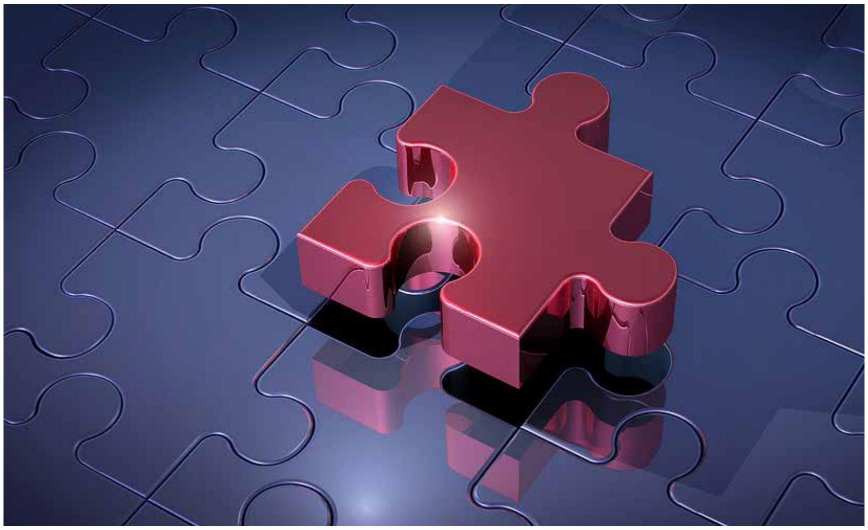
CALIBRATING CULTURE FOR A HEALTHCARE MERGER



As mergers and acquisitions in healthcare continue at a robust pace,[1] the realization of the importance of organizational culture grows. In any merger, each partner brings its own history, culture, and approach to getting work done. And in healthcare, the local environment plays a critical role in shaping success, even as organizations merge to increase market share and to strengthen population health-based models. Cultural gaps between partners can derail success, as the literature on failed mergers makes clear.[2,3] On the other hand, if done right, the work of creating cultural alignment can be the source of powerful innovation in a merger. We have aided organizations to improve financial performance, implement strategy, and achieve clinical quality excellence through focusing on culture.

So, what does it mean to create value from understanding culture in these mergers and acquisitions?

CFAR recently helped two healthcare systems poised to merge assess their cultural fit. Together, they aspired to develop a leading-edge model of value-based care to serve populations as both a payor and a provider of care. And yet, their cultures differed in significant ways. The larger partner ("Fort") was more hierarchical, outcomes-driven, and fast-moving; the smaller partner ("Helios") was more physician-centric, consensus-driven, and focused on culture.

In our work, we talked with leadership across both systems and took the following anecdotes as data about important cultural differences:

Helios: "When we start a meeting, they get right to it. It doesn't feel like they understand the importance of relationship-building."

Fort: "There's a lot of chit chat. We get impatient."

Fort: "We have excellent financials. Very tight budgeting. We manage margins well."

Helios: "We realized that so much is fluid now, and we have targets and projections, but it doesn't pay to lock a budget in stone. It's freed up a lot of time, and our results are the same."

Fort: "We are completely hierarchical. Every decision is made by the CEO or that top group. We've grown, and it gets in the way."

Helios: "We take too long to make decisions. We say we want to empower people, but basically everything happens with the CEO."

The anecdotes represent the complex dynamics of integration: the work of merging two organizations includes formal and informal encounters across aspects of their cultures. As we define in our book on culture and change, The Moment You Can't Ignore: When Big Trouble Leads to a Great Future, organizational culture is made up of the beliefs, values, rules, and assumptions for getting work done that turn into working agreements and tangible behaviors.[4] Some see navigating differences and building cohesion as an exercise in risk management, and, indeed, there are many examples of newly merged institutions getting stuck in cultural potholes. But when we focus on the upside potential of creating cultural alignment and learning across cultural differences, we can help fuel growth. We know that organizational cultures are complex and experienced differently across groups in an organization. Within each of these different perceptions lies data that can be used to form a successful shared culture when organizations merge.

Within the cultures of Helios and Fort, we needed to identify the current state and future aspirations of each, compare aims, and then identify the assets and gaps. To do this, we conducted a cultural assessment that included interviews with senior leaders and a cultural calibration survey. To identify the current and future state for each partner, we designed our survey questions along continuums between two cultural polarities (e.g., local and centralized decision-making, or degree of welcoming unique contributions and degree of expectations around alignment).

The current state showed Fort and Helios taking two contrasting paths to achieving similar ends. Both systems had high levels of quality and safety, were trusted and respected in their communities, and had been financially viable as competitors struggled. Helios had invested heavily in their culture, doubling down on behavioral training that emphasized understanding one's part in the whole, leading with empathy, and driving individual accountability. Fort had built exceptional processes and a strong culture of execution, inspiring a deep sense of loyalty. Some called Helios "maternal" and Fort "paternal." Highlighting divergent aspects of culture helps identify potential stumbling blocks and mitigate future risks. In this case, since the differences also described the distinct approaches which each partner took to achieve their impressive results, it was critical to both identify and appreciate those differences. Having a shared understanding of these kinds of differences can become the basis for building respect across the two institutions on the road to change.

If the current state attributes of each system were somewhat predictable, what emerged about the future state was striking. The two partners shared a set of cultural aspirations—wanting to move toward being more curious, nimble, and inclusive. Importantly, each saw room for improvement in their decision processes—how they framed where decisions were made, who was involved, and how much time was used. This shared need to improve decision-making opened a door to being vulnerable together.

As we write, the two partners are beginning to develop a combined strategy, which will have additional implications for the culture. With the detailed description of each partner's culture, their shared aspirations, and information about assets and gaps in achieving cultural alignment, the new organization is launching with a deepened understanding of what to draw on as they build their leading-edge model together.

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