



INTEGRATING CULTURES

Part II

Although healthcare organizations continue to come together in various forms of collaboration, many of these arrangements fail to achieve their desired objectives: lower costs, greater efficiency, increased market share, and higher reimbursements from insurers, among others. In fact, some collaborations have dissolved after a few difficult years.

On one study's list of the top 10 reasons why mergers and acquisitions fail, "cultural differences between the organizations involved" ranked second, just behind "insufficient resources."¹ Paying attention to organizational culture is important throughout the process of collaborating—from the initial investigation, on one hand, to the point where a combined culture begins to emerge in the new entity, on the other.

To expand on an earlier resource (see "Integrating Cultures: A Tool for Mission Leaders and Others in Collaborating Organizations," *Health Progress*, March-April 1999, pp. 65-78), CHA reconvened the authors, five system mission leaders and a hospital chief operating officer. In the 1999 resource, a "Big Picture View" presented four phases of collaboration: Preliminary Exploration, Due Diligence, Initial Integration, and Ongoing Integration. The resource's authors described desired outcomes and culture integration strategies for the third phase of that continuum, Initial Integration. In this follow-up resource, they describe outcomes and strategies for the first, second, and fourth phases.

PRELIMINARY EXPLORATION

In this early investigation phase, organizations are exploring compatibility and possible mutual advantages of collaboration. In addition to assessing the potential advantages for all partners, a Catholic healthcare organization contemplating any collaboration must also evaluate the benefits such a deal offers to the communities served and to the Catholic health ministry as a whole.

The desired outcomes of the Preliminary Exploration phase are:

- Agreement of all parties—including the support of sponsors, boards, leadership teams, and, if possible, leaders of the medical staffs—to go forward with the due diligence process
- Readiness for the due diligence phase (i.e., a team identified and a plan devised)

AGREEMENT TO GO FORWARD

Typically, few people are involved in this early investigation. Perhaps the organization's CEO appoints a senior executive to explore the possible action

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with one or two senior representatives from the potential partner. Information is passed to senior management, sponsors, and the board for discussion and a decision on whether to move forward. In this early phase, an important task for the decision makers is determining when and how to inform the local diocesan bishop (or bishops, if several dioceses are going to be involved) of the possible collaboration.

Wheaton Franciscan Services, Inc., Wheaton, IL, has articulated the following evaluation questions in its "Collaboration Guidelines" to help senior leaders determine the need for proposed collaborations:

Purpose: What is the purpose of this collaboration? What evidence do we have that this purpose is shared by our potential affiliate? What need does this collaboration fill for us? For our potential affiliate?

Mission: What effect will this collaboration have on our ability to achieve our Mission of Human and Community Development? To what extent is the substance of our potential affiliate's mission aligned with our mission?

Management Approach: To what extent is the potential affiliate willing to consider mutual learning around management philosophy and theories?

Vision: Will this collaboration opportunity move us toward our Vision?²

Mission leaders may or may not be involved in discussion and decision making during the Preliminary Exploration phase. It is important, however, that mission leaders understand the process occurring during this phase to better understand their role in the subsequent phases. Mission leaders may be involved in developing decision-making tools like the questions above.

READINESS FOR PHASE TWO

As the organization prepares to move into the rigor of the Due Diligence phase, two important elements are needed: a plan for due diligence and a team to carry out the plan. Both the planning and the staffing decisions will be dictated by the nature of the proposed collaborative relationship. Some deals may involve a comprehensive investigation, including interviews with employees in the potential partner organization. Other, more confidential investigations may be limited to discussions with

the organization's senior leaders and to a review of pertinent documents.

Typically, the due diligence process is supervised by the legal staff or consultants. Mission leaders may be involved in gathering documentation from the potential partner. Along with the ethics staff, they are also usually responsible for reviewing the potential partner's documents to make sure they are consistent with the Catholic organization's mission and values. In addition, mission leaders may be charged with

interviewing those partner organization executives who are responsible for "mission"

areas. And they may interview staff members to assess the partner organization's culture.

In articulating its due diligence process, Wheaton Franciscan Services named three objectives:

1. The assessment of the organization's alignment with the Wheaton Franciscan System's mission, vision, and values (e.g., in operations, culture, management structure and style, and support of mission, vision, and values);
2. The implications of the relationship for Catholic identity;
3. The assessment of the current state of the organization's financial position and operations.³

In describing the procedure for due diligence, Wheaton Franciscan Services specifies that a "common vision for healthcare and/or housing in the future must be explored" and shared by the potential partners for the collaboration to move forward. The system's due diligence procedure also explores potential partners' openness to utilizing mission services "to ensure that ethical, pastoral care, leadership, and human development needs are met."

