise counsel the guidepost for our negotiations: "Anyone among you who aspires to greatness must serve the rest. Anyone who wants to rank first among you must serve the needs of all" (Mk 10:42). □

HEALTHCARE

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noted in the *ERD*, appropriate application of the principle must take into consideration the circumstances in a particular diocese. □

NOTES

1. "Justice in the World: The Synod of Bishops," in Vincent Mainelli, ed., *Social Justice: The Catholic Position*, Consortium Press, Washington, DC, 1975, para. 1042.
2. National Council of Catholic Bishops, "Ethical and Religious Directives for Catholic Health Care Services," *Origins*, December 15, 1994, pp. 449, 451-462. Unless otherwise noted, passages quoted here are from this document.
3. "Documents on the Laity," in Austin Flannery, ed., *Vatican Council II: The Conciliar and Post Conciliar Documents*, Liturgical Press, Collegeville, MN, 1975, pp. 775, 786.
4. Edmund Pellegrino and David Thomasma, *For the Patient's Good*, Oxford University Press, New York City, 1988, pp. 80-83.
5. Jefferson to Sr. Therese de S. Xavier Tarzon, May 15, 1804, Washington, DC.
6. Ten years later, the U.S. Department of the Treasury issued regulations clearly rejecting the notion that Catholic hospitals were an "integrated auxiliary." See *Hospital Progress*, February 1977, p. 18.
7. Tamar Lewin, "As Health Mergers Rise, Standards of Catholics Face a New Challenge," *New York Times*, March 8, 1995, p. 12.
8. For information about successful cooperative efforts to break through the old parameters of providing access to healthcare for the poor, debilitated, and disabled, contact the director, Archbishop's Commission on Community Health, St. Louis, MO.
9. Eugene Lauer, *Human Services Strikes: A Contemporary Ethical Dilemma*, Catholic Health Association, St. Louis, 1987, pp. 123-153.
10. *Mater et Magistra*, 1961, para. 23.
11. *Catechism of the Catholic Church*, U.S. Catholic Conference, Washington, DC, 1994, p. 550, no. 2284, p. 558, no. 2326.
12. James F. Keenan and Thomas R. Kopfensteiner, "The Principle of Cooperation," *Health Progress*, April 1995, pp. 24-27.

COMMUNICATION STRATEGIES

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Teach staff how ideas become bills and laws.

offices. Meet lawmakers and staff members. Send them your publications. Thank them for good votes and note bad ones."

STAFF INVOLVEMENT

Although members of your healthcare organization may want to help with legislative affairs, the process intimidates many people who have had little occasion to work with it. Peters suggests conducting staff training sessions about the mechanics of legislation and how ideas become bills and laws. Staff should also receive reading materials that outline and analyze legislative developments. On the other hand, Peters insists that the CEO must personally endorse and spend time on legislative affairs. The public relations professional may implement much of the program, but only the CEO, along with the board, has authority to define the organization's position on an issue or bill.

CHOOSE YOUR BATTLES WISELY

Peters's final advice is, "You'll never win 'em all." He adds, "Sometimes your favored bill will pass, and your work will have demonstrably influenced key votes. But your organization won't always get its way. Making every bill a do-or-die struggle is a risky strategy. Advocating strongly for your position, seeking compromise where possible, and maintaining relationships even when you lose makes far more sense. Focus on the bills that matter most and do what you can to influence their outcome." □

 For additional information contact James Peters, 401-444-5327.