

Bridging the Culture Gap in Healthcare Mergers

A case study written in partnership with Unison Health and Community Services

By Jeff Chan



Bridging the Culture Gap in Healthcare Mergers

Under pressure to rein in costs, Canadian healthcare providers are turning to a variety of means to deliver services more efficiently. One strategy has been to merge. While the hospital mergers since the Ontario Health Services Restructuring Commission recommendations have had mixed results, the voluntary merger of two community health providers – Toronto's New Heights Community Health Centres and York Community Services – has been an unqualified success.

Indeed, 18 months after its approval, Unison Health and Community Services has met or exceeded all of its financial, operational, patient outcomes, customer satisfaction, and employee engagement goals. A key to that success, according to Unison Chief Executive Officer Andrea Cohen, was identifying and addressing culture-related risk throughout the merger process.



‘Of all the requirements for a successful merger or acquisition – including strategic rationale, rigorous due diligence, not over-paying, and capturing planned synergies – bridging the culture gap between the organizations is the one most often overlooked and under-valued,’ says Sean Fitzpatrick, CEO of employee research firm TalentMap.

In Unison’s case, the boards and executive leaders identified and explicitly considered corporate culture as a key success factor but also a potential barrier in their planned merger. More notably, they utilized employee engagement surveys as a culture assessment tool, supplemented by focus groups, merger-related surveys, and their own observations, in both pre-merger planning and post-merger integration activities.

Bridging the Culture Gap

To gain a thorough understanding of cultural differences, the Unison team gathered data from several different sources. These included employee engagement surveys conducted by TalentMap at New Heights in November 2008 and York in March 2009, a series of focus groups and surveys aimed at examining how staff and management groups (and in York’s instance, the union) viewed the proposed merger, and finally, the more anecdotal observations that the two boards and management groups had previously made, and continued to make as the merger discussions progressed.

The three data sets underlined significant differences in the two work forces, in terms of demographics (age, service, gender), levels of employee engagement, and the strongest drivers of engagement from the surveys, and what managers and staff were excited and worried about with respect to the merger from the internal survey and focus groups. These differences helped identify pain points for employees and managers in both organizations, and shaped the way communications and decisions were made to implement the merger.

The general lessons learned from the Unison success are applicable to both private and public sector organizations:

- Despite the many studies on failures, mergers and acquisitions need not be feared. If well-planned and executed, the benefits of a strategically sound, well-executed merger far outweigh the inherent risks.
- The parties must fully understand and commit to the objectives and benefits of the merger.
- Organizational culture needs to be considered in the due diligence process before the final decision to merge. It can also be used as a tool to assess merger barriers, and identify the most effective implementation levers during the pre-merger and post-merger processes.

- Effective change management is essential, particularly related to stakeholder identification and communications.

The Unison merger also offers lessons specific to public sector organizations:

- Merger benefits, although different than those in the private sector, can be just as quantitative and financially-driven. For example: cost reductions in labour from eliminating duplication, increasing purchasing power and therefore lowering costs; decreased capital needs; faster, higher-quality processes; better resource utilization; lower funding requirements from the government, and income tax increase avoidance.
- In the public sector, benefits are also likely to be non-financial, such as improved customer, client or stakeholder service, and program effectiveness and not solely financial or based on one simple corporate metric such as Total Returns to Shareholders.
- Stakeholders and their expectations and priorities are more complex and diverse, and often in conflict. There are not only shareholders, customers and patients, and organized labour, but also governments and political masters and voters to satisfy. There is also the potential for more personal and emotional interests from the public (users of the organization's services) and media.

Combining resources in a formal merger may be the preferred method to achieve revenue growth and service delivery expansion goals, increase economies of scale or scope, gain influence, reshape the industry or sector, or bring better management to under-performing organizations. Despite the reports of merger and acquisition failures – those where the transaction failed to deliver expected results or worse, destroyed value – there are now many prescriptions and tools for improving the odds of success.



The Unison merger team identified a new tool for overcoming one of the greatest impediments to M&A success, the organization culture divide. That tool: the application of employee engagement surveys to assess cultural differences between organizations, and to improve merger pre-planning and post-merger integration management.

The lessons learned from the Unison merger should provide the extra courage and confidence needed for healthcare Boards, executives and governments to consider mergers and acquisitions as one of the most impactful opportunities for facing their challenge of doing more with less.

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