In the Wheaton process, persons with expertise in mission integration, ethics, spiritual care, and leadership development are—along with those representing communications, finance, legal services, fund development, human resources, information services, insurance, and other areas appropriate to

Strategy: *Ensure that mission due diligence is integrated into the due diligence process. Be prepared with a mission due diligence plan and responsible persons identified.*



the transaction—recommended members of the due diligence team.

When planning for a due diligence effort, planners must consider that such an investigation interrupts the operations of the potential partner and should attempt to minimize the disruption. It is also important, when enlisting consultants to assist with the due diligence process, to orient them to the mission, values, and culture of the Catholic healthcare organization that they will be representing.

DUE DILIGENCE

In Phase Two, potential partner organizations research and collect detailed information in order to make a decision either to acquire a partner—through merger, affiliation, or some other arrangement—or to refuse to do so. The Due Diligence phase begins with the signing of a letter of intent, although some information can be gathered prior to the signing.

Efforts in the Due Diligence phase are directed toward the following outcomes:

- A clear assessment of the compatibility of the potential partners in areas of mission, culture, finance, management, and other areas of concern.
- Shared understanding of Catholic identity issues in the final, definitive agreement to collaborate. These issues include adhering to the *Ethical and Religious Directives for Catholic Health Care Services*, creating mission positions (or at least some sort of mission function) in the new organization, providing pastoral/spiritual care services, and others.
 - The development of a transition plan.
 - The creation of corporate documents and bylaws.

CLEAR ASSESSMENT OF COMPATIBILITY

Workplace culture surveys can be implemented quickly to identify the issues and values that are important to the people in the partner organization. Surveys can measure employees' perceptions

Strategy: *Conduct an assessment of the current culture within the potential partner organization.*

and how spirituality is expressed in its corporate life. Partner organizations may have culture survey

concerning, for example, whether the organization is flexible and adaptable, how it addresses and resolves conflict, how it handles communications,

data to share. However, the optimum result comes when both partners use the same surveys, thereby making the most apt comparisons.

In addition to surveys, key interviews, often conducted by mission leaders along with sponsors and board members, are a useful mechanism for assessing a potential partner's organizational culture.

During the due diligence that preceded the 1999 acquisition of Franciscan Health Partnership (FHP), Latham, NY, by Bon Secours Health System, Marriottsville, MD, the chairperson of Bon Secours' board visited with FHP board members, leaders, and sponsors. A delegation led by Bon Secours' director of mission effectiveness visited all the FHP facilities, interviewing leaders, department directors, and groups of employees. The interviews, which lasted a minimum of six hours at each site, covered mission and spiritual care functions, high-quality patient care, leadership and staff development, performance evaluation, continuous improvement, community commitment, care for poor and underserved persons, ethics concerns and ethics committees, and care for persons at the end of life. The Bon Secours visitors also asked how FHP organizations handled regulatory issues and complaints and which advocacy efforts they had under way. (Documentation of these activities was required by Bon Secours' "Mission Due Diligence Checklist.")

SHARED UNDERSTANDING OF CATHOLIC IDENTITY ISSUES

Critical to the success of collaboration between Catholic and non-Catholic organizations is a clear understanding among

all parties of the effect of the arrangement on the organizations' identities. What effect will the collaboration have on the Catholic organization's Catholic

Strategy: *Ensure that senior leadership, board, sponsors, and medical staff have a common understanding of Catholic identity-related issues and how they are interpreted.*

identity? Will the other-than-Catholic entity become Catholic, or will it remain a community (or other faith-based) institution? Will it be "joining" a Catholic system or simply partnering with a Catholic facility? What are the implications in each of these situations? Does everyone involved have the same understanding of the resulting "identities" and implications?

Discussions during the Due Diligence phase

should address the various operational aspects of Catholic identity: for example, provision of mission and spiritual care services, community outreach and care for poor and vulnerable people, relationships with bishops, and display of religious symbols. Leaders, boards, sponsors, and medical staff members should discuss the prohibition in Catholic-sponsored facilities of abortion, elective sterilization, and euthanasia/assisted suicide, thereby ensuring clear understanding among all these groups. Achieving this clarity is an imperative for the due diligence process, and mission leaders can be effective facilitators of discussions of these issues among decision makers and stakeholders, making sure that each party voices his or her understanding, questions, and concerns.

