Strategic Restructuring for Health Care Organizations

Sierra Health Foundation
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Agenda

- The Changing Environment
- Responding to Change - Partnerships
- The Collaborative Map
- SR Process
  - Assessment
  - Negotiations
  - Implementation / Integration
- Lessons Learned
- Questions & Comments
“If you want to go fast, go alone. If you want to go far, go together.”

- African Proverb
The World is Changing

- Economic scarcity
- Policy changes
- Demographic shifts
- Generational differences
- Sector blurring and combining
- Technological advances
- Increased competition for resources
Responding to Change

- Connecting
- Coordinating
- Collaborating
- Affiliating
- Sharing
- Learning
- Partnering
- Integrating
- Combining
Working Better Together

Nonprofits can collaborate with:

- other nonprofits
- for-profit firms
- unincorporated groups
- government entities
Why Consider Partnership?

- Responding to change
- Economics
- Opportunities
- Leadership challenges
- A tired board
- To better serve the community
The Multiplier Effect

Collaboration enhances the capacity of participating organizations for mutual benefit and to achieve a common purpose.
The Collaborative Map

- Collaboration
- Joint Advocacy
- Coordinated Action
- Joint Earned Income Venture
- Joint Programming
- Fiscal Sponsorship
- Administrative Consolidation
- Joint Venture Corporation (including MSOs)
- Parent-Subsidiary Structure
- Merger or Acquisition
- Strategic Restructuring
- Coalition
- Consortium
- Network
- Collaborative Learning
- Affinity Group
- Alliance
- Management Association
- Corporation (including MSOs)
- Parent-Subsidiary Structure
- Merger or Acquisition
- Strategic Restructuring
- Coalition
- Consortium
- Network
- Collaborative Learning
- Affinity Group
- Alliance
- Collaboration
Case Study: Joint Programming
Ready Set Parent!
Case Study: Administrative Consolidation
The Chattanooga Museums
Case Study: Merger
Crittenton Women’s Union
The Strategic Restructuring Process

- Assessment
- Resolution
- Negotiation
- Agreement
- Implementation
  - Legal Resolution
  - Integration
Self-assessment

- Motivators
- Desired outcomes
- Critical issues
- Organizational factors or “red flags”
- Financial assessment
Partner Assessment

- Level of trust
- Past experiences
- “Usable” skills and assets
- Cautions and challenges
- Mission and program compatibility
- Financial condition
Negotiation

Corporation A
Board of Directors

Negotiations Committee

Tasks:
- Negotiation of Issues
- Due Diligence Process

Corporation B
Board of Directors

Corporation A
Board of Directors
Decision

Corporation B
Board of Directors
Decision

Implementation
Integration
Issues to be Negotiated in a Merger

- Governance
- Financial
- Human resources
- Capital
- Programmatic
- Communications
Financial Due Diligence

Documents to review:

- Organizational
- Tax
- Insurance
- Personnel
- Financial/Funding
- Capital/Real Estate
- Others?
Legal Implementation

- Vote by boards of directors
- Finalize Agreement and Plan of Merger (or similar guiding plan)
- File documents with government agencies
Areas to Be Integrated

Culture

- Board
- Management
- Staff
- Program
- Marketing & Communications
- Systems
Cultural Integration

- Be intentional about the process
- Maintain two-way communication
- Celebrate successes
- Resolve disagreements immediately
- Make communication/decision-making style explicit
- Monitor internally and externally
Integration Pitfalls

Mergers do not fail because organizational leaders can’t integrate their financial systems or IT…

Merger *can* fail because people tend to hold onto their individual cultures and identity rather than create a new organization.
Lessons Learned
Be Prepared

- The process will take time
- People may leave
- There are both costs and benefits (intermediate and long-term)
- Reach out to donors, supporters, membership early on
Success Factors

- A champion
- Shared mission
- Positive experiences with collaboration
- Board support/encouragement
- A risk-taking/growth orientation
- Positive board-executive relations
The Collaborative Map

The Children and Family Services Center

The Children and Family Services Center is a single building in Charlotte, North Carolina where ten agencies offer comprehensive assistance to children and families. The CFSC, a separate 501(c)(3), is governed by a board made up of representatives from each of the participating agencies as well as at-large community leaders.
Table Discussion

What are the service growth opportunities and/or gaps at your clinic that might be discovered in an assessment process?
Questions
and
Comments
Thank you

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Building and Sustaining Effective Collaborations
Agenda

 The Changing Environment
 Collaboration as Change Strategy
 Preconditions for Collaboration
 Key Elements and Factors
 Community Clinic Experience
 Sustaining Your Collaboration
 Questions & Comments
“It’s not clear that life was ever so simple that individuals, acting alone, solved most significant problems. Our tendency to create heroes rarely jibes with the reality that most nontrivial problems required collective solutions.”

