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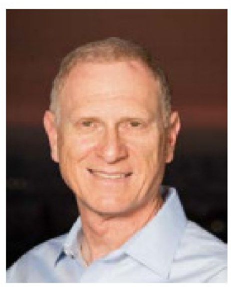
Pursue Healthcare Strategic Partnerships With Caution

Lack of Clearly Defined Goals And Culture Clashes Can Doom Them

A frequent outgrowth of leadership efforts to create a new strategic plan is the desire to consider strategic partnerships as an attractive road to long-term sustainability and growth. I have seen this temptation repeatedly surface when called upon to advise boards and/or senior management of healthcare organizations. This is not a road to be travelled impulsively or without keeping these four imperatives in mind:

1. **"Everyone's doing it" isn't a good reason.** Just because a growing number of health plans and provider organizations are entering into mergers, acquisitions and strategic partnerships, that is not a sufficient reason for your organization to do so. While a recent report from **PricewaterhouseCoopers** calls 2016 the "Year of Merger Mania" this may or may not apply to you in your market. Before jumping into these waters, be sure there is a compelling strategic rationale for doing so – such as increasing scale or expanding market and product options. Might doing so be an effective response to growing regulatory actions or pressures? As a leader of a healthcare organization, you are probably getting more than a few inquiries to explore your willingness to consider various forms or partnerships. Exploring is fine, but courtship doesn't necessarily always need to lead to marriage.



By Dennis Eder

2. Define "Success" before you launch the process. In the 1991 movie "Hoffa," we learned that "In every conflict there are casualties. The question is: What has been lost, and what has been gained?" I suggest flipping this around and asking management to define what "success" means to them. Is it just growth? Is it margin? Is it market dominance? Job creation? The Triple Aim? If you haven't defined it, how will you know when you achieve it? Without clearly working through what success looks like before the journey begins, it is a fool's errand to start on a process that we know from experience is going to rock your world.

3. Keep your eye on the prize.

Sometimes a strategic partnership with an organization that has complementary skills, markets and resources may be a preferred option (as opposed to acquisition) to bring together the critical resources necessary to effectively compete in today's environment. After all, an organization that is willing to consider entering into a true strategic partnership is acknowledging that is doesn't have all the capabilities – whether operational, human capital or financial – to succeed in the future on its own. It is critical that any organization thinking about joining with another remembers the strategic rationale for doing so. Too often "deal momentum" takes over and leads to forgetting the true goals of the partnership.

4. Culture eats strategy for lunch. I've heard this many times over the years, and it is never truer than where strategic partnerships are concerned. If you've painstakingly built a culture that you're proud of, then the challenge becomes finding a partner that shares your values. If your organization has a mission driven, customer-focused spirit, joining with a bureaucratic organization, even if you have similar business missions, is a recipe for failure. And where values and culture are concerned, remember that in any service industry your "inventory" goes home every evening. Treating employees with respect, including communicating honestly and frequently, is the best way to ensure that the people who create value for your hospital or health plan will be there when a new organization is formed.

Adhering to these four principles is no guarantee that your organization will be able to successfully partner with another likeminded entity. Even with expert guidance and advice, these are complex and difficult challenges. But without considering these issues in full, it is almost a guarantee that when looking back after the close of a transaction, you will be disappointed in the outcome.

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