

An Amalgamation for the **Greater Good**

The merging of two or more clubs into a single entity has never been more prolific than in these challenging times as the uncertainty continues in the new year ahead. And the complexities of amalgamation still remain a daunting task for many to contemplate. This month we follow the fortunes of the historic Harbord Diggers as it looks to a new future under its new parent club, Mounties. Story by Carol Major.

Last year saw an overwhelming majority of members vote to support the amalgamation of Harbord Diggers with the Mt Pritchard District Community Club, fondly known by the locals as Mounties. The proposal, now being heard by the Licensing Court, will increase the financial strength of both clubs and provide additional resources for members and the communities they serve. But key to the success of this amalgamation was making the decision within a strategic planning process and consideration at a time when Harbord Diggers still had substantial assets.

Harbord Diggers is a true icon in the club industry. Established in 1957, it's been one of the most successful clubs in the industry and deeply committed to its local community. During its rich and colourful almost 50 years, the club provided much needed support to surf clubs, sporting bodies, hospitals and schools. Harbord Diggers grew at a time when other clubs were only beginning to find their feet and was able to purchase property rather than rent or lease. The vast tract of land upon which the club sits still remains a major asset.

During the 1960s through to the 1980s Harbord Diggers prospered. In the early days Harbord was a working class suburb and residents enjoyed the facilities offered. By the early 1990s, Harbord Diggers was in the position to provide capital to other clubs on the northern beaches, however, a

few short years later the club's fortunes turned for the worse as the demographics of the local area began to change.

Upwardly mobile professionals were on the rise and interest in the club's facilities were plummeting, particularly their gaming machines. Meanwhile, alternative recreational venues were on the increase and competition was in full swing.

Always an innovative club, Harbord Diggers considered its options to move with the times. A renovation of the club's facilities inevitably appeared on the agenda but dwindling patronage didn't support such a move. Instead, the club decided to investigate developing the vast tract of land surrounding its main building into residential property. A thorough exploration of this option was conducted as part of a 2-day strategic planning session with the results indicating a 3-5 year survival window while waiting for investment returns. Unfortunately, the process of Council approvals and construction would take longer.

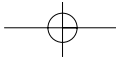
Greg Willcocks, general manager of Harbord Diggers, stresses the importance of the strategic planning process in determining a future direction. "You want to rely on facts, not fiction," says Willcocks. "And you want to keep your mind open to all of the alternatives."

Willcocks notes that some clubs view amalgamation as "a last minute distress call of a sinking ship and it can feel like a

blow to the ego - a sense of losing identity and power." However, properly conducted and supported by professional and independent advice, an amalgamation can become part of a strategic vision for the future that ensures a club not only survives but continues to grow and prosper. "It's not about the plunder of assets," adds Willcocks. "It's about making those assets grow."

Section 17AH of the *Registered Clubs Act* has strict rules regarding amalgamation. Potential partners must be considered in the local area first (up to 1km apart in metropolitan areas and up to 50km apart outside major centres). If there are no appropriate partners in the geographic area, the search can be extended to registered clubs in localities further away with similar objectives and activities. Clubs falling outside both these requirements are considered as a last resort.

Finding a local 'parent' club certainly makes sense in areas where club facilities and services are in high demand. Such amalgamations can see operations consolidated, efficiencies gained and the market stimulated through competition between the venues. However, in the case of Harbord Diggers the market was shrinking throughout the locality, and on top of that there were no other clubs located within 1km. Added to their problems was other clubs in the area were faced with similar challenges, and there



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was nothing to be gained by cannibalising each others' market share. Instead, Harbord Diggers turned to a successful club in Sydney's South West - Mounties, which fit the bill perfectly. Not only was Mounties financially strong, it shared a similar vision and values. And like Harbord Diggers, Mounties maintains a strong focus on its sporting roots, and when coupled with its passionate commitment to projects in the wider community the outlook was for a strong and positive outcome.

The amalgamation process was facilitated by Greg Russell of Russell Corporate Advisory (now ClubsConsulting). Open and transparent communication was central to the process, as the concept of amalgamation can carry negative connotations. Members may become concerned about the loss of identity - the end of the club they once knew. In addition, they worry about losing entitlements and benefits, while Board members and employees have their own concerns as well for what the future may bring.

Communicating the facts to all members and canvassing opinions and concerns ensures that the objectives are clear and that unambiguous agreements cover all areas of management. Anticipation of many and varied "what if" scenarios is also central to the success of any amalgamation process. Consideration must also be given to both clubs' management structures, staffing and training procedures, organisational cultures, reporting systems, compatibility of IT systems, taxation, insurance and compliance issues, internal controls, conveyancing, and property leases. But first and foremost the commitment to members must be maintained. As part of the process of canvassing opinions regarding the proposed amalgamation, 250 members of Harbord Diggers were taken by bus to

Mounties to survey the facilities and 400 members of Mounties were bussed to Harbord to carry out the same exercise.

"Amalgamation is meaningless unless members of both clubs reap all of the benefits," explains Mounties general manager, Greg Pickering. "With that maxim in mind, the amalgamation of Harbord Diggers and Mounties will see members enjoying facilities belonging to both."

In fact, the annual membership fee will be only \$5.50, which is dramatically reduced from the former \$22 joining fee as well as the annual subscription of \$16 once charged to belong to the Harbord club alone. Harbord Diggers will retain its original venue and name while projects in the Harbord area will continue to receive support through recommendations made by a local management committee. Ultimately, Harbord Diggers' members will retain their identity and be able to maintain ongoing pride in their club.

The amalgamation of Mounties and Harbord Diggers is arguably the biggest and boldest of the decade. Between the two clubs there are 90,000 members and \$175,000,000 in net assets. Furthermore, Harbord Diggers will now have access to capital to improve facilities and the internal rate of return for Mounties is estimated at 155 per cent over 5 years. Mounties will inject significant capital into improving facilities at Harbord which will no doubt result in increased patronage while improving cash flow in the short term. Clearly, investing in the future of two clubs brings a better return than continually investing in one club alone.

Greg Russell of Russell Corporate Advisory says that there is much to be gained by parties to an amalgamation. "Benefits include an improved balance sheet due to the surplus of assets over the acquisition cost, economies of scale and

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the creative ideas that emerge from like-minded clubs with similar objectives," he explains. "Clubs should think proactively and consider amalgamation while there are still assets to be developed."

Greg Willcocks agrees but notes that it's difficult to consider amalgamation without the sense of urgency created by a financial emergency. It's a challenging balance to reach because there must be financial strength to make the outcome successful. "Amalgamation is best considered when a club is strong, not desperate," he says. "It's a strategic vision for the future and most certainly does not mean the demise of a club." ■



Harbord Diggers



Mt Pritchard District Community Club

