organisations to provide further enhanced services to the community," he says.

While some view an amalgamation as one organisation winning over the other, Goldsworthy disagrees.

"If the amalgamation is done with a proper process, it is not a takeover. I don't believe it is because it is by mutual agreement, it is by a good stepped-process," he says.

At the highest strategic level, he says the reason for undertaking an amalgamation or merger comes back to the following three key questions:

- How do we ensure that current and future residents or clients in our communities can access the service?
- How do we ensure the organisation is viable, sustainable and profitable and able to fund its future?
- How do we continue to ensure or contribute to the economic, community and regional development of our town, or region?

If this questioning leads to an amalgamation or merger, a name change and transfer of ownership could leave some in the community with a sense of loss, Goldsworthy says, but he argues it is not a real loss.

As in the aforementioned regional provider's case, he highlights that the vision, mission, purpose, intent, services, and employment continue after an amalgamation or merger, where they might otherwise have disappeared. ■

Financial sustainability: what you need to get right

Bruce Bailey

IF RESIDENTIAL AGED care providers maximise the income they are entitled to, achieve high occupancy and get the capital intensity right, they should be sitting somewhere above average, says Bruce Bailey, director, accounting firm RSM Bird Cameron.

Bailey says ensure the accommodation pitch is right and aim for 94 per cent occupancy and above. As the amount of capital you put in determines the return, you have to get the capital cost of the facility right, he says.

"If you have good revenue, good occupancy and if you spend $400,000 per room and another provider spent $200,000 per room then they are going to get a better return on the same amount of income that's coming in. So you have to get the right capital intensity in it."

At the moment, the quickest way to get more money is to do substantial refurbishment because of the supplement available, Bailey says. "The extra supplement works out as 27 per cent return on your investment minimum if you just meet the minimum standards required. That's a fantastic return in anyone's language."

If the business is looking unviable, Bailey says while anyone can have a form slump, if an operator has lost the desire to win then it's time to get out of the game.

"If you have been trending down for three or four years and things are getting worse then you need a fundamental change at the top."

If someone has been leading a declining operation you have to question whether they are the right person to turn it around, he says. "If they were, they would have done it already because they would have seen it and reacted." ■

The zone of mutual benefit: forming partnerships

Patrick Herd

PARTNERING WITH AN organisation is one of the strategies organisations will look at to ensure their competitiveness in this new marketplace, says Patrick Herd, principal consultant with Community Business Australia.

A partnership is when two organisations come together for a project or service area but keep their identities separate elsewhere. Organisations do it for a mutual benefit, such as a wider scope of services, a combined strength that can help the sustainability of both organisations and for efficiencies through combining of resources, he says.

A good partner is someone who is strong and rich in areas including expertise, experience, systems, practices, processes, staff development and technology, says Herd.

"You are always looking for that organisation that can add value to what you are currently doing whether it is in service provision, good system practice, training; whatever those elements are that potentially you may be lacking."

Likewise, an organisation needs to know what it offers in return, Herd says, but it should have its house in order first. Once organisations start talking and as discussions progress, potential partners start to exchange a lot of detail, he says.

"You don't want a whole lot of skeletons being shown out in your closet. You want to make sure you get that tidied up, so that you're very open and transparent."

Once the process is underway, Herd says it is important for each organisation to document as soon as possible their understanding of each other to solidify what the partnership will and won't do. "I have seen a number that have gone sour because people's understanding, expectations and assumptions can differ greatly from verbal conversations."

It is also important to watch out for organisations where the intent is not obvious, or they are presenting themselves as something they are not, he says, because quite often that is driven by financial, leadership or compliance problems.

Herd's final piece of advice is that partners should plan their futures together and not assume they are on the same path. ■