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## **Compete or Collaborate? A strategic choice**

**A strategy seminar organised jointly by the Performance Hub  
and NCVO's Third Sector Foresight project**

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## Introduction

This is a report of a strategy seminar jointly organised by the Third Sector Foresight project and the Performance Hub on 16 October 2006, which aimed to explore the issues that voluntary and community organisations (VCOs) face when making strategic decisions about competing or collaborating with other organisations working in the same field.

The seminar started with three presentations. Firstly, Dr Ian Williams, Executive Director of Concern Universal and Visiting Fellow of the Centre for Charity Effectiveness gave a presentation on what competition and collaboration mean in the VCS.

Next John Pepin, Director of John Pepin Associates gave a presentation on the strategic issues, processes and benefits voluntary and community organisations face when deciding whether to compete or collaborate with other organisations in their field.

Thirdly Dr Richard Piper, Joint Head of the Performance Hub, NCVO, spoke about competition and collaboration as different expressions of engagement, using the charity shop sector as a case study.

This was followed by a discussion, facilitated by Caroline Copeman of the Centre for Charity Effectiveness, Cass Business School, which focused on sharing and building on each other's experiences.

Thirty-five senior managers, chief executives and development workers participated in the seminar.

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## Seminar Presentations

### What do Competition and Collaboration mean in the VCS?

**Dr Ian Williams (Executive Director, Concern Universal and Visiting Fellow of the Centre for Charity Effectiveness)**

#### **Key Points:**

- This presentation addressed the idea that *'Competition can be good, collaboration feels better! But collaborating to compete is best!'*
- Competition is not new and is extensive in the non-profit sector but there is unease about competition in the VCS, as a result the sector feels more comfortable with collaboration.
- However as a sector, the VCS and all VCOs compete and collaborate with each other on different levels and at different points in the cycle of their organisation.
- Competition is often perceived as negative or destructive in the VCS but this is in fact not the case.
- It can be extremely positive – it is exciting, sets standards and can increase the size of the *'cake'* or the *'market'*. There can be significant opportunities for small and medium sized VCOs to increase their proportion of the market.
- Competition should not simply be seen as splitting the *'cake'* between competitors, it should be seen as an important challenge that will increase the size of the overall *'cake'*.
- Marketing and strategy are two of the most important processes to consider when competing and collaborating.
- Marketing can be a helpful lens to help organisations feel more at ease with competition as it will permit them to consider it in terms of what will benefit their beneficiaries.
- Strategy can mean a number of things, the VCS often assumes it just means planning but it can also be helpful to think about strategy as a VCO's position in relation to other organisations:  
*'Plan, Ploy, Pattern, Position, Perspective'*
- Organisations must consider *'Where are you? (Your VCO.) Where are we? (The VCS)'* and the balance of where their organisation is on the scale of collaboration and competition.
- Different organisations are often both competing and collaborating at the same time. One part of an organisation may be competing with another organisation at the same time as another part of the organisation is collaborating with the same organisation. Competition can also take place within one organisation.
- All VCOs are competing for human resources – there is a *'war for talent'* between charities in terms of staff and volunteers.
- The VCS should see competing and collaborating together as a way of creating positive societal change for the future.

### See resource paper

'What does competition and collaboration mean in the VCS?'

by Dr Ian Williams for a more in depth discussion

[Follow this link to download online](#)

## **Choices have consequences. Collaboration: Strategic issues, processes and benefits.**

**John Pepin (Director, John Pepin Associates)**

### **Key points:**

- Organisations may compete on one level and collaborate on another
- **There are pressure on VCOs to collaborate due to:**
  - Desire to meet service user needs
  - Necessity of meeting funder needs
  - Pressure to create efficiencies
  - Enormous duplication
  - Different models of collaborative working – permanent, long-term, short-term, networking group
- **Advantages of collaborative working :**
  - Larger voice, more authority/power
  - Pool skills/access to specialist skills
  - Cost savings/increased income
  - Increased service quality/quantity
  - Creation of efficiencies
  - Defined outcomes and measures
- **Barriers to collaborative working:**
  - Lack of strategic context
  - Poor process and planning
  - Little risk management
  - Lack of review of organisational culture
  - Cost benefit analysis
  - Decision making process - slow/cumbersome/risk averse/wary of change
  - Control issues/competitiveness
- **When to collaborate – If it....**
  - Builds on your success
  - Enhances your current level of competition
  - Allows you to lead/maintain position in a changing marketplace
  - Helps you become more effective/efficient
  - Does not take energy away from core activities
  - Makes a meaningful difference

