

REBALANCING THE RELATIONSHIP

EMERGING FINDINGS AND DRAFT RECOMMENDATIONS

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Contents

Introduction.....	3
Why this work matters.....	3
Emerging findings.....	4
Draft recommendations.....	9
Co-production and community focus.....	9
System view.....	10
Learning culture.....	11
Autonomy, flexibility and creativity.....	12
Community and connection.....	13
Thinking ahead.....	14
How to respond to these draft recommendations.....	14
Next steps.....	15
Data statement.....	15

Introduction

Last year NCVO, ACEVO and Lloyds Bank Foundation launched a project to address competition and collaboration between larger and smaller voluntary organisations. This work has focused on organisations working within the context of the competitive commissioning environment. By building awareness and understanding, this project aims to encourage organisations to work in a more collaborative way.

This work follows the [Value of Small](#) research commissioned by Lloyds Bank Foundation. This found that small and medium-sized organisations are often wary of collaborating with larger, national organisations. This work highlighted challenges including unsustainable payment models, concerns about losing control and identity, or the appropriation of ideas.

This interim report includes both emerging findings as well as draft recommendations for organisations.

Why this work matters

Organisations say they are dealing with a higher level of demand for support from the people and communities they serve. This is both in terms of volume and complexity and often alongside decreasing funding. Increasingly people require support from more than one organisation, especially if they are managing a range of different issues.

Whether organisations are large or small, national or local, they are working to tackle issues that are entrenched and systemic. This means we need a diverse ecosystem of organisations of all types and sizes to play their part.

We also know organisations need to work in a different way with the people and communities they seek to serve and represent. There are some organisations, often but not always small and local, which have been ‘of’ rather than ‘for’ people since their formation. This approach has resulted in deep connection and empowerment in communities.

Organisations of all sizes need to work with and learn from these organisations if we are to develop responses that have a real and sustainable impact. As well as sustain trust and engagement in voluntary organisations.

Organisations have told us competitive behaviours between voluntary organisations are having a negative impact on the sector, people, and places. Good organisations are closing or shrinking. This is resulting in communities becoming disenfranchised and people losing the relationships, support and representation they need. If we do not act, the size and shape of the voluntary sector will change.

NCVO, ACEVO and Lloyds Bank Foundation recognise commissioning and procurement is challenging and will continue to push for change. But we cannot afford to wait for commissioning to change. There are many organisations that are demonstrating a more collaborative way of working even within the current environment. These organisations, and leaders, recognise the power they have compared to other organisations. They are open to working with others and base their way of working with others on empathy.

The sector needs to take responsibility for its own future and behaviour. All organisations have a responsibility to consider their impact on the sector. But those with more power (in terms of influence or resource) have a greater responsibility. This is not just a matter of avoiding harming other organisations. It is crucial we actively create an environment that ensures a range of good organisations can thrive and serve their communities.

Emerging findings

These findings are drawn from initial analysis of:

- academic and grey literature
- a call for evidence
- sector engagement
- a series of in-depth interviews.

These activities have focused on understanding the perceptions of individuals and their view of their organisation's experience. They are not necessarily representative of what is happening in all organisations and across the whole sector. Further analysis will be done to explore the feedback we have received from organisations.

Throughout this document we refer to larger and smaller organisations. Small organisations might find it harder to survive the competitive environment. However larger organisations can still face challenges in working in collaboration when there is any imbalance of power. We have heard of organisations with incomes of £500,000, £5 million, or even £50 million that have difficult experiences of working with organisations bigger than them.

1. Competition is having a negative impact on the sector, organisations, beneficiaries and communities.

This is happening in a variety of ways, including:

- Competition for funding from commissioners between larger and smaller organisations. Larger organisations often have the advantage, especially where there is a focus on price-based competition and larger contracts. Organisational practices include the use

of smaller organisations as bid candy, entering new markets without prior experience and submitting loss making bids.

- Competition between organisations similar in size. Large organisations express concern about behaviour of other large organisations. Smaller organisations are merging to be able to compete and they say they find it easier to work with each other.
- Competition for funding for fundraised income, as well as income from trusts and foundations.

2. Commissioning and procurement practice can incentivise harmful organisational behaviour, but this behaviour is also driven by internal culture and ways of working.

