

The Realm of the Red Queen: Through the Looking-Glass into the Curious World of Middle Managers in the Post-Merger Hospital Environment

Sheila Carlon, PhD, RHIA

Abstract: Today's healthcare manager is much different from the one of several years ago. Mergers, acquisitions, and other integrative strategies have changed the way managers work in hospitals today, especially at the department manager level. This case study research sought to identify the skills managers must now exhibit in these changing times. The central question of this research was whether different managerial skills were required to manage across a system than in a single department and to determine what skills managers thought were most important to exhibit during the merger process. While the findings in this sample of sixteen managers may not be generalizable to all merger situations, lessons can be learned from their experience and opinions about what skills they identified as most critical to success in these environments. Additionally, this research produced a new model that matches manager skills with merger stages, which could provide valuable assistance for any manager who may be facing similar situations.
Key words: hospital mergers, managers, healthcare.

Introduction

Healthcare today is in turbulent times. Costs are rising at an alarming rate, insurance premiums are unaffordable for many and government regulations, technology, and research bring change more quickly than the average healthcare organization can manage. Managing within these organizations also is a challenge as hospitals struggle to serve their communities of patients. A frequent strategic response to these pressures is radical reorganization often culminating in mergers or acquisitions.

When mergers occur between two or more facilities, change occurs very rapidly and dramatically, particularly if the facilities had similar services. A manager may now find himself facing the loss of his job to the other manager or winning the job only to find that now he must manage both facilities' departments, employees, budgets, and sites. These managers are also directed by executive management to integrate the functions of both departments and standardize procedures, services, and job descriptions even though the two departments and ways of doing business may be drastically different. They must do

these tasks with no training on how to integrate and merge operations, and often with no administrative or secretarial support. Mergers create uncertainties in the organization that reverberate to the very core of the institution. Employees are not only shaken by merger announcements, but display a continuum of emotions ranging from shock and disbelief to anger and indifference. These reactions put the managers of these employees in a difficult position as they are no doubt feeling the same emotions, but must somehow manage in spite of them.

Today's healthcare managers—especially those in post-merger environments—must feel a bit like Alice after she fell into the rabbit's hole and found herself in a place where things were very “uncertain and curious” and time was only measured in days not by the “o'clock.” In today's healthcare systems, things are also uncertain and curious. Alice finds herself changing sizes every ten minutes after drinking potions and eating cake. She struggles to play a game of croquet with hedgehogs as the balls, live flamingoes as the mallets, and the soldiers forming the arches that move whenever the Red Queen barks an order. Alice finds that when the rules change without notice it is difficult to manage among the confusion and conflicting orders.

When the caterpillar finally asks Alice who she is, she replies, “I hardly know, Sir, just at present. At least I know who I was when I got up this morning.”¹ And, as Alice struggles to keep up with the Red Queen enroute to a chess game, she notices, while running at a brisk pace, that the things around them never change their places at all. As fast as they go, they never seemed to pass anything. Alice pointed this out to the Red Queen and said that, “Where I was before, if you ran that fast you'd generally get somewhere.” The Red Queen replied:

“Here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”¹

Investigating the real world of healthcare managers in a post-merger environment compelled me to recall the adventures of Alice in *Adventures in Wonderland and Through the Looking-Glass*. Although these were fictional accounts made up by the author to amuse three young charges on a boat trip, there are some “curious” similarities to today's management challenges, particularly with managers trying to manage in the world of post mergers. It is a world where things are uncertain and curious and time is fleeting. It is this experience that is the subject of this research.

Research Goals

An underlying question that framed this research was to understand the position of the middle manager in this post-merger environment and discover what skills are needed to manage in this setting. Other questions of interest were what training was or could have been helpful prior to or during the merger process, and what skills would be useful to help prepare future healthcare managers for jobs such as these?