- **Joint ventures – Steps**
  1. Strategic decision to collaborate
  2. Identify organisational strengths/gaps
  3. Identify/segment markets addressing gaps
  4. Identify potential partners with similar mission/values/focus/strategic fit
  5. Post partnership activities – key to success
  6. Finalise business/project/change management/launch plans
  7. Communications plan
  8. Implement
  
- **A challenge** - Revenue sharing: Approximately 90% of charitable income rests with 2.5% of charities. Collaboration and collaborative competition will help the other 97.5%.

**See resource paper**

'Choices have consequences. Collaboration: Strategic Issues, Process and Benefits'

by John Pepin for a more in depth discussion

[Follow this link to download online](#)

## **Competition and collaboration as expressions of engagement**

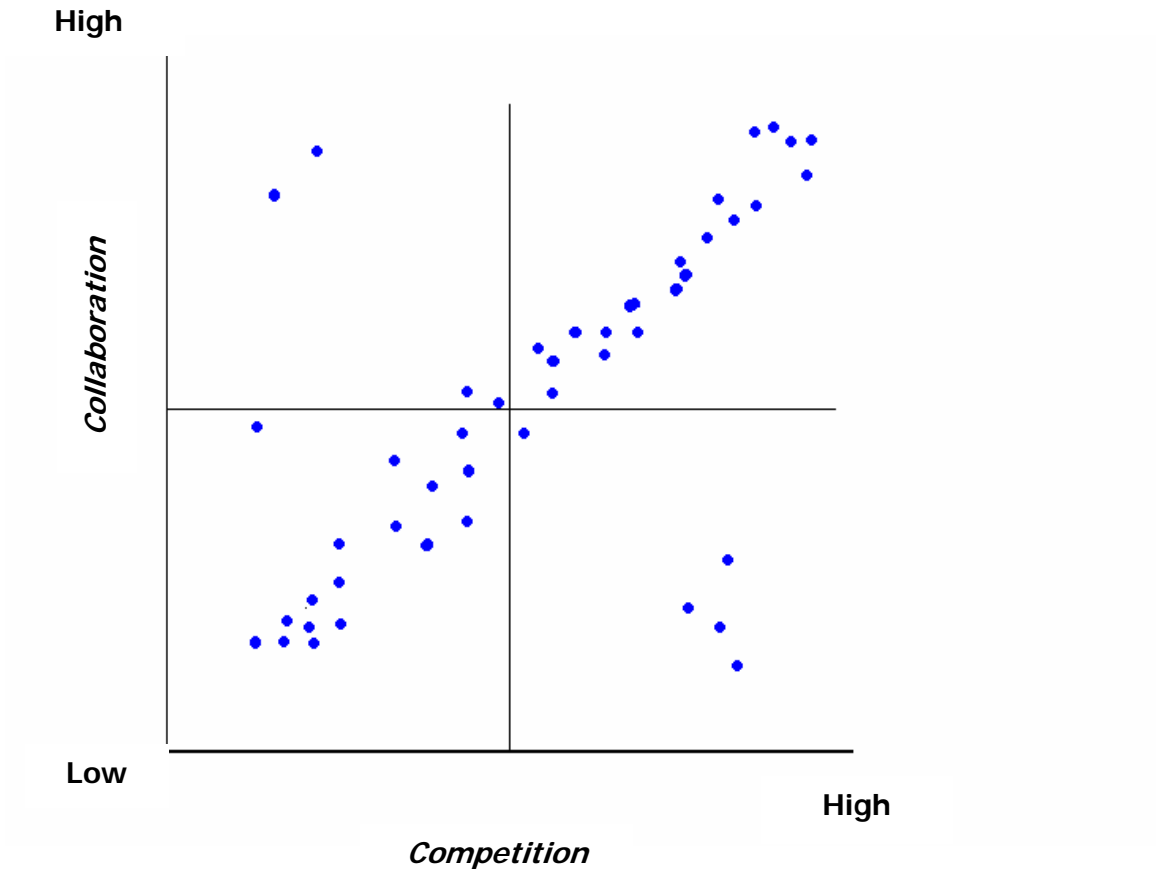
### **Dr Richard Piper (Joint Head of the Performance Hub, NCVO)**

Dr Richard Piper's PHD research conducted amongst charity shops revealed that the majority of organisations were highly competitive but were also collaborating. In addition, he found that they mostly had a loyalty to their organisation rather than the cause or subsector that their organisation worked for.