There is a perception in the sector that some larger organisations are:

- driven by market growth, operating more like for-profit businesses than charities.
- treating contract delivery as the job rather than the vehicle.
- succumbing to mission drift and bidding for contracts when they are not best place to deliver the service.

Some larger organisations described a period of broad and rapid expansion, in terms of the type of work they do and where they deliver it. This strategy was often pursued in the hope of improving impact and sustainability. However, a number of organisations have changed their approach upon realising it was leading to poor quality work and financial deficit. Organisations that changed their approach to become more collaborative and/or focused, highlighted a range of internal changes to:

- governance and leadership
- roles and departments
- strategy and vision
- engagement of staff and service users
- culture of collaboration and learning.

3. Organisations collaborate for a number of reasons, but often because it is essential to deliver the work.

Often collaboration is pursued to win a bid or to bring in an essential specialism or geographical presence to deliver the work. Other drivers include wanting to increase scale and quality of impact, to reduce competition, to make resources go further, to learn, to solve difficult problems and to bring innovation and variety.

For some collaboration is simply part of the culture of their organisation, or how they like to work as a leader. These organisations often explicitly articulate their desire to support others, especially small and local.

4. While there are examples of organisations working well together, many organisations experience challenges when working with others.

Frustrations about working with others were expressed by both smaller and larger organisations:

Smaller organisations subcontracted by a prime describe a loss of autonomy and control. This can harm long term collaboration, trust and relationships between organisations. There are a few examples of larger organisations being subcontracted by smaller ones, but they buck the wider norm of larger organisations operating as the prime.

A small number of organisations told us primes have subcontracted work to them in order to reduce the competition in the market by undermining the sustainability of the subcontracted organisation. Others expressed concern at other organisations appropriating their ideas.

Organisations of all sizes expressed concern about the quality of work from partner organisations. Many struggle to adapt to the ways of working of the partner organisation. For some larger organisations it is the lack of process and procedure in place in smaller organisations, particularly for safeguarding and GDPR. For some smaller organisations it is bureaucracy and lack of flexibility in larger organisations.

5. Organisations are not using the full range of mechanisms to work in collaboration.

The most common mechanism among voluntary organisations bidding and delivering with a partner organisation tends to be through a prime/sub relationship. Some larger organisations think this mechanism is easier, preferred by commissioners, and sometimes better for subcontracted organisations that don't want to take on risk and liability.

Organisations with experience of being subcontracted cite mixed and often quite negative experiences. Often these organisations are smaller than the prime, but they can vary in size. Some larger organisations have shared examples of trying to support subcontracted organisations by offering more flexibility, equality and mutual learning. However, loss of autonomy and trust is a recurring theme from subcontracted organisations.

Consortia are another mechanism, but many organisations express negative views and experiences of consortium working, often citing the complexity and cost of these arrangements. Other mechanisms like special purpose vehicles, limited companies and alliance contracts were mentioned only rarely as ways of working together.

A number talked about collaboration outside of the bidding process. This included sharing infrastructure or training, local staff connecting their service to another, influencing commissioners, distributing funding after they have won the work, and buying in services from smaller organisations.

6. While some organisations say they recognise the value of others, there is a lack of trust within the sector

Several larger and national organisations recognised smaller organisations could offer support that is personalised, responsive and connected to the community. But many said they can work in this way too, especially if they have very devolved ways of working.

Some smaller organisations struggle to recognise the benefit of larger organisations often because they have had bad previous experiences. When the benefit is recognised, it is often expressed in terms of access to funding or benefits that come from scale or market position.

Smaller organisations often view larger ones in a distrustful manner, expressing a lot of anxiety about loss of control or appropriation of ideas. They also struggle with what they perceive to be a patronising attitude from larger organisations.

7. Trust, time, flexibility and communication are vital for good collaboration.

Participants said collaboration is more effective when partnerships are not only prompted by the publication of a tender.

Communication was a key theme when participants discussed collaboration and managing relationships with partners: it needs to be frequent and face to face, to build trust, set expectations, address issues early, and monitor impact. Several organisations subcontracted to a prime express frustration at not being properly included in the bidding process and meetings with commissioners, and not being able to shape their involvement.