The nature of this research (managing in the post-merger hospital environment) requires investigation into several bodies of literature in order for the researcher and readers to gain perspective on situation. The proliferation of healthcare mergers and acquisitions that thrust managers into new roles, situations and skill sets, necessitates an

investigation into why hospitals merge in the first place. Managerial thought and theory is explored to provide an historical background as well as current practice in order to gain insight into the manager's "world." The literature is replete with articles and books on mergers that detail both their successes and their failures but there is little literature on the role of the middle manager in the merger process. Most articles focus on the financial side of hospital mergers and are written by the chief financial officer or focus on the delivery of patient care and are written by nurses. In fact, in a recently published doctoral dissertation entitled "Achieving Potential in Hospital Mergers,"² the author stated that further research into the needs of middle managers in merger situations is needed. She found that while investigating business factors and cultural factors in healthcare mergers, middle managers are the ones who most often bear the brunt of changes during the merger. Linenkugel concluded that the needs and roles of middle managers during mergers needed to be further researched. She also identified a lack of literature in this area.

There are few, if any, research studies that are authored by managers or that focus on middle managers during mergers. There could be several possible explanations for the lack of research in this area. Mergers and acquisitions in healthcare are a relatively new phenomenon. Once a phenomenon occurs, it takes almost ten years before various analyses, theories, and models appear in academic literature. While there is a preponderance of articles written by various executive officers of healthcare organization's merger activities, they are not research oriented and usually focus on one particular area such as patient care, purchasing contracts, and savings achieved by such contracts. Middle managers rarely write such articles.

The third body of literature was management texts used in health information administration and technology and other allied health programs to gain perspective on what the managers are actually reading about or what they think should be taught in management classes.

Mergers and Acquisitions: A Response to External Pressures

The landscape of institutions is changing, particularly in hospitals, due to financial pressures from third-party payers and federal programs. Stephen Shortell, Robin Gilles, and Kelly Devers, in an article on reinventing the American hospital, describe how, in order for hospitals to be viable in the future, "they will have to change their strategies, transform their cultures, invent new technologies and reform their structures."³ The authors describe a new conceptual model of the healthcare system that has changed the very mission of hospitals. Instead of being the primary center of treating illness and disease, hospitals are now striving to be the hub of disease prevention and health promotion.

Hospitals have responded to these pressures, according to the American Hospital Association, using strategies such as diversification, radical restructuring, acquiring new state of the art equipment, downsizing, affiliations, joint ventures, mergers, or acquisitions.⁴ An early strategy of hospitals was to create a new service or product line that may or may not be directly related to the delivery of inpatient services.

Price Pritchett, author of *Making Mergers Work*, describes mergers as a process rather than an event.⁵ The length of that process varies considerably, Pritchett says, and

depends on whether the merger was a rescue, a friendly takeover, or a corporate raid. It also depends on the extent to which the two (or more) organizations will integrate, the competence and leadership ability of the people in charge, and the cultural differences of the organizations.

Post-merger management must be sophisticated. Organizations involved in significant transitions such as mergers cannot be managed using the same routines and perspectives that worked prior to the merger. This is not a time for on-the-job training. Organizational leadership needs to proceed in a strategic and informed manner and have the experience to do so. Decisions need to be made and communicated rapidly. Failure by management to recognize and act on problems, Pritchett maintains, can cause serious lags in productivity and missed opportunities for improvement. In *Making Mergers Work*, Pritchett emphasizes the importance of managing employees through the three merger stages outlined below:⁵

1. Shock and numbness
2. Suffering
3. Resolution

In the first stage, managers may have a hard time getting staff's full attention due to the numbness and shock that has disrupted their concentration. They can easily miss or misinterpret all or part of messages that have been communicated to them. It is important for the managers in this phase to communicate often and in as many ways as possible with employees.

Once the shock wears off, employees begin to feel the pain and move into the second stage: suffering. In this stage, according to Pritchett, the manager must deal with surges of emotion—everything from distrust to guilt. Their behaviors become less predictable and, on occasion, hostile. In this stage of the merger, the organization is undergoing lots of change and it is happening quickly. But managers really need to allow the healing process to play itself out and try not to hasten the process. Employees feel a sense of loss that is pervasive. The initial sense of loss might be related to the loss of identity with the organization and, later, to the real losses of bosses and coworkers and perhaps, the fear of losing their own job. Managers can help employees by providing opportunities for them to vent their concerns and feelings. Managers should really listen and listen actively. They should also try to keep the employees involved and motivated giving them more guidance and direction than usual. Employee behavior is much more unpredictable in this stage as they are more emotional and beginning to personally experience turmoil related to the merger. If the organization is beginning to integrate departments and services in this stage, the employees' productivity suffers as they worry about their jobs and their coworkers. Some employees react with anger, hostility, and apathy. At this stage the manager must be nurturing, tolerant of mistakes, more communicative, and capable of giving more guidance and direction than usual. According to Pritchett, facilities that fail to manage employees and the organization through this stage successfully are the mergers that fail.⁵ Those that successfully pass to the third stage find that they've emerged from the coma and have transferred to rehabilitation.