### **3 key points:**

1. Competition is human nature and is not associated with one particular sector.
2. The binary of collaboration/competition is not useful - they are not opposite ends of the spectrum.
3. Competition and collaboration are actually related to different expressions of **engagement** and the most engaged organisations are often the most effective organisations.

The chart below shows that the majority of organisations were both collaborating and competing. The most engaged organisations were those that were in the top right hand corner of the chart below, these organisations were both high competitors and collaborators and as a result the most successful and professional.



*Disclaimer: this chart is illustrative rather than an accurate representation of the research.*

## **Seminar Discussion**

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Discussion was centred on **three key questions:**

1. How do you make the strategic decisions about the type of relationship to develop with organisations working in the same field?
  2. What are the ethics and values that underpin our collaborative or competitive behaviour?
  3. How can you ensure collaboration and competition maximise your organisation's impact?
-

## **Issues and criteria to consider when making the strategic decision about the type of relationship to develop with other organisations**

- **Question the motivations of funders – is duplication their key concern?**

If funders are asking organisations to collaborate, it is important to question their motivations in order to understand their agenda as it may be driven by politics rather than the needs of beneficiaries. Avoiding duplication is often the key concern of funders as it raises concerns about value for money. However, in the private sector, duplication is not perceived negatively, it keeps everyone on their toes and the best wins; there is not this sort of thinking in the VCS. Duplication can offer choice; the Choice agenda is a strong priority for the government at the moment. However, it was suggested that as a sector, the VCS does not handle choice well.

- **Efficiency vs. a variety of providers**

There is a tension between these two ideas in relation to competition and collaboration: Efficiency - if there are fewer providers, there will be less duplication and in theory services will be more efficient. This model is favoured by local government and statutory services.

A variety of providers (letting a thousand flowers bloom) - duplication is not always negative; it can give users choice and create a variety of services. Effective organisations will flourish whilst less useful services will not be accessed or supported. There is value in both models, but there is a danger in failing to recognise that there are two different models. The VCS sometimes has a difficulty in seeing charities fold and will campaign to keep a service even if it is unsatisfactory. As a sector, the VCS needs to accept some bad things must go. However, the sector should be able to have both duplication and efficiency.

- **Competition or collaboration should be a strategic choice**

Some organisations are pushed into collaboration, which begs the question whether organisations can make a strategic decision to collaborate or whether the choice has been made for them? Does an organisation's collaborative behaviour vary according to whether it is pushed or it takes the decision itself? Some participants made a distinction between partnerships and collaboration, feeling that collaboration is often voluntary whereas partnerships can be compulsory. Organisations feel that they are able to work more constructively in voluntary collaboration, whereas they feel they that compulsory partnerships are less constructive as they often involve picking up somebody else's agenda. Organisations must ensure that when they decide to compete or collaborate, it is a strategic choice and they address relationships with other players at the planning stage.

- **Money vs. Mission**

Organisations should already be considering competition or collaboration when thinking about the future and their organisation's strategic objectives so that when they are approached by a funder, they already know whether it fits with their mission and can make a decision about whether they want the money. The result of making the strategic decision not to collaborate can be that organisation will not get funding.

- **Will collaboration add value to the organisation?**

Organisations must consider whether a collaboration will deliver what they want and if it is worth the time and effort they will have to put in? Values will be different for different organisations and for different stakeholders; this should come out through analysis. There should be different criteria for clients, trustees, staff, or it was suggested that a mixture of criteria can be very beneficial. Organisations can discover the needs and expectations of each stakeholder through undertaking a stakeholder analysis.

- **Retaining identity**

This point produced debates about potential disadvantages – loss of control, identity, potential loss of voice. The extent of these threats or benefits to an organisation's identity is often significantly dependent on its size.

