Avoiding Common Pitfalls after Signing a Memorandum of Understanding for Consolidation

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Consolidation processes are complex, distract from core operations, and are fraught with details that can extend the process and increase both transaction cost and long-term operating success. Here are some common pitfalls to avoid:

1. Do not rush the due diligence. Make sure that all of the contracts and obligations of each organization have been reviewed. If necessary, get the analysis of a pension specialist. Ensure that the appropriate valuation and considerations for transferability has been given to all of the current contracts, and that any risks have been identified therein.

2. Never assume that the status quo is the right way of doing things or that it will continue post consolidation. Even if the job titles do not change, there is likelihood that the roles and day-to-day work tasks will. At the very least, plan on a minimum of one year focusing on the integration. Be deliberate about roles and responsibilities, and make sure that the right tone for the desired culture is set.

3. When in doubt, involve more perspectives. Create appropriate contexts for decision-making. Bring together staff at all levels to discuss and design internal decision-making structures. Involve the perspectives of all levels in discussing information flow that is patient-centered, data-driven, and timely.

4. Create a culture of equanimity and opportunity from the top. Clarify roles up front and be transparent and consistent in applying them. Recognize that integration and consolidation is disruptive and takes time. Ensure consistent messaging from both CEOs prior, during, and post consolidation. Set incremental milestones and targets and constantly manage expectations with the Board, medical staff, hospital staff, affiliates, and the community.

5. Engage donors as co-creators. Hospital donors are increasingly savvy with their investments. They have already evaluated how to maximize the value of their investments and understand the community. During the planning phase, get in front of donors and invite them to help create the vision. A mixture of perspectives from corporate, foundation, and individual supporters will ensure that the organization is keeping the community’s needs and the funders’ interests in mind.

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