At the third stage, people begin to feel better. Negativity is now replaced by curiosity. Managers must still allow a bit of grieving but should focus on reinforcing attitude change

and team-building efforts. The manager, in this stage, still needs to manage closely and be cognizant of the fact that it isn't over yet.

According to Pritchett, people who carry the merger process, often middle managers, require high energy levels, flexibility, decisiveness, good interpersonal skills, a willingness and ability to take charge, a knack for keeping many plates spinning (multi-tasking abilities) and a high tolerance for stress.⁵

In a recent article in *Forbes Magazine*, Peter Drucker, the well-known management theorist says that “most of our assumptions about business, technology, and organizations are at least 50 years old and have outlived their time.”⁶ He further states that our assumptions about the discipline of management are outdated, unchallenged, and rarely studied.

Drucker observes that since very early in the 20th century we have become a society of institutions. Where once the individual or family had a business in the home and social factors were more easily respected, large institutions began to take over, and in fact, now perform every major social task from national defense to healthcare. He further observes that institutions are growing at a rapid pace, even universities and hospitals. Hospitals, he says, have grown from a place where only the poor went to die to one of the most complex institutions in society.⁶

Drucker maintains that managing these institutions demands greater skills than those established businesses of the past. He states that “managers will have to become entrepreneurs and will have to learn to build and manage innovative organizations.”⁶ Management must learn to simultaneously run an existing organization and a new and innovative organization.

One of the newest books on management theory, is the Gallup organization's book *First Break All the Rules*.⁷ Compiled from extensive interviews of over 80,000 managers in business, healthcare, and the service industry, its perspective is unique: the best managers break rules—especially the “golden rule” every day. Their research found that great managers must do four things extremely well:⁷

1. Hire for talent
2. Set expectations
3. Motivate the person selected
4. Develop the person and find the right fit

The advice to managers, these researchers conclude after studying the best of 80,000, is a mixture of intuition, common sense, and personal integrity: pick the right people, trust them, never pass the buck, don't overpromote people, make very few promises and keep them all.

The Time Trap

Steven H. Applebaum and Walter F. Rohrs, authors of *Time Management for Health Care Professionals* agree.⁸ They reiterate that management, especially healthcare management, is a series of interruptions interrupted by other interruptions. Determining those priorities and matching time to tasks is one of the more important functions of a manager and one of the most difficult. It is their contention that managers, if they do not prioritize correctly, not only waste their own time, but their subordinates time as well.

Methodology

The method used in this particular research was the case study. According to Rundall, Starkweather and Norrish,⁹ the use of case study research is increasing in health services because of the inability of large sample research designs to answer important questions. They note that case study research is especially appropriate in exploring new areas where little theory is available, to describe a process or effects of an event or to explore a phenomenon. The advantage of the case study method is an in-depth understanding of the subject. The researcher does not usually discover new phenomena, but refines his or her understanding of the subjects. In this study, the conceptual hypothesis was that mergers changed the way middle managers managed—that new or different skills were required to manage across a system compared to those required to manage in a single department or functional area. To know what those new or different skills are and to study them in-depth, not just survey the middle managers that were the subjects of this study, was a major goal of this research.

In order to compare hospital systems that were similar, two local systems, one with a merger in progress and one with a merger that had occurred within the past two years were selected. These systems were the two largest in the area and each had hospitals that would serve as the access point for manager interviews. Access and permission was obtained from these two corporate CEOs. They also approved and received copies of the research ethics proposal, but were not involved in the selection of participants for the research.

The Questions

Topical questions provide descriptions and background information for the case, and the issue questions seek to answer or gain insight into the researcher's questions. Therefore, a general question was used as an icebreaker but was also an important topical question such as: "tell me about your educational background and whether you have any additional credentials specific to your field." Other issue-related questions were:

- What skills do you use in your current job that you didn't use in your previous job?
- What do you think are the skills required to manage in a post-merger environment or across a system?