Some larger organisations recognise flexibility and support are vital to successful collaboration, but to varying degrees.

8. Organisations often make very quick decisions about what work to bid for, and whether to bid in collaboration.

Due to the short time frame given to respond to tenders, organisations often make very quick decisions about what work to bid for. Within this timeframe, factors like financial viability, geography, alignment to mission and strategic aims tend to be prioritised. Organisations tell us they think about whether partnership is needed to deliver the work. There are organisations that

seem to take a more collaborative approach when they have the time to work proactively on an idea to pitch to funders.

While larger organisations considered the existence and quality of an existing provider and a number expressed a broad desire not to ‘step on others’ toes’, it was rare for organisations to expressly say they would not compete with small, local organisations.

9. There are limitations to the methods used to find and approach potential partners, and several organisations think others don’t take the time to understand the sector.

Some larger organisations take quite formal approaches to finding partners, closely aligned to or replicating the commissioning process. Several participants emphasised the role of personal relationships to find partners. Other methods include desk and online research, occasionally being approached, using local infrastructure organisations such as councils for voluntary service (CVS’s). Several larger organisations emphasised going to existing trusted partners. When selecting who to work with participants said quality, capacity, values alignment and personal rapport were important factors. Some larger organisations emphasised the value of letting local staff lead on partnership development.

10. Some organisations recognise behaviour in the sector needs to change, but struggle to acknowledge that should include their own.

Most organisations believe commissioning and procurement practice needs to change. Some larger organisations have said their approach cannot change until the environment changes. Only a few organisations recognised they have some power to change the way they work in the current system, often citing recent changes made to their approaches.

Some organisations explicitly expressed a responsibility to work with and alongside each other. Organisations of various sizes called for larger voluntary organisations to recognise their position in the ‘ecosystem’. Some emphasised the need to respect smaller organisations, expand their range of partners and listen to local people.

Larger organisations suggested smaller organisations could be more open to collaboration with larger organisations. It was suggested that smaller organisations could also work to develop, for example, better impact measurement.

11. What do we mean by collaboration?

Throughout this project we have come across several organisations of different sizes working in a different way to collaborate with or work alongside each other. This collaborative practice is

broad and varied. In many cases it means working in partnership to deliver a contract, but it can also include the following:

- Not bidding for work that would be better delivered by other organisations.
- Advocating for better commissioning and procurement practices alongside smaller organisations.
- Bringing in another organisation as a subsidiary while also retaining key aspects of that organisation.
- Sharing learning, skills and resources (outside of co-delivery) to support other organisations.
- Facilitating or convening partnerships to deliver work, share knowledge and solve problems.
- Investing in partner organisations to help them develop for the future, such as building impact measurement capability.

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Draft recommendations

These recommendations have been developed based on our emerging findings. They draw heavily on examples of successful collaboration across the sector.

We recognise the current environment can make some of these changes difficult, although not impossible. These recommendations are primarily aimed at senior leaders in and trustees of organisations. While we hope this work will be useful for staff who want to push for change, there is vital role for leaders in setting the tone and direction for organisational change.

Co-production and community focus

- **Calculate the impact on communities and beneficiaries.** Organisations consider a range of factors when deciding whether to bid for a piece of work. This includes whether they have relevant expertise, whether the current provider delivers quality, and whether they can cover their costs.

Organisations should also consider what the impact would be on the existing organisation and the local sector, such as closure, a reduction in their work or loss of key staff.

Organisations should then consider the impact this would have on their beneficiaries, such as loss of community connection and stability.

- **Serve the community not the commissioner.** There is a concern that some organisations are too focused on winning contracts and meeting the requirements of commissioners, even when that is at odds with achieving better outcomes for communities. However, there are also some organisations that are working in a different way to counteract contract culture. These organisations instruct their staff to serve the community, not their organisation. For these organisations the contract is not the job.
- **Coproduce services with people who will use them.** Broadly, co-production is where professionals and people using services come together as equal partners to work towards shared goals. Working with beneficiaries and communities was rarely mentioned when participants explained how their organisation decides what work to do.

