The Feasibility Assessment

The next step....after a Board decides to explore a merger with an other organization

Why a Merger Feasibility Study?

Boards of Directors will want to assure themselves that a merger has every likelihood of success before they begin negotiations. The merger feasibility study is just that, an exploratory phase so the organizations involved and the funders can be assured the merger is worth the effort.

Before proceeding to merge two or more agencies it is critical to evaluate whether there will be any benefit gained from the merger and whether the complex process will yield the desired results. Some mergers will be worth the effort and yield significant benefits in reduced costs, more service, better service design etc. while other mergers will be counter indicated and may make things worse -cost more, reduce services etc.

What is a feasibility study?

A feasibility study looks at key information in both organizations to determine whether it will be a good step to proceed with merger discussions. This usually occurs in two stages so not to waste time and resources.

will be needed to determine the advantages and issues.

Outcome of the first phase of the feasibility study:
The parties have the basic information to decide whether they should seriously pursue restructuring negotiations.

If the decision of the parties and funders is to proceed then the next layer of the onion is peeled back and the next level of detail is explored. The following are some of the key components reviewed in a feasibility assessment for agency amalgamation. The focus is modified and narrowed for sub-contracting options, webs, or other restructuring proposals.

governance
philosophy and culture
program delivery and design
administration/finances
Assets -real estate, vans etc.
liabilities - legal actions, debts etc.
contracts eg leases
management structure and style
personnel -salaries, benefits, recruitment and retention
union contracts

Key issues are identified and explored in greater detail. This information will inform the preferred format for restructuring. The findings will help decide such questions as; whether to merge the agencies; wind them up and begin a new corporation; or whether to divest parts to different organizations etc. Financial and liability questions usually drive this decision but agency culture and treatment philosophy and service design issues may also play a role.

Working with the organizations to obtain more detail on key issues assists the restructuring consultant manage the process of restructuring. The consultant can anticipate and identify the more difficult issues to be negotiated between the parties.

This second level of feasibility assessment provides the basic information for forecasting the advantages restructuring. It is in this second stage that the short term costs of a merger can be accurately calculated as major staff dislocations and retraining issues, contract obligations etc can be calculated.

While it must be recognized in a restructuring endeavour it is difficult if not impossible to anticipate everything completely accurately this second stage can yield solid projections which will be very useful in calculating savings and costs, service advantages etc.

Outcome of the Second Stage of the feasibility study:

The format of restructuring can be identified.
The benefits of restructuring can be identified in greater detail.
The short term costs can be forecast with time lines for cash flow.
Sensitive issues to be negotiated can be identified.

It is at this point that agencies and funders need to make the decision whether to proceed with implementation. During the implementation phase detailed plans can be developed in the various areas including financial, human resource, governance, communication etc. One of the pitfalls of restructuring is to become overwhelmed in the early stages with the size and complexity of the tasks. It is important to approach each phase and make decisions. The complexity can be dealt with in due course. This is a change process and the nature of a change process is that it is not always neat and problems need to be solved as they arise. Sound and progressive decision-making based on clear outcome objectives will bring the organizations through the turbulent change process. If the proper feasibility analysis has been undertaken the organizations should be able to make decisions based on sound information.

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