- **Identity and retaining power and control in relationships with other players**

Power is a key consideration in collaboration. This is not necessarily about whether organisations have it all/or do not have it all but whether organisations have enough decision making power. Even if an organisation loses some of its staff or money, if it has power, ultimately, it has a lever that will allow it to have some control over its agenda. Most importantly, organisations need to think what they want to achieve and how this can change the balance of power away from funders; it involves being assertive and pro-active. It was suggested that the VCS likes to think it is always the victim. The balance of power in collaboration is not static; this can often be perceived as a risk as it becomes difficult for organisations to make decisions around the sustainability of power over time as it changes. Power in competition is about engagement and ultimately about performance.

- **The benefit of partnerships to long-term sustainability**

Collaboration can be about extending the sector - having a bigger cake, rather than just a slice of the cake. Ultimately, it can allow organisations to do more for service users. This will therefore give organisations more power, through more engagement with users. Power is often linked to the size of an organisation and financial resources. The fashionable concepts of community empowerment and double devolution are currently a strong driver; the VCS has always prided itself on its ability to engage successfully with users, therefore it should be able to use this to its advantage. The ability to deliver services collaboratively should be a strategic decision to do something better for end-

users that an organisation cannot do alone. This is a particularly important consideration for small organisations.

- **Cohesion - similar perspectives within organisations**

Personal relationships and trust were thought to be important ingredients for collaboration. Organisations need an understanding of the mechanics and values, in a due diligence sense. Prior to due diligence, they need an element of trust and knowledge of the other organisation that they are collaborating with. However, people move around within organisations so relationships need to be underpinned by formal written agreements. There needs to be some ownership between organisations, not just between two individuals or personalities; organisational buy-in is also very important. It is crucial at the beginning to be clear about the values that underpin a relationship so organisations can constantly come back to it when trying to resolve issues.

## **The ethics and values involved in collaborative and competitive behaviour**

### **Collaboration**

- **Shared vision and mission**

Ethics and values can be the 'show stoppers' of collaboration for small organisations when they do not have clearly espoused distinct values. It is important to define what the core-values of the organisation are. In the same way as when building a team or an organisation, when organisations are looking to collaborate, they need to ensure they share a vision and values. However, it can be a difficult negotiation process as organisations must know what their organisation's agenda is before the start and what they are prepared to compromise on. It was debated whether it is possible to have different outcomes in mind for different clients.

- **Surface the values**

Collaboration is a process of negotiation. People will compete within organisations about values, so organisations must decide whether they are talking about genuine organisational values or just values of the individuals involved. However, there is often a difficulty in deciding what these are internally, which can lead to internal competition. How organisations behave internally will affect how they behave externally.

- **Tension between equality and leadership**

Working in collaboration can often lead to a tension between the assumption that everyone should have an equal say and the need for strong leadership. Organisations need to be better at team building and listening to everybody; they need to have one

key person from each organisation who speaks on their behalf and also on behalf of the whole collaboration. However, this is not necessarily the right format for competition.

- **Small organisations**

The role of different sized organisation within a collaboration should be considered e.g. should collaborations build in the voice of small VCOs? The significant role that small organisations play in working close to individuals has been increasingly acknowledged across the sector, as a result large and small organisations are progressively working more together.

## **Competition**

- **Debates around ethical issues and myths around competition in the VCS**

Often small organisations say they are not interested in competing as they do not want to behave like that. It was debated whether this is a VCS myth; is competition not a VCS value? It was suggested that it is primarily an issue about how VCOs perceive themselves; there are some organisations who want to believe the VCS is good and totally ethical and who only collaborate, not compete. It was debated whether this is naive and unrealistic as actually a many VCOs compete and either they do not realise that they are (e.g. applying for funding applications), or they do not want to admit they are competing. Passion, innovation and entrepreneurship were seen to be particularly important characteristics for competition and it was suggested that only those who think they will win, want to compete. It was suggested that competition favours people that have an entrepreneurial idea that they want to put into practice and see rapid return on. If they want a slower return, collaboration might be better as it might involve a larger amount of team building.

- **Three types of competition**

It was suggested that there are three types of competition and identifying these three types can be a more effective approach than viewing competition and collaboration as binary opposites. Competition and collaboration do not have to be mutually exclusive; it is possible to do both. From a strategic point of view, this is helpful because it means organisations can morph themselves according to their context. Therefore competition and collaboration can be about strategic choices rather than core competencies.

- 1. Be the best**

This type of competition is not directly concerned with defeating others; rather it is about striving to deliver the best possible services and therefore be the most successful in a field. In this way, organisations often compete to ensure that their position is safe within their context; they respond to other organisations rather than acting aggressively.

