

Governance as an Instrument of Successful Organizational Integration

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Abstract

In July 1997 the Health Services Restructuring Commission (HSRC) issued a formal direction to the Wellesley Central Hospital to relinquish the operation and management of its programs and services to St. Michael's Hospital. This event propelled staff and volunteers into four years of unrelenting efforts to bring together the mission, vision, values, human resources, clinical programs and broad communities of these two very unique and long-standing organizations. Looking back, the result was arguably one of the most successful hospital mergers in the province at that time. A number of factors were responsible for this outcome. The tremendous value of a strong and integrated governance team clearly stands out as one of the most pivotal success factors. This article examines the principles and structures that guided the governance team and St. Michael's Hospital to a stronger and more vibrant future.

July 1997: The Health Services Restructuring Commission (HSRC) issued a formal direction to the Wellesley Central Hospital to relinquish the operation and management of its services to St. Michael's Hospital. Across Ontario, similar announcements launched the healthcare industry into a period of unprecedented change and upheaval, the complexity of which few had fully anticipated. These announcements were followed by a prolonged period of public outcry and dispute about the Commission's directions.

ST. MICHAEL'S HOSPITAL

St. Michael's Hospital is one of Canada's finest academic health science centres and is widely recognized for excellence in care, education and medical research. While now a large, high-technology medical centre, Toronto's "urban angel" has remained grounded by the values of its Catholic heritage. St. Michael's has a strong reputation for serving the diverse health needs of its patients with respect, compassion and dignity. It is an international leader in integrating with its communities, at the bedside and in the boardroom. Delegates come from across the globe to learn about this. In 2000, Toronto's NOW magazine revealed St. Michael's to be Toronto's favourite hospital – a considerable tribute to the close ties the hospital has fostered with the people it serves. With an annual budget of \$359 million, 600 inpatient beds, 4,700 staff, 600 physicians and 500 volunteers, St. Michael's Hospital provides a wide range of health services to local communities and referral populations from across Ontario.

THE BURNING PLATFORM AND A NEW PERSPECTIVE ON GOVERNANCE

April 1998: Ten months after the Health Services Restructuring Commission issued its directions, and following an extended mediation process, the integration of the Wellesley and St. Michael's commenced. At the governance level, the HSRC mandated that the St. Michael's board of directors accommodate one-third of the membership from the Wellesley

board of directors. Additionally, St. Michael's agreed to appoint two members of the senior medical leadership from the Wellesley to the St. Michael's board to facilitate the merging of the medical staffs. These directors were appointed for three-year terms, commensurate with the anticipated time-line for completing the amalgamation of the hospitals. Further, a new board committee was struck, the Wellesley Central Transition Committee, and the membership and functions of the existing Community Advisory Committee (CAC) were expanded. The Wellesley's Community Advisory Panels (CAPs) were maintained through their amalgamation with similar community advisory groups at St. Michael's. CAP Chairs were appointed to the CAC, thereby providing their constituents with direct access to St. Michael's board of directors.

COMPONENTS OF THE INTEGRATION

The success of the hospital's newly constituted board can be attributed to key strategies that facilitated a smooth integration of board members:

- All members of the Wellesley board were invited to meet with the St. Michael's nominating committee to discuss their interest in board membership and the principles of governance within the context of the mission and values of St. Michael's. The strong leadership of the St. Michael's board executive and nominating committee was vital to the success of this process and resulted in the appointment of four outstanding representatives from the Wellesley.
- Concessions were made by both groups in order for the new board to operate effectively. Members of the old St. Michael's board stepped down to accommodate oncoming Wellesley directors. Directors from the Wellesley actively engaged themselves in working towards the future of St. Michael's, despite deeply felt loyalties to the Wellesley and feelings of animosity over its closure.
- New board members participated in a special orientation session to bring them up to speed on the operations of the hospital. Subsequent education sessions were provided to directors – old and new – to facilitate group cohesion and reinforce the members' common purpose as the governance team.
- Directors from the Wellesley were assigned to board committees and were immersed in the hospital's mission and values. Committee leadership was openly reviewed and directors from the Wellesley were appointed to chair committees, thereby also placing them on the board executive. The Wellesley Central Transition Committee was chaired by and was largely comprised of directors from the Wellesley.
- Inclusion of the Wellesley medical staff at the governance level played a pivotal role in integrating senior and front-line physicians. It achieved this without creating the disharmony between administration and medical staffs that has occurred at other hospitals undergoing similarly mandated mergers.

- Early on, the new board was challenged to work as a team on a major strategic planning process. This required members to be open and flexible to the unique perspectives of new colleagues and enhanced appreciation for the synergies and value of the differences among the formerly independent organizations.
- The board instituted a performance assessment that asked individual directors to rate his or her own performance as a governor of the hospital. The results clearly showed that the governance integration had been highly successful, with no perceptible Wellesley/St. Michael's differences found.

BUILDING A FUTURE TOGETHER

Newly established components of the St. Michael's governance structure were pivotal in providing an important transparency to the amalgamation process by enabling the hospital's diverse internal and external communities a formal vehicle by which to access the St. Michael's board of directors. Most significantly, they enabled the new board to maintain the trust and confidence of the communities of both hospitals.