Organisations should consider co-producing the design and delivery of services with people who have and will have direct experience of them. This will focus decision-making on impact, and ensure the service is what is wanted and needed by the people who use it. Organisations may want to consider working with other organisations to do this and working with user-led organisations and representative organisations who may have more experience of this approach.

System view

- **Recognise your power.** There are organisations, whether they have an income of £5 million or £50 million, that recognise the relative power they have in the system to effect change. These organisations recognise the opportunities they have to influence commissioning and procurement practice. They also work in a way that is supportive of other organisations who share their mission. For some organisations this means policies such as:
 - refusing to submit loss-making bids
 - having a ‘no compete’ policy with smaller organisations
 - not binding smaller organisations to exclusivity clauses
 - not using smaller organisations as bid candy
 - ensuring collaboration is fair, by putting in place fair pricing and not operating unsustainable payment by results models.
- **Recognise the way other organisations contribute to your mission.** Organisations that demonstrate a more collaborative approach recognise they will not be able to achieve their mission without other organisations. These organisations act as stewards rather than owners of funding. Organisations could map the system, where possible in partnership with beneficiaries, to understand how other organisations contribute to achieving change and identify organisations to work with.

- **Just because you can, does not mean you should.** Organisations that take a more collaborative approach think differently about growth. Some refuse to set growth targets. Organisations should be thinking about becoming more sustainable and improving their impact, even if this might mean reducing their portfolio of work. Boards have a crucial role to play in changing an organisation's approach to impact.
- **Consider all income generation.** In addition to the intense competition for funding from commissioners there is also increasing competition for funding from trusts and foundations, as well as retail and fundraised income. Organisations, and trustee boards, should consider whether their whole income generation strategy makes it harder for other organisations to sustain good work.

Learning culture

- **Build self-awareness and critique.** Our work has highlighted organisations often demonstrate collaborative practice in one aspect of their work but not another. Individuals and leaders are not always aware of perceived bad practice. Organisations that take a more collaborative approach reflect honestly on their behaviour as an organisation. They work to instil a culture of learning at all levels.

They do this by developing more effective feedback loops from staff on the ground and in business development to senior leadership. They ensure each piece of work is linked to their governance structure. Organisations should consider whether their approach to measurement supports a learning culture.

- **Facilitate two-way learning.** The most successful partnerships value mutual learning. Larger organisations may be able to offer more support in terms of capacity building around impact measurement, for example.

Larger organisations can also learn from smaller organisations (depending on their expertise) about e.g. agile and responsive ways of delivering support, co-production, and community development and organising. All partners need to reflect on their performance and role in the partnership.

- **Learn from other leaders.** Outward looking leadership is vital to spark and maintain a collaborative culture. Honest and respectful conversations between leaders are vital for the development of good partnerships. Leaders should model a positive attitude to learning and collaboration, as well as make time to network with leaders from other types and sizes of organisations.

Autonomy, flexibility and creativity

- **Make it easier for staff to initiate and support collaborative working.** Some larger organisations which have adopted a more collaborative approach have built support for smaller organisations into the job descriptions of their staff, including requirements to support partner organisations.

Some organisations have dedicated partnership leads who have prominence in the organisation. The organisations that have shifted most successfully towards a more collaborative way of working have reduced internal bureaucracy to enable staff to, for example, say no to a piece of work if they think it is beyond the scope of the organisation. These organisations ensure local staff have the time, pre-approval and freedom to develop partnerships and relationships with local organisations.

- **Take a flexible and proportionate approach to working with others.** Smaller organisations often express frustration at larger organisations acting like a commissioner rather than a partner. This is often experienced as a lack of flexibility.

When delivering a contract together, organisations should consider how they can deliver what is needed whilst also adapting the way they work to accommodate the smaller organisation. For example, this could range from providing additional capacity where needed, to taking a proportionate approach to due diligence.

- **Expand your idea of collaboration.** Organisations often collaborate with each other by delivering a contract in partnership, mostly through a prime/sub relationship. Organisations can consider other mechanisms for delivery, such as joint ventures, consortium, and alliance contracts. Larger organisations could consider being the subcontractor to a smaller organisation or bringing a non-delivery agent (with the necessary understanding of the work) in to coordinate the collaboration.