- 2. Competing, but not deliberately**

By obtaining funding to deliver a particular service, other organisations lose by default. Organisations that do compete in this way do not necessarily call it competition but they believe that the model they offer is better than other organisations' models. It was suggested that, in fact, the majority of organisations are competing but do not realise they are. Competition is always a means to an end for any organisation working in a market place. VCOs compete all the time for funding applications, the basis of their work is competitive and perhaps even more than the private sector. It was suggested that applying for a grant/contract is not perceived as competition by VCOs as they are not aware of what anyone else is doing, it is just seen as a particular way of getting money. The best way for organisations to deliver a service is to be competitive and deliver a service well that they care passionately about and believe is better than everyone else's.

### **3. A deliberate decision to compete to take out others**

This type of competition can be perceived as aggressive. It was suggested that the VCS is actually more cunning than other sectors because it has a veneer of being friendly and not aggressive. Many organisations compete in this manner but they may not be open about it. VCOs will find themselves increasingly forced into this type of competition especially in terms of the public service delivery agenda.

- **Collaborating to compete**

The discussion rejected a neat opposition between collaboration and competition. Collaboration and competition are not always two distinct things; many organisations collaborate to compete. Some agencies are using competition as a driver of collaborative growth and giving out the message to other organisations that 'if you don't want to compete with us, then you have no choice but to collaborate with us.' This can be seen as way of building strategic collaborations. There is the risk that organisations will lose the incentive to compete as they are driven down the road of collaboration which may disadvantage the people that the VCS serves.

### **Key Recommendations:**

*The discussion identified a number of different recommendations to help voluntary and community organisations strategically maximise their impact through competition and collaboration:*

- **Focus on vision, mission and values**

This is what is your organisation is about and how will you make a difference, set aside what the funders want. Everyone needs to be clear about their vision and how they will achieve their mission – what do they want to achieve and how could this contribute to doing this better.

- **Do a strategic analysis**

Understand the environment in which you operate and the other players within it, and then clarify and be clear about what your organisation's own added value is.

- **Treat other organisations with respect**  
Always bear in mind that even if your organisation is competing with a certain organisation now, in the long-term it may be competing with them. The relationship that your organisation has now with other players will govern your future relationships with them.
- **Recommendation to funders**  
Funders should think through when and why they expect collaborative working. They should not force it and must leave enough time for the collaboration to develop if organisations have not necessarily chosen to work together. Funders should show the lead.
- **Get clarity of roles**  
Fully understand the nature of the collaboration in advance; partners need to be clear what the other organisation or funder is getting out of it.
- **Get qualitative measures against relationships**  
Know what relationships you want in advance and measure performance against it, which will enable you look at return on investment.
- **Understand other players**  
Who they are and what their strengths and weaknesses are - undertake a SWOT analysis on your competitors. This will help you understand the marketplace.
- **The importance of chemistry and culture**  
This depends on the organisations involved in the collaboration but the chemistry and culture of a collaboration is very important; each organisation has its own distinctive culture and this must be taken into account.
- **Collaboration can make the voice of the VCS heard**
- **Set up a competition working-group**  
There is very little known or done on competition in the VCS, it is something the sector does not like to tackle.
- **Share the learning about both competition and collaboration**

## **Further Reading**

- NCVO, Collaborative Working Unit, Practical Information and Advice (see in particular 'Should you collaborate? Key questions', and 'Joint Working Agreements')  
[www.ncvo-vol.org.uk/jointprojects](http://www.ncvo-vol.org.uk/jointprojects)
- NCVO, '1+1 =3; Does size really matter?'  
<http://www.ncvo-vol.org.uk/collaborativeworkingunit/index.asp?id=1286>
- Guidance from the Charity Commission for all charities who may be considering working in partnership or merging with other organisations