Sometimes the negotiating parties neglect to come to an understanding on these Catholic identity issues, assuming that the issues will be resolved at a later time. However, unless members of the prospective partner's medical staff clearly understand and accept the *Ethical and Religious Directives*, they may later refuse to comply with them; and employees may complain when benefits for contraception are removed. It is imperative that the *Directives'* implications, particularly for human resources policies and community outreach services, be articulated and understood during the Due Diligence phase.

CORPORATE DOCUMENTS AND BYLAWS

Corporate documents and bylaws are written by legal staff and consultants using the final definitive agreement between the collaborating organizations as the framework. The definitive agreement is developed by corporate attorneys, with the help of the due diligence team. It is important that expectations regarding Catholic identity be clearly articulated in this agreement.

Strategy: *Ensure that the elements of Catholic identity are incorporated into the final definitive agreement, corporate documents, and bylaws.*

eleventh-hour surprises. (The bishop should be given *initial* information about the possible collaboration in the Preliminary Exploration phase of the continuum, before the due diligence process begins. Progress reports to the bishop are a key

At this time, it is also important to inform the local bishop or bishops of the elements of the final agreement, thereby precluding any

element of communications at every point in the development of the collaboration.)

The definitive agreement should also spell out what happens if the collaboration should fail—the “escape” clauses, which may include penalties for dissolving the arrangement.

As the work of due diligence is proceeding, planning for the next phase, Initial Integration, is also under way. One important step is the identification of a “transition team,” which will design the transition plan, oversee the plan's implementation, and evaluate the effectiveness of the actions taken. Typically, the transition team consists of the organization's CEO (or the CEO's delegate), the mission leader, the directors of human resources and organizational development, and appropriate management representatives (e.g., finance and information systems). In selecting persons for the transition team, it is important to decide who is most capable of influencing the organization's employees, physicians, and others as the process of merging cultures moves forward.

ONGOING INTEGRATION

This phase begins one or two years after the closing of the collaboration. The aim of this phase is to assess, plan, and implement continuing integration activities. Ongoing work in this phase is intended to yield the following outcomes:

- A positive, “healthy,” evolving culture
- A positive impact on the communities served
- Executive leaders and managers assuming responsibility for fostering and maintaining culture integration
- Examples of integration in operations

A POSITIVE, HEALTHY, CULTURE INTERNALLY AND A POSITIVE IMPACT ON THE COMMUNITIES SERVED

Clearly, assessment is needed to measure the “health” of the evolving culture and the impact of the collaboration on the community. In the case of the Western Maryland

Health System (WMHS), Cumberland, MD, an intensive evaluation process was designed as part of the transition plan for a merger.

Strategy: *Multidimensional evaluation processes are employed to measure the impact of the collaboration and inform future directions for the new entity.*



WMHS, an integrated delivery system, comprises a Catholic-sponsored hospital, a secular community hospital, a long-term care facility, four urgent care centers, and several physician-owned primary care practices. From the evaluation process, conducted over a two-year period after the merger, came a number of initiatives.

A number of groups were asked for input in the evaluation process: members of three boards (those of the parent system, the community hospital, and the Catholic hospital), sponsors, medical staff presidents and members of medical committees, department directors, community religious leaders, and (through focus group discussions) the general public. After gathering information for six months, the system's senior leadership team held a one-day retreat to analyze the information. In the retreat, the leaders asked themselves: "What are the top 10 issues? What is our reaction to these issues? Why have we been successful? What would we do differently?"

The evaluation process led to several initiatives designed to address system issues and emerging cultural needs. The system enlisted the assistance of an organizational development consultant. It also convened monthly meetings of senior leaders and department directors to address consolidation issues, standardization of policies, best practices, and improved communications. And it conducted a system-wide employee attitude survey to identify key work satisfaction issues and overall morale; the survey became the baseline for measuring future progress.

EXECUTIVE LEADERS AND MANAGERS ASSUME RESPONSIBILITY FOR FOSTERING AND MAINTAINING CULTURE INTEGRATION

Mission leaders, who understand meaningful rituals and celebrations, can use them to create opportunities in which the organization's senior leaders and managers take a visible role in encouraging and reinforcing the new culture. In one organization, a

Strategy: *Develop ways for leaders to be seen fostering and maintaining culture.*

collaboration of Catholic and non-Catholic partners, senior leaders led a tree-planting ritual symbolizing the new organization's commitment to the future. In another, an integrated delivery system built by several Catholic-sponsored organizations with a non-Catholic partner, the CEO conducted "town hall" meetings with managers at all

levels to ensure consistent, credible communication as a characteristic of the life of the new organization.