Related issue questions were:

- What do you think students should be learning in management classes? What would you include if you were teaching it?
- What advice would you give someone seeking a job similar to yours?
- Did you receive any training during the transition or merger? If not, what would have been helpful?

While interpretation is a major part of all research, the case study researcher must use extreme caution when making assertions about his or her findings. In case studies, observations may be transformed into assertions and may reflect the researcher's bias or lens through which the assertion was made.

In this study, each interview subject observed or shadowed had the opportunity to review their interview transcript, make corrections, and view a corrected copy. They also signed and dated the reviewed copy indicating they agreed with my interpretations of the data collected from their interviews. The selection criteria for inclusion were the following:

1. Participants had to have been in a management position prior to, during, and after the merger.
2. Participants had to be in a position to manage more than one department or functional area across the system.

A total of 16 managers were interviewed during a period of several months. Ten managers were from the system whose merger was most recent, six were from the system whose merger was at least one year old. They were from the following functional areas: health information management and clinical information systems, quality improvement, clinical lab, business services and information services. One executive from each system was also interviewed primarily because they fit the initial criteria in their prior job. Five of the 16 managers were male, eleven female. Educational backgrounds were diverse with one having an associate degree, seven with bachelor degrees and eight with master's degrees. Their areas of study encompassed a wide range of subjects from psychology to industrial engineering. Of those with master's degrees, five were female, three were male. Seven managers had been involved in mergers previous to the current mergers in this study. While the areas of manager's responsibilities differed, they all had multiple departments within their span of control. One manager had eight areas that were as diverse as dietary and biomedical equipment management. All managers had more than five years experience in management while some had close to twenty years experience.

Data Collection and Management

Data were collected primarily through semistructured interviews with the pre-selected subjects. Job descriptions of most of the managers were analyzed and one manager from each system was "shadowed" for one day to observe additional management behaviors and situations. Additionally, one manager from each system was invited to participate in a panel discussion in the researcher's class at Regis University titled, "Management Principles in Health Care." One vice president-level employee was interviewed in each organization also, as they both had previous experience as mid-level managers in their organization or system.

As is typical with qualitative research, the data collected requires careful analysis in order to gain insight and extract the answers to the questions the researcher is seeking. The data collected in qualitative research is usually lengthy and must be analyzed using techniques such as content or text analysis rather than using statistical analysis as in a quantitative study. In text analysis, the data collected (in this case, interviews), are read and re-read and grouped into themes by the reader. For example, one respondent in this study remarked that managers must develop a trust-based relationship with his or her employees and they should always inspire trust. This was grouped into a theme of building trust and honesty and integrity. Depending on the size of the sample of text or interviews, as many as eight to ten themes can be developed in one study.

After transcribing the interviews, themes were initially developed by coding by hand, then the documents were imported as text files into a qualitative software program and re-coded into each node. I also used the program to establish links between categories and track the number of occurrences of skills and words in context. There are a number of computer programs available for qualitative research data collection and analysis so it is a matter of choice and preference of the researcher. Some lend themselves to a certain type of data analysis such as text analysis and identifying word or theme frequencies. I selected the program InVivo.TM Themes and categories of skills were identified and tracked as they developed during the initial manual coding, then validated as they were re-coded into nodes using the software program. The program was also used to collect the frequencies of the occurrence of the themes as well as how many times certain words or phrases were used. This research elicited several recurring themes which will be discussed in the next section.

While findings from this research are not necessarily transferable to other settings, the patterns and themes and information that emerged may provide valuable information for CEOs, human resource directors, educators and managers themselves. The results can be particularly helpful and enlightening if merger activity is anticipated in an organization.

The Findings

At first glance, these two systems appear quite similar—to the outside observer and communities, only very subtle differences are noted. It isn't until one talks to the middle managers that organizational differences begin to arise. An underlying question framing this research was to understand the position of the middle manager in the merged health-care environment and discover what, if anything was different about managing across a system rather than in a single department or facility. While the opinions of the managers differed between the two systems regarding the skills necessary, there were also some similarities. Managers in the recently merged system (the organization that has the most managers actually managing across the system) mentioned time management nine times as one of the most important skills to have and one that was not used as much when a single facility or department was managed. This is actually consistent with Pritchett's assessment of manager behavior in the early stages of the merger because of all of the changes that occur and must be communicated in all directions in the organization. Managers in the other system did not mention this skill even once.