Organisations could also consider a range of ways to work in collaboration beyond co-delivery of a contract. This could include sharing infrastructure, taking on the risk to support a smaller organisation to access social finance, purchasing the services of smaller organisations, and sharing information. Collaboration doesn't always require the exchange of money.

- **Be more open to well-managed risks.** Organisations that work in a more collaborative way require a board of trustees that is supportive of this approach, proactively consider collaborative working and have an appetite for well managed risks. These risks might

include deciding to stop some areas of work, or working with an organisation that has a different way of working.

Community and connection

- **Expand your networks.** Organisations use various methods to find partners and understand the sector, including:
 - going back to past or existing partners
 - using personal relationships
 - online research
 - talking to local staff
 - taking recommendations from commissioners
 - using CVS organisations and sub sector networks
 - going to or hosting their own market engagement events.

Organisations looking for partners should not just engage with or replicate the commissioning cycles, because this may create barriers for some organisations. Rather they should work early on to make full use of local infrastructure support to understand the local context. Organisations should recognise the value of local infrastructure as an enabler of potential new partnerships.

- **Communicate your value and offer.** Organisations should clearly communicate their intention and motivation to work in collaboration (to internal and external stakeholders). They should specifically articulate their approach to working in partnership and their offer of support to others. This would help address the perception that organisations are not open to working with or alongside others.

Given the number of organisations that rely on online research to find potential partners, it is vital organisations of all sizes to build an effective digital presence to explain what they do and why.

- **Communicate frequently, and with honesty.** Organisations that work well in collaboration prioritise regular communication and honesty to ensure the early resolution of any disagreements. These organisations emphasised the importance of having named contacts, visiting prospective and existing partners, conversations between CEOs, as well as all partners being included throughout the process – from bidding to delivery.

Often smaller and larger organisations have very different structures and ways of working, and this can result in difficulty especially - where one party assumes their way is the only right way. Organisations should establish a shared ethos or purpose and use this to agree ways of working that is respectful of all parties and ensures quality.

Organisations may want to consider when it would be helpful to involve external brokerage or facilitation.

Thinking ahead

- **Think about collaboration from the beginning.** Several organisations have told us their most successful partnerships begin before a tender is released. Organisations should work proactively outside of tender process to develop opportunities for collaboration. This may make use of local infrastructure or could include working with local infrastructure to set up new forums if needed.
- **Set up the foundations.** Organisations emphasised the importance of setting expectations and boundaries at the beginning of the work. Organisations that collaborate well achieve a balance between embracing the difference and independence brought by partners and ensuring fundamental things like values are aligned.

In addition to having early, honest conversations, organisations should consider setting up an agreement to prevent conflict and resolve it when it does occur. Before entering a partnership, organisations should consider what they can and can't compromise on. Organisations should commit to the partnership and work through obstacles but should ensure there is fundamental honesty and mutual respect there to begin with.

How to respond to these draft recommendations

We would like to hear your thoughts on whether these recommendations would help you to move towards working in a more collaborative way (especially in the context of competitive commissioning).

We would also like to hear your views on what type of support, especially from infrastructure organisations, you would need in order to work in a different way. Please email a brief response to Rebecca.young@ncvo.org.uk by midday 27 March. It would be helpful if you could tell us the size of your organisation by income when you respond.

We would be grateful if you were able to answer the following questions:

1. What is your organisation's income? Are you national or local?
2. Do these findings reflect your experience?
3. Would adopting recommendations help you to work better with and alongside other organisations?
4. What barriers would you face when trying to implement these recommendations?

5. What type of support would you need to adopt these recommendations? We are especially interested in what infrastructure bodies like ACEVO and NCVO, or local CVS organisations, could do.

Next steps

Your feedback on the emerging findings and the draft recommendations will inform the final recommendations. These recommendations will be published in the final report in the early summer, alongside a more detailed explanation of the research findings including case studies. Following the publication of the final report, we will consider what practical support organisations might need to put some of these recommendations into practice.

Data statement

Please see our [privacy policy](#) to see how we store your data. Data shared with NCVO will be shared with ACEVO and Lloyds Bank Foundation where necessary for the running of this project. Any data we collect will only be kept for the life of the project. Please follow these links to access [ACEVO](#) and [Lloyds Bank Foundation's](#) privacy policies.