In creating a coherent, integrated culture that involves two or more organizations, leaders will be the most influential figures. They will maximize their impact on the culture integration process when they are perceived by the organization's constituents as modeling the new cultural norms.

A FINAL NOTE

Author and consultant Daryl Conner says that when collaboration efforts fail to produce desired results, this is not necessarily an indication of bad strategy on the organization's part. Rather, he says, such failures frequently reflect inadequate assessment of the "return on change" (ROC).⁵ ROC is determined by dividing the ultimate yield accomplished by the collaboration by the cost of its execution (including the expenses involved in modifying the partner organizations' operations and in addressing the effects of change on human resources, losses in productivity and quality, and expenditures on new infrastructure).

Conner recommends "human due diligence" as a way of better informing collaboration decision making and, ultimately, of increasing the odds for long-term successful culture integration. "At their core," he writes, "our organizations are not numbers, they are human beings. The people of our organizations—along with the numbers—determine the outcome of our [collaboration] initiatives."⁶

Mission leaders bring valuable skills to the process of collaboration and culture integration. From assisting in early decision making to mission due diligence—as well as "human due diligence"—to ongoing integration efforts, mission leaders play an important role by contributing to the creation of a positive new organizational culture and its rewards.

NOTES

1. Joanne M. Todd, "The Trouble with Mergers," *Healthcare Business*, September-October 1999, pp. 92-101.
2. "Collaboration Guidelines," Wheaton Franciscan Services, Inc., Wheaton, IL, 1996.
3. "Collaboration Guidelines."
4. "Mission Due Diligence Checklist," Bon Secours Health System, Marriottsville, MD, 1994, revised 1999.
5. Daryl Conner, "Human Due Diligence," *Executive Excellence*, October 1999, p. 10.
6. Conner, p. 10.

FOUR PHASES OF COLLABORATION: THE BIG PICTURE VIEW

PHASE ONE: PRELIMINARY EXPLORATION

AIM To explore compatibility of, and mutual advantage for, the organization, partner(s), communities served, and the Catholic health ministry as a whole.

TIMELINE From the initial consideration to the signing of a letter of intent.

PEOPLE CEOs, sponsors, and others with initiating authority are principally involved. The principals keep board chairperson, senior leaders, and sponsors informed; make initial contact with local bishop(s).

- ACTIVITIES**
- Begin initial conversation and data gathering.
 - Establish compelling reasons or case for moving to Phase Two or discontinuing investigation.
 - Preserving or advancing Catholic health ministry
 - Similar or complementary management philosophy/style, human resources philosophy
 - Common vision, values
 - Clear market rationale
 - Assess the organization's ability to move forward with the needed resources.
 - Gather as much information about potential partner organization(s) as possible prior to due diligence.

QUESTIONS

1. Why do we want to do this? What do we add to this organization? What value do we bring?
2. What is the potential benefit to the community?
3. Does the collaboration enhance our organization's ability to deliver services?
4. What will be the effect on Catholic healthcare in the community?
5. What will happen to our organization's Catholic identity if we proceed? What will happen if we don't proceed?
6. What would be the cost of not doing the collaboration?
7. What are our nonnegotiables?
8. Are the organizations compatible? In what ways?
9. What can we do better together than alone?
10. What will be the outcomes in terms of cost savings? Care of persons served? Community advocacy?
11. Who are the stakeholders? How can we involve them?
12. How do we involve the local bishop(s)?
13. Who needs to know at this point?
14. What are the resources—human and financial—needed to pursue this collaboration? For due diligence? Beyond due diligence?
15. Will we need help from consultants? In what areas?
16. Do we have the human capital to support integration of cultures over the long term?
17. How will we evaluate our work in this phase?

PLANNING

- Plan for Due Diligence phase (due diligence begins immediately upon signing of letter of intent)
- Develop a confidentiality agreement to be in force until the closing of the transaction
 - Create/expand Collaboration Coordinating Group

PHASE TWO: DUE DILIGENCE

To research and collect sufficient detailed information to make the decision to acquire a partner, to merge, to affiliate, etc.

From signing of the letter of intent to closing of the transaction.

Due diligence task forces are made up of representatives from administration, human resources, mission, legal, ethics, public relations, local diocese(s), medical staff officers, and consultants as needed. The task forces communicate with local bishop(s), sponsors, medical staff, employees, and strategically selected community leaders.