- <http://www.charity-commission.gov.uk/publications/cc34.asp>
- John Pepin Associates Ltd commissioned by BASSAC, (2005) 'Sharing without merging; A Review of Collaborative Working and sharing Back Office Support in the Voluntary and Community Sector'  
[http://www.bassac.org.uk/uploads/File/Collaborativefinal3%20\(2\).pdf](http://www.bassac.org.uk/uploads/File/Collaborativefinal3%20(2).pdf)
- Harrow and Bogdnova, Centre for Charity Effectiveness, Cass Business School, commissioned by BASSAC (2006) 'Sink or Swim; Towards a Twenty First Century Community Sector'  
[http://www.bassac.org.uk/uploads/File/SWiM\\_report.pdf](http://www.bassac.org.uk/uploads/File/SWiM_report.pdf)
- Bruce, I (2005) *Charity Marketing: Meeting Need Through Customer Focus*, ICSA Publishing
- Mattessich, P.W and Monsey, B.R (1992), *Collaboration: What Makes it Work: A Review of Research Literature on Factors Influencing Successful Collaboration*, Amherst Wilder Foundation
- Saxton, J, Burrows, D and Wolff-Ingham ,J (1996), *It's Competition, But Not As We Know It*, Arts Publishing International Ltd
- La Piana, David and Hayes, Michaela, *Play to Win: The Nonprofit Guide to Competitive Strategy*
- Williams, Ian, (2006), 'What do competition and collaboration mean in the VCS?' [Download as PDF \(395 kb\)](#)
- Pepin, John, (2006) Choices have consequences. Collaboration: Strategic issues, processes and benefits' [Download as PDF \(110 kb\)](#)

**Tools on strategy and planning:**

- Copeman, C et al (2004), Tools for Tomorrow – a practical guide to strategic planning for voluntary organisations. £35 (£24.50 NCVO members) from <http://www.ncvo-vol.org.uk/publications/showall.asp?id=1488>, particularly the following tools:
  - PEST
  - SWOT
  - Other Player Analysis
  - Stakeholder Analysis

**Appendix: Seminar Participants**

Iyabo Akinbolaji	Information Management Officer	Children's Society (The)
Eric Appleby	Performance Hub Chair	
Simon Berry	Chief Executive	Ruralnet UK
Simon Bottery	Head of Communications	Citizens Advice
Julie Christie	Director	Women and Health
Gareth Coles	Information Officer, CWU	NCVO

Billy Dann	National Programmes Manager	Church Urban Fund
Peter Dyer	Head of Organisational Development	Community Links Bromley
Jake Eliot	Development and Policy Officer	Performance Hub
Jacqui Finn	Partnership Manager	South London CVS Partnership
Cherry Furber	Developmental Manager for London and the South East	Shelter
Alison Gelder	Chief Executive	Housing Justice
Megan Griffith	Third Sector Foresight	NCVO
Alison Hannah	Director	Legal Action Group
Trevor Hazelgrove	Chief Executive	Salisbury and District CVS
Dave Hobday	Partnership Fundraising Manager	Rendezvous Project Merton Voluntary Service Council
Carol Holloway	Head of External Partnerships	Youth at Risk
Edwina Hughes	Senior Project Manager	Pilotlight
David Jones	Learning and Skills Manager	LVSC
Ian Joseph	Managing Director	HOPE worldwide
Veronica Karrinton	Head of Advice and Performance Improvement	Community Matters
Tom Kenward	Head of Activism	Friends of the Earth
Julie Kilner	Development Officer	West Sussex Voluntary Organisations Liaison Group
Catriona Lennox	Fundraising Director	Concern Universal
Ruth Light	VCS Services Manager	Northampton Volunteering Centre
Luke Mallett	Manager	Cambridge DHIVERSE
Paul Munim	Head of Business Development	Scope (Head Office)

Gillian Murray	Senior Project Manager	Pilotlight
Sue Newport	Director - Strategic Planning and Information Management	Sight Savers International
Liz Nyawade	Project Manager	Grace Project
Oonagh O'Farrell	Carers Centre Director	Haringey Carers Centre
John Pepin	Director	John Pepin and Associates
Richard Piper	Joint Hub manager	Performance Hub
Denise Poore	Regional Manager, East	National Childminding Association
Angela Rook	Special Projects Manager	Royal National Lifeboat Institution
George Ruston	Executive Director	Hope UK
Bryan Sheppard	Chief Executive	BID Services with Deaf People
Stella Smith	Services Development Consultant	RNIB
Catherina Tam	Chief Executive	Richmond Carers Centre
Lorraine von Gehlen	Artistic Director	Inspire
Lorna Wallace	Director	Basildon, Billericay, and Wickford Council for Voluntary Service
Ian Williams	Executive Director	Concern Universal
Natalie Williams	Research Assistant (Third Sector Foresight)	NCVO
Tim Wilson	Joint Manager - Performance Hub	Charities Evaluation Services