Communication skills were another most frequently mentioned skill that included both written and oral skills. While managers in both systems mentioned this skill, managers in the most-recently merged facility mentioned it nine times, while the other managers mentioned it three times. Again, this is consistent with the merger stages, particularly in the early phase, as communication must occur often in this environment because of all the changes. This adds to the "time trap" of middle managers because communication (in the many forms the employees in the early stages require) is time consuming for the manager. This skill was also deemed by managers in both systems to be used to a greater degree when managing across a system and in fact, was critical in the merged environment. The next most frequently mentioned skill is more a trait, and in the coding process for purposes of data collection was titled honesty and integrity and

included trust. This trait was mentioned seven times in all and more often in the second system (four times) than in first (three times) where the merger was most current.

The next most frequently mentioned skill was a combination of networking and relationship building which was mentioned five times altogether. One manager described relationship building as “managing your boss as well as your employees.” Many bosses do not know employees and can often destroy their self-confidence by one simple “off-the-cuff” remark or observation. This manager referred to this as a “drive-by shooting.”

Mentioned twice (each by the managers) was the ability to be flexible and adaptable. One manager explained how she built relationships with her remote employees by being adaptable. “Don’t expect them to adapt to you. You need to be flexible yourself and understand and adapt to them.” Other skills mentioned with lower frequency but common to managers in both systems were initiative, the ability to have vision, and to prioritize.

Managers in both systems also articulated the sometimes-confusing environment created by the merger. At times, direction and tasks are not clear, requiring managers to be flexible, adaptable, and able to deal with ambiguity. One manager observed that in a merged system, things take longer and you must adapt to that and be able to work on something else while you’re waiting. Sometimes you only have time to do the critical things and be good at prioritizing what those are.

When the managers were asked what advice they would have for someone who might be interested in a job such as theirs, almost all of them spontaneously replied, “Get your head examined!” This was quickly followed by, “Seriously...”

Both groups mentioned organizational politics, one explicitly and one implicitly. They mentioned organizational politics and interviewing the organization and examining their values to determine if it is an organization that the applicant would feel comfortable in. Both groups of managers emphasized communications skills as being important to develop at the management level and both groups also mentioned that there is a lack of feedback at this level of management. One manager from the organization with the merger in progress, said that there was usually more negative than positive feedback and that very seldom did any manager get a pat on the back. While some of the advice appears less than encouraging, both managers felt that people in this position can impact change.

The managers in the system with the merger in the recent past received no training prior to or during their merger process. In retrospect, training they thought would have been helpful was training on negotiation (mentioned most often), coaching skills, the stages of a merger, conflict resolution, time management and how to build relationships post merger. One manager also thought continuous quality-improvement skills would be helpful as the organizations came together and processes are streamlined and redesigned. Many managers do not really know how to do this but are expected to be able to put departments together or redesign work without knowing how or having the tools to accomplish this.

In this same system, in response to the question about whether or not the merger worked, of the six managers interviewed, two said that it wasn’t over yet, so it was too early to tell and one thought they’d actually gone back to “square one and a half.” and another felt they had gotten past the “who we are stage” and were into stage two. A third thought it worked overall, but that many mistakes were made along the way.

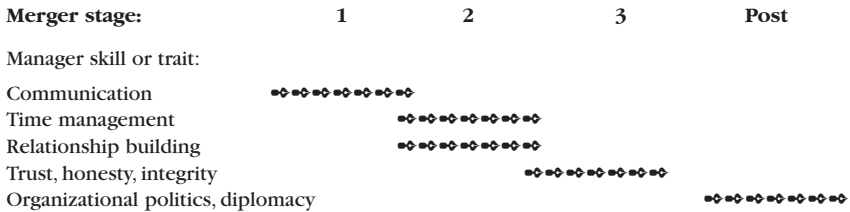
In the system where the merger was most recent and training was received just prior to the merger, their answers were fairly similar. Four of 10 managers in this system felt the jury was still out on whether the merger worked or not, two said no, two said probably and one felt it was difficult to tell because the goals were not articulated clearly enough in the beginning. Their comments on the training were particularly poignant. While they thought the training (on transitions, trust building, and team building) was good, it was too early, and as people left the organization training could not be continued. In their words, by the time they were to put their department together, the training was too distant and they did not remember the key points.