- Specifically assess finances, market position, governance, and culture, and determine compatibility. Identify potential impediments to the collaboration
- Research and prepare necessary documents for regulatory review and obtain approvals (federal, state, local, certificate of need, attorneys general, etc.).
- Orient consultants regarding expected behaviors while representing the organization.
- Develop legal documents including bylaws.
- Assess employees' understanding and perceptions of mission.
- Develop transition (culture integration plan) based on findings of due diligence process. Determine need and process for culture assessment.
- Develop and begin implementation of communications plan for internal and external audiences.
- Obtain approval from bishop(s)/Church.
- Approve definitive agreement (including transition plan and timeline).
- Execute the definitive agreement once approved.

1. What are the nonnegotiables?
2. What are the benefits to each organization?
3. How are mission issues included in the due diligence process (along with financial, legal, and canonical issues)?
4. How do we involve the local bishop(s)?
5. What are the barriers to and enablers of the collaboration, e.g., ethical barriers?
6. What are the "skeletons in the closet"?
7. How do we decide to continue or stop? Is the decision to continue or stop based on the organization's values?
8. What are the elements of the transition (culture integration) plan and timeline? How will they be written into the agreement?
9. Has the Transition Team been identified?
10. What communications do we need for key stakeholders and the community?
11. What is needed for the public relations plan?
12. What culture integration activities are possible in advance of the closing? (e.g., when can employees of partner organization(s) be contacted?)
13. How do employees of the partner organization(s) perceive our mission?
14. How will we evaluate our work in this phase?

- Identify and form the Transition Team.
- Plan (and conduct as appropriate) educational programs about the collaboration, acknowledging the effects of change.



PHASE THREE: INITIAL INTEGRATION

To bring together the best of both existing organizational cultures in a new reality.

The first 12-24 months following closing of the transaction.

Integration is coordinated by the Transition Team. The team works with boards of directors, managers, employees, medical staff, volunteers, local church leaders, educators, community planners, and community at large.

- Conduct baseline organizational climate survey.
- Initiate orientation for board, senior staff and middle management, physicians, and staff.
- Celebrate/ritualize collaboration, with sensitivity to concerns of all audiences.
- Develop and begin implementation of consolidated strategic plan.
- Implement transition plan, including change management processes.
- Plan and implement process for developing shared or compatible mission/vision (may include new mission statement).
- Enlist pastoral/spiritual care, human resources, social services to assist persons through transition. (Address employee concerns about job security.)
- Begin consolidation of operations.
- Change symbols and signage.
- Continue revising, implementing communications plan.

1. What strategies do we need to develop for dealing with change?
2. Are the purpose and benefits of the collaboration clear? Is the vision of the new organization clear?
3. What has been done to assess the existing culture(s)?
4. Is the transition plan being implemented and evaluated?
5. What is the process for integrating/merging operations?
6. Is the communications plan and its implementation effective?
7. Is planning under way for ongoing integration?
8. How will we evaluate our work in this phase?

- Plan for dissolution of Transition Team and transfer of responsibility to leadership (integrating activities into ongoing processes).
- Plan ongoing mission integration activities.
- Identify evaluation techniques for assessing Phase Three activities.

PHASE FOUR: ONGOING INTEGRATION

To assess, plan, and implement continuing integration activities.

Ongoing, after the first 12-24 months following the closing of the transaction.

Internal organizational committees (new and existing structures) continue implementing the culture integration plan, including communication to all the audiences named in Phase Three.

- Leadership assumes full responsibility to continue implementation of culture integration (e.g., creates internal infrastructure to support ongoing mission integration).
- Continue to evaluate and implement communications.
- Continue to implement consolidated strategic plan, with revisions as needed.
- Evaluate consolidation of operations; continue consolidation based on early experience.
- Evaluate implementation of transition plan. (Have the goals and objectives been achieved?)
- Evaluate community benefit of the collaboration.
- Repeat climate survey three years after closing.

1. What is being done to "hold the gain"?
2. What "people issues" still need to be addressed?
3. What ongoing development of staff is necessary?
4. Has alignment of human resources systems (hiring, compensation, incentives, pension, orientation, leadership development, performance evaluation) been accomplished?
5. Have quality and communications systems been aligned?
6. How do we assess the effect on the community?
7. How will we evaluate our work in this phase?

- Plan for ongoing evaluation of culture integration activities.