- Bennis and Biederman – Organizing Genius
Collaboration as a Response to Change
Changes Facing Health Care

- Increased competition for funding
- Impact of Affordable Care Act
- Advances and expectations in technology
- Changes in business models
- Use of collaboration and partnerships to more effectively achieve organization’s mission and address environmental change
Build Change Management into Culture

- Understanding the nature of change
- Change as a part of the life of a successful organization
- Change can create both excitement and anxiety
- Openly talk about the potential nature of change
Key Elements of Collaboration
Hallmarks of Collaboration

- Commitment to a common mission
- Brings separate organizations into a new structure
- Durable relationship
- Result of comprehensive planning
- Requires well-defined communication
- Authority determined by collaborative structure
- Each partner contributes resources and reputation
- Partners share results and rewards
Collaboration

- Collaboration enhances the capacity of another organization for mutual benefit and to achieve a common purpose.
- Elements of collaboration include: exchanging information; modifying activities; and sharing risks, resources, responsibilities, and rewards.
Preconditions for Successful Collaboration

Need

Respect

Trust/Comfort Level

Equality

Communication
Preconditions for Successful Collaboration

- **Need**: Must be the existence of a common, strongly felt need. Can be as simple as survival, but must be strong as collaborative work takes time and energy. Meeting a mutually agreed need provides incentive.

- **Trust/Comfort Level**: Once need is present — collaborators must be able to speak openly about what they believe, feel, and think.

Adapted from: David Smollen and Karen Leach, Five Keys to Successful Collaboration
Preconditions for Successful Collaboration

- **Communications**: Effective communication mechanisms to keep the collaboration going — with regular face to face communications.

- **Equality**: Need for equality in power and in sharing credit and authority. Equals to reach a common goal, largely without the need for hierarchy.

- **Respect**: Working together won’t necessarily lead to friendships, but collaborators must respect each others talents.
Understanding Trust

Openness

Reliability

Integrity

Benevolence

Competence
Openness

- Open Communications
- Genuine Talking and Listening
- Sharing Important Information
- Critical Information is Not Hidden
- Shared Decision Making
- Shared Power
Integrity

- Walking the Talk
- Truthfulness
- Agreements are Honored
- Authenticity
- Responsibilities Accepted
- Committed to Doing What is Right
Competence

- Perform to Expectations
- Demonstrated Skill in Areas of Professional Accountability
- Setting Standards of Excellence
- Results Oriented
- Flexibility/Adaptability
- Willingness to Fulfill Responsibilities
Benevolence & Caring

- Environment of Good Will and Caring
- Positive Interactions
- Appreciation Expressed
- Fair
- Confidences Maintained
- “Well-Being” is Looked After
- People Willing To Go The Extra Mile
Reliability

- Consistency
- Dependability
- Demonstrated Commitment
- Dedicated To Mission
- Diligent
Key Elements of Successful Collaboration

- Collaborating entities represent all parts of the community that will be impacted by its activities
- Collaboration is in the self-interest of the members — the value is worth the effort and risks involved
- There is congruency and compatibility of missions and values among members involved
Process/Structure Factors

- Clear decision-making guidelines involving all levels
- Members share a stake in both process and outcomes
- Clear roles and policy guidelines
- Accountability standards
- Resource allocation guidelines
- Means of managing conflict and grievances
- Appropriateness of the collaboration model
- Flexibility
Challenges of Collaboration

- Not knowing the answer
- Unclear or uncomfortable roles
- Too much talking, not enough doing
- Information (over)sharing
- Fear of fighting
- More work — no time
- More hugs than decisions
- It’s hard to know who to praise and who to blame

Community Clinic Experience

- North County Health Services — San Diego
- Mountain Valley Health Centers
- St. Anthony Medical Clinic — San Francisco
- The Children’s Clinic — Long Beach
- Santa Barbara Neighborhood Clinics
Community Clinic Experience

Takeaways

- This is pioneering work
- It takes time
- Partners have competing demands
- Relationships come first
- Work with the right people
- Tend to the internal part of the process
- Maintaining momentum is critical
“This is a very important lesson. You must never confuse faith that you will prevail in the end — which you can never afford to lose — with the discipline to confront the most brutal facts of your current reality, whatever they might be.”

- James Bond Stockdale, U.S. Navy

Quoted by Jim Collins in “Good to Great”
Sustaining Your Collaboration

Adapted from: Building and Sustaining Effective Collaborations, Social Entrepreneurs, Inc.
Potential Pitfalls

- Unequal involvement/commitment
- Turf issues or ideological differences
- Loss of focus, poor planning
- Burnout, loss of momentum, lack of results
- Leadership struggles or void/turnover
- Poor balance between structure/bureaucracy
- Lack of flexibility to adapt to changing needs
- Poor communication or bad publicity
Strategies to Sustain Collaboration

- Broaden
- Deepen
- Formalize
- Measure
- Lead
- Learn
Strategies to Sustain Collaboration

1. Broaden – cultivate involvement, leadership
2. Deepen – build on your experience
3. Formalize – make it “official,” document it
4. Measure – track progress on key outcomes
5. Lead – plan for inevitable turnover
6. Learn – acknowledge successes & shortfalls, and adjust as needed
Leadership isn’t a person – it’s a role.
Questions and Comments
Thank you

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