Common observations of mergers in both systems include goals for the merger not being consistently communicated, and not made clear and that decisions were not always communicated. Other areas of agreement were related to organizational culture, indicating that it is different to impose a new culture on an organization and that it was not sufficiently addressed in both systems.

Implications and Recommendations

Without a doubt, mergers, acquisitions, and consolidations create unique situations in organizations. The literature review, while outlining many of the reasons for these organizational strategies, their successes and failures, does not capture the true essence of what it is like to be a manager before, during or after the merger. This study was an attempt to do just that—find out what it was like, how they did it, and what skills they relied on in this environment. The four main traits deemed most important by the managers in both systems appear to be consistent with Pritchett’s assessment of what managers must do in the three phases of a merger as illustrated in Figure 1 below.

Figure 1
Merger Stage and Manager Skill Continuum



These traits appear to build along a continuum from stage one where communication is most important to stage two, where communication is still emphasized, but time management and relationship building become the focus. In stage three, relationship building, networking and trust become the focus. After stage three in the “real” post-merger environment (where it really isn’t over, but as things continue to change) dealing with organizational political issues as an entity becomes the focus.

While the numbers of managers in this research case study were small and the results perhaps not generalizable to all post-merger situations, they do seem to be consistent

with Pritchett's observations. This convergence is important because it may provide guidance for other organizations that either are in or will engage in organizational mergers or consolidations. It may also be useful in constructing training aimed at employees and managers in concert with the stage of the merger.

As with Maslow's model, where one can move back and forth between the hierarchy, movement would be similar in this model as the organization vacillates at times between stages. Both of these models, however, might enlighten middle managers about what to expect in merger situations and eliminate some of the confusion. This model could also be used to structure training modules that coincide with the perceived merger stage. At the very least, the middle managers can then prepare themselves and be aware of the merger stages, its demands, pitfalls, and time traps, making them feel less like Alice in the realm of the Red Queen.

I believe that, as a result of this research, executives, human resource directors, education coordinators and managers in merged facilities can now be cognizant of the skills required at different merger stages. In the early stages, (one and two), communication and time management are most important and that in stage three and beyond, trust and relationship building become important culminating in organizational awareness. And, that if training is conducted during mergers, it must be done with a "just in time" focus and must be carried through until the integration is complete.

Further Research

Further and expanded research is necessary that would investigate what tools and resources might be helpful for middle managers as they go through the merger stages. In order to communicate more effectively and more often, can technological tools help? Would tools such as Palm Pilots or personal digital assistants be helpful? Are there other resources that could be more helpful to manage time and communication?

Other needs include the development of a model that specifically coordinates training with the merger stages with an emphasis on proper timing for both employees and managers and also whether there is any network or existing community of managers available who have been through these processes and are willing to hold discussions or consultations with those new to the process or those currently experiencing a merger or an acquisition.

References

1. Carroll, Lewis. *Alice's Adventures in Wonderland and Through the Looking-Glass*. New York: Bantam Books, 1865/1981.
2. Linenkugel, Sr. Nancy OSF. *Achieving Success in Hospital Mergers*. Doctoral, Case Western Reserve, 1999.
3. Shortell, S.M., R.R. Gilles, & K.J. Devers, "Reinventing the American Hospital." *The Milbank Quarterly* 73, no. 2 (1995): 131-150.
4. AHA, "Mergers, Acquisitions, and Consolidations: A Checklist for Success." Chicago: American Hospital Association, 1990.
5. Pritchett, Price *Making Mergers Work*. Homewood, Illinois: Dow Jones-Irwin, 1987.
6. Drucker, Peter F. "Management's New Paradigms." *Forbes Magazine*, October 5, (1998): 1-6.
7. M. & Coffman Buckingham, C. *First, Break All the Rules*. New York: Simon & Schuster, 1999.
8. S.H. & Rohrs Applebaum, W.F. *Time Management for Health Care Professionals*. Rockville: Aspen Publications, 1981.
9. Rundall, T., D.B. Starkweather, & B. Norrish. *After Restructuring: Empowerment Strategies at Work in America's Hospitals*. San Francisco: Jossey-Bass, 1998.