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*Good thinking*

**Amalgamation Advice**

# Getting Started on Amalgamation

99 Consulting has worked with a number of organisations which are considering or embarking on amalgamation processes. Based on this experience, we offer some useful strategic questions to help organisations who are considering amalgamation or other types of collaboration.

For more information or a full copy of this paper, contact us.

## *Strategic Questions:*

1. Why amalgamate?
2. Who should you partner with?
3. How well do you know your partners?
4. What type of amalgamation?
5. What are the financial implications?
6. How will it affect your people?
7. What are the legal implications?
8. How will we do it?

# 1. Why amalgamate?

The following are some possible motivations for amalgamations:

- long-term viability
- service Improvement
- development of new services
- pressure or incentives from funding body/ies
- one or more of the partners is struggling to maintain their organisation.

Amalgamation may not be appropriate if:

- your funding body/ies oppose amalgamation
- an amalgamation could lead to role conflicts
- the amalgamation could lead to a loss of key elements your members or clients value – for instance, accessibility, flexibility, human scale.

*Tip:* Don't commit to amalgamation until you have clearly articulated your objectives for amalgamation. A decision not to amalgamate is just as worthwhile as one to proceed, and in the process you can learn more about yourselves and develop closer working relations which continue after you have closed off amalgamation discussions.

# 2. Who should you partner with?

There are a number of grounds for choosing potential partners, depending on your own situation.

- an organisation that does exactly the same thing as you do – either in your local area, or an adjoining locality
- an organisation that provides a service complementary to your own
- an organisation whose basic philosophy is similar to your own
- organisations in trouble: organisations often look at amalgamation because they are struggling to remain viable on their own.

*Tip:* Set out to understand each potential partner. It can be very difficult to bring together two organisations which have radically different ways of doing things, even if on the surface they provide the same services. You also need to understand each partner's problems so you don't inherit them through amalgamation.

## 3. How well do you know each other?

It can be easier to amalgamate with an organisation you already know well. If you don't know each other well at the start, you need to share a lot of information. Think about some of the following questions.

- Have you worked in partnership over a period of time?
  - Do you currently share clients, have referral protocols between you, work together on common community issues?
  - Do you have overlapping board memberships? Do you have staff who over time have worked for both organisations?
  - Are you currently co-located, or located near each other?
- How similar or different are your organisations:
  - Are you both of about the same size and scale, or is one organisation considerably larger or more robust than another?
  - Do you both deliver the same type of service?
  - Do you deliver complementary services?
- Are you incorporated under the same legislation?
- Do you have similar organisational structures?
- Do you have similar organisational philosophies, value bases, and organisational objectives?

*Tip:* Share as much information about each other as you can – pass around documents, visit each other, and talk about what motivates you in your work.

## 4. What sort of amalgamation?

There are different ways for organisations to come together depending on your motivations and the position of each of your organisations.

- A full amalgamation to form one new organisation and wind up the existing organisations.
- A “friendly takeover” to transfer the resources and functions to one of the existing organisations and wind up the others.
- A consortium – you could be planning to form a partnership to do some particular things together while leaving the existing organisations in place. In this case, you might form a new entity which is jointly owned by the existing organisations, or one of the existing organisations might act as the auspice for the joint work and the partnership might be regulated by a Memorandum of Understanding.

*Tip:* Once you’ve decided the objectives of your amalgamation and the profiles of the partners, work out which sort of amalgamation is most appropriate.

## 5. What are the financial implications?

Finance is one of the key risk areas for organisations, and it is important that you be clear about your financial position and what risks you might be exposing yourselves to. You need to clearly understand each partner’s:

- annual income, income sources and income obligations
- budgeted expenditure and past financial performance
- assets and equity position
- liabilities
- “Sleepers” such as pending legal action or ATO investigations.

*Tip:* the partners should disclose full financial details to each other at the appropriate point (ie before anyone makes a binding commitment) and each organisation should examine them with the help of specialist financial and legal advisors.

## 6. How will it affect your people?

The people and organisational culture issues are some of the most difficult for organisations to deal with when they are amalgamating. Change is unsettling for people and can make them feel insecure – often with good reason.

Bringing together two different cultures has a lot of potential for learning and mutual enrichment, and also a lot of potential for tension.

### *Think about:*

- the things people value about their organisations and the things they find frustrating and would like to improve
- how the organisations' people see each other now
- the personal risks for people in the amalgamation
- the opportunities the amalgamation presents for people.

*Tip:* Set up as many opportunities for interaction between the organisations as you can, and agree to some formal processes for identifying and resolving the people issues.

## 7. What are the legal implications?

Whatever type of amalgamation you decide to enter into, you will need some kind of legal arrangement. Typical issues to consider include:

- What formal legal structure will the amalgamation take?
- What changes will this make for existing organisations?
- Do the existing organisations have legal obligations (eg leases, funding contracts) which they would like to transfer to the new entity?
- Do the organisations have assets they would like to transfer?

*Tip:* Ensure you have access to good legal advice both for the partnership, and for each of the individual organisations.

## 8. How will we do it?

### *Things to think about:*

- mechanisms to work together and keep everyone informed
- joint decision-making processes (eg steering committee)
- approval processes for each organisation's governing body and / or members
- resource requirements including money, "in kind" resources like staff and board time and pro bono professional advice, and physical resources like space to meet, cars etc. You need to have resources to cover things like:
  - a project manager to coordinate and act on the many decisions made
  - facilitators for decision making forums
  - buying legal, human resources management and financial advice at key points
  - having property titles changed
  - designing and installing new IT systems or adapting existing ones
  - finding and fitting out new premises
  - change management advisers
  - stamp duty.
- Timeframes – our benchmarking indicates that it would typically take about 6-12 months to put together a consortium, and around two years to achieve a full amalgamation, presuming the resources are there to do the job and you work constantly at it with no breaks.
- Logistical issues such as
  - office accommodation
  - bank accounts
  - insurance policies
  - IT systems (hardware and software)
  - phones
  - service delivery and operational policies and procedures
  - organisational branding (letterhead, business cards, logos etc)
  - vehicles
  - communication about the changes.

*Tip:* Once you have decided you want to proceed with the amalgamation, you should jointly agree to a project plan and set up an implementation process. Plan well ahead for logistical issues, and ensure you allocate resources (sub-committees, staff time, contract funds) to address them.