KEY BENEFITS TO INTERNAL STAKEHOLDERS

- The Wellesley Central Transition Committee was entrusted with keeping abreast of patient and staff interests and oversaw very challenging decisions around the transfer of clinical programs from the Wellesley to St. Michael's. The committee

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did an exceptional job of ensuring that HSRC-mandated human resource principles were fairly applied and kept a watchful eye on the mood of staff and physicians. It also monitored service quality and human resource issues and acted swiftly and diligently to mobilize solutions to a myriad of complex issues. During this time, two of St. Michael's unions voted to disband, demonstrating the very positive impact that this committee had on effecting a positive and supportive working environment at a time of great stress and upheaval for staff.

- The merging of the hospitals' leadership was also watched closely by the board. Most significantly, the board approved an effective strategy for handling competition among candidates. As a result, the physician leadership became highly integrated with a balanced mix of individuals from the Wellesley and St. Michael's and achieved this without stirring friction between St. Michael's and the Wellesley "camps."

KEY BENEFITS TO EXTERNAL STAKEHOLDERS

- Both St. Michael's and the Wellesley had well established and effective board structures to allow their governing bodies to keep in touch with the needs of the hospitals' diverse communities. The expansion of the membership and responsibilities of St. Michael's Community Advisory Committee (CAC) established a valuable forum for enabling the board and the hospital's communities to have regular dialogue about health needs. It also provided an essential avenue by which to cultivate linkages with the communities of the former Wellesley.
- Having observed the successes of the integrated hospital board, the board of the St. Michael's Hospital Foundation reached out to interested members of the board of the Wellesley Foundation. After a similarly diligent nominations process, it invited a number of directors from the Wellesley Foundation to remain involved with the new enterprise. The integration provided an excellent vehicle by which to preserve the legacy of the Wellesley through the continuation of important initiatives such as the Squires Club (a granting organization formed over 25 years ago, by physicians at the Wellesley, to support the pursuit of medical excellence) and donor recognition opportunities. The Don and Lillian Wright Maternity Centre, for example, was transferred from the Wellesley in good faith and recognition of the Wrights' generous \$2 million donation to the Wellesley prior to the merger.

ROADBLOCKS AND KEY CHALLENGES

The HSRC directions were broadly considered to be quite controversial and were highly resisted by the Wellesley board of directors, the staff and the Wellesley's local community groups. Ambiguities in the HSRC's draft directives and vague, insufficient detail of the implementation plan also created a

great deal of uncertainty for both organizations. Confronted by this uncertainty, many front-line staff left the Wellesley in the early months following the HSRC's announcements. This created a resource deficit and added an extra layer of complexity to the stabilization and ongoing operations of the Wellesley during the amalgamation process. Further, while providing a general overview of the anticipated processes required for the merger to move ahead, the HSRC's implementation plan offered very inaccurate assessments of the time required and the operational and capital financing implications of the merger.

An additional challenge of the merger lay in bringing together the distinct and firmly entrenched cultures upon which the hospitals' legacies were founded. St. Michael's and the Wellesley both had long histories, solid traditions and deeply rooted ties to the communities they served. It took time and hard work to gain the confidence of staff, physicians and community supporters.

LESSONS LEARNED

- During the merging of disparate bodies, endeavour to apply normal governance processes. Open, frank communication is essential, and leadership must be very clear, from the outset, about expectations and matters that are – and are not – open to discussion.
- Organizational acrimony and friction can be overcome with strong and consistent leadership.
- Hard work and commitment to a common mission and vision foster a culture of governance that is founded upon openness, respect, trust and accountability.
- Professionals can play a powerful role in integrating governance.
- The skills and diverse perspectives of all board members are valuable assets that, when encouraged and combined, hold the potential to inspire greater capacity for corporate strategy and effective governance.


STRENGTHS OF THE BOARD OF DIRECTORS OF ST. MICHAEL'S HOSPITAL

The continuing success of the St. Michael's board of directors is attributable to a number of core strengths:

- Directors hold a broad base of expertise from a variety of sectors, including corporate business, finance, government, academia and community agencies.
- The board has had the benefit of exceptional leadership in the position of board Chair throughout this process. It also has a long history of very strong executive leadership.
- The board has a formidable capacity to balance corporate accountabilities with active, strategic involvement in hospital operations.
- It has a steadfast commitment to sustaining the hospital's legacy of fiscal and social responsibility.
- The board has a very well developed nominating committee and new member orientation program that are founded

upon widely held principles of best practices in governance.

- Directors, both individually and as a group, consistently apply St. Michael's mission and values to their decision-making processes. In doing so, they carefully assess potential implications of their decisions from the perspectives of St. Michael's patients, staff and local communities.
- Directors regularly complete a self-evaluation of their performance as a member of the governance team. The board works as a whole to develop group-oriented solutions to raise the bar on its capacity to govern effectively.
- Directors are clearly dedicated to St. Michael's and their role in its governance as demonstrated by their active engagement in board activities and the extraordinary time commitment that they voluntarily afford the hospital.

In July 2001, hundreds of staff, physicians and volunteers of the Wellesley and St. Michael's – past and present – joined together to officially close the doors of the Wellesley site. They paid tribute to 87 years of exceptional care provided at the Wellesley and celebrated the promise of a bright future built upon the strengths of the two hospitals. This event also lauded the culmination of four years of unrelenting efforts to bring together the mission, vision and values, human resources, clinical programs and broad communities of two very unique institutions. That the integration process resulted in a stronger, more vibrant entity is a tribute not only to the hospital's staff and physicians, but also to the exceptional members of the board of directors. These individuals unfailingly conducted their business with compassion, integrity and a tremendous strategic foresight and did so amid a highly politicized and publicly scrutinized stream of challenges. 

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