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culture clash
the impact of culture on physician-hospital integration

AT A GLANCE

Hospitals and physicians
that are undertaking a
merger should take five
key steps to avoid a
culture clash that could
derail the integration
initiative:
> Clearly identify who
  the physician and
  hospital leaders will be.
> Form a small, agile
  work team to manage
  the transition.
> Communicate with
  staff every step of the
  way.
> Be sensitive to feelings
  of uncertainty that staff
  may experience as a
  result of the change.
> Implement a clear
  ongoing process to
  promote cultural
  alignment.

**It had looked like a promising partnership. But when it finally got under
way, the integration didn't go well. The physicians and hospital had held high hopes
for their aligned efforts, believing that, together, they could achieve greater results
in integration. Why, then—with so much promise—did their merger produce such
disappointing results?**

Amid the excitement and expectations, both the physicians and the hospital had
failed to account for the impact of a less tangible but equally important factor, one
that challenges many a promising integration: differences in
organizational culture.

In the world of physician-hospital mergers, it's an all-too-common story.
Cultural differences end up disrupting what otherwise may have seemed like a
surefire strategy. And when two entities merge and cultures clash, the results can
be devastating.

Integrating—Watch out!
How widespread is the problem? A study conducted by KPMG in 1999 concluded
that the majority of mergers are unsuccessful in producing any business benefit
with regard to shareholder value (*Unlocking Shareholding Value: The Keys to
Success*, Mergers and Acquisitions Global Research Report, KPMG). The study
also found, however, that deals are 26 percent more likely to be successful if
participants focus on identifying and resolving cultural issues.

Research into corporate culture by SilverStone Group, surveying employees from
hundreds of organizations across the United States, also has disclosed that many
companies have significant room for improvement when it comes to resolving cul-
tural differences in the workplace. The assessments show that employees often see
gaps between their immediate needs and how effectively their organization meets
those needs. Here's how an employee in the study described the impact a poor

culture can have on the workplace (in this particular case, it was related to resource utilization):

> There is only so much more that you can do with less, and the company is starved of resources. No incentive exists to do anything other than an "average" job. They pay poorly, don't give equity in the company, have average (at best) benefits and a culture where it is OK to be average, yet they expect the world? Cutting back resources and working people to the bone is not a viable management philosophy.

The Cultural Mandate

Findings such as these suggest that integrating entities need to devote considerable attention to creating a clear compelling vision, encouraging open communication, and providing meaningful recognition of employee needs. Organizational cultures that focus on these practices will ultimately build healthier, more productive workplaces.

The findings also underscore the need for an assessment of cultural differences as part of the planning process for any physician-hospital integration initiative. But where should attention be focused in such an assessment?

In health care, *culture* can perhaps best be defined simply as "the way things get done." It includes factors such as:
> How patients, referring physicians, and employees are treated
> The level, speed, and process of decision making
> The level of formality and controls
> Performance rewards
> Risk tolerance
> Quality and cost orientation

Avoid Putting the Wrong Foot Forward

Integrating organizations set themselves up for failure if they enter the acquisition phase with strongly conflicting cultural ideas. For example, a physician practice may operate under the belief that management should be free to make "in-the-moment" decisions for the practice, knowing that course adjustments can be made along the way. By contrast, the hospital partner's culture may dictate that decisions should always be vetted through a hierarchical

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approval process, in which everyone eventually has an opportunity to participate.

If such opposing views go unchecked throughout the integration process, work will likely stall as physician practice managers and hospital managers try to resolve their differences. Meanwhile, employees could feel neglected during the conflict. Organizations that attempt to reinvent themselves under such conditions stand little chance of success.

Such cultural differences should be identified and managed long before integration ever takes place. Mike Valentine, MD, a cardiologist from Lynchburg, Va., leads a practice that has been integrated with one of the area's hospitals for more than four years. He recounts one cultural conflict that his organization encountered shortly after the merger:

> The downside we feared became a reality.... The hospital's HR Titanic adds significant time and process to hire a new staff member. The physicians wanted a new echo technologist and already had a strong leaning toward a particular candidate. The physicians told the candidate how valuable she was for the position and raised her expectations that she could command a higher salary than the hospital had within its structure. The physicians also insisted that the hospital just hire the candidate. Unfortunately, the candidate positioned herself outside of the salary range and lost the position. Ultimately, all constituents were unhappy.

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When Cultures Align

When merging cultures agree, the impact on productivity and the success of the partnership can be significant. Valentine explains: "Our integration brought the doctors into the cath lab to review products and aid in negotiations. The collaboration with the hospital service line yielded massive reductions in device costs in the first 18 months alone. The hospital and the physicians helped one another, adding value to the service line and established RFPs for all major purchases moving forward."

The simple fact is that physician-hospital integration is an important business strategy. And an objective assessment of culture and a specific plan to address differences can go a long way toward achieving a successful merger. Here are a few key steps that an organization's senior executives should take to reduce the chances that a culture clash will hurt their merger.

Clearly identify the physician and hospital leaders. The merging organizations should agree on who these leaders will be, and then put them in the right place to model and drive the desired behaviors that are representative of the new culture. In this way, behaviors that are not acceptable can be quickly addressed.

Form small, agile work teams to manage the transition. These teams should include representatives from both sides of the merger who have access to senior leadership to make important changes happen, and happen quickly.

Communicate every step of the way. Employees will be nervous about changes, so it is important to keep everyone in the loop. Using multiple messages in different media forms—email, intranet, small group meetings—is an effective way to ensure messages are received.

Understand that staff will go through a "death and dying" series of emotions. Leaders throughout the integration initiative should acknowledge these feelings of staff, and support them through this change to help them better manage this natural reaction to the process.

Have a process in place to promote cultural alignment. Integration leaders should employ the following

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process throughout the integration—both before and after—to help build cultural alignment over time:

> Develop a compelling and measurable vision for the integrated enterprise, creating a context for developing strategic plans and day-to-day activities.
> Understand the covenant and perspectives of leadership, staff, patients, and providers.
> Develop and implement an organizational communications plan cascading the vision, strategic initiatives, and measures through the entire organization. Transparency is critical.
> Use leadership and organizational survey tools to understand engagement and buy-in to the vision.
> Analyze and understand the implications of the results as they relate to staff engagement and its impact on clinical, business, and strategic objectives.
> Develop an action plan to manage gaps in engagement.
> Implement the action plan by involving the entire organization.
> Measure and innovate until you achieved cultural alignment, then repeat.

Failure to understand the potential "culture clash" can lead to a bitter partnership and, ultimately, the demise of the collective and collaborative value each party could bring to the enterprise. The best way to avoid this negative outcome is to implement a proactive strategy to cope successfully with the various challenges inherent in physician-hospital integration. ●

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