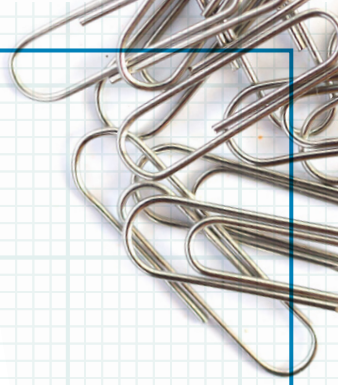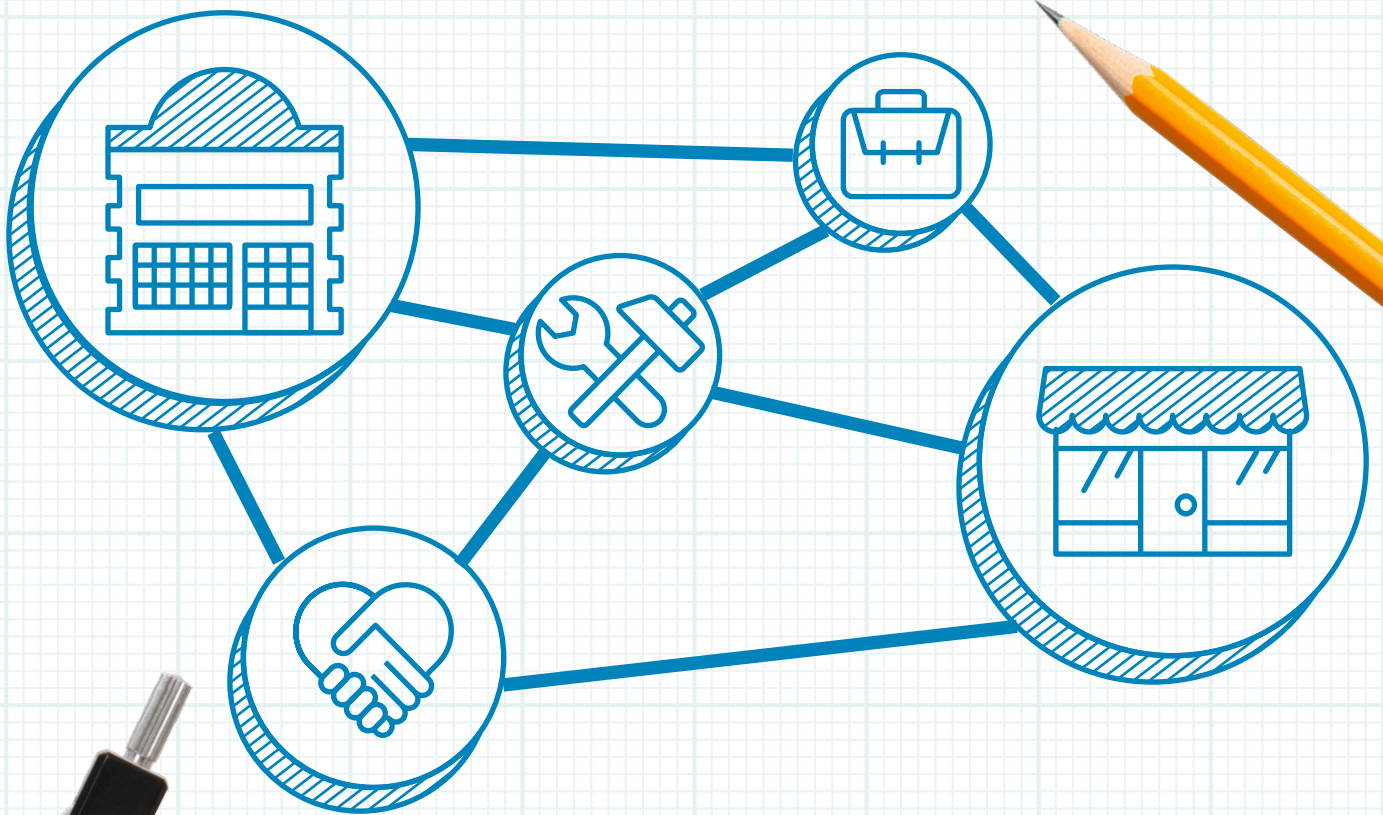power to change | business in community hands

Community business and collaboration

A report prepared for Power to Change

WRITTEN BY:
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About this working paper

This working paper was funded to begin exploring what evidence there was around Power to Change's place-based hypotheses. These are that community businesses are more successful when they collaborate with each other in their local area and that they are more resilient as a result. The English and international examples found as part of this research shed some light on these hypotheses.

About the authors

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Steve is an independent consultant and writer in the social sector. He is Chair of Community Links, Board member of Groundswell, co-founder of A Better Way, an associate of the Carnegie UK Trust, and a panel member of the independent Inquiry into the Future of Civil Society. In 2017 he published a history of community business (In Our Hands), commissioned by Power to Change.

From 2000 to 2014 Steve was Chief Executive of Locality (previously the Development Trusts Association), building a network of community organisations dedicated to community enterprise, community ownership, and social change. He was also a co-founder of Social Enterprise UK and its vice-Chair from 2001 to 2014. He was awarded an OBE in the 2011 New Year Honours List.

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Her previous experience includes being Director of Delivery and Learning at Locality, Head of Quality and Equality at Learning and Skills Improvement as well as roles in HR and learning and development for a range of organisations. Margaret is MCIPD qualified and a trained executive coach as well as a volunteer Enterprise Adviser, inspiring and preparing young people for the world of work.

Contents

1. Executive summary

This report sets out to test two Power to Change hypotheses, that community businesses which collaborate with each other in a local area are more successful and that those which share a common vision are more resilient.

1.1 Weak evidence base

The evidence base, both in this country and overseas, for the benefits or otherwise of place-based collaboration by community businesses is weak. While there is extensive literature on the theory and practice of collaboration, there are few studies which directly shed light on the Power to Change hypotheses. Studies of collaboration which include community businesses or similar agencies often offer a series of assertions, or attempts to describe or prescribe good practice, rather than a careful sifting of evidence.

1.2 Types of collaboration

Collaboration is widely practised by community businesses and a wide spectrum of informal and formal collaborative models are used. These include associative models (information sharing, networks), alliance models (strategic alliances, support agreements), consortia models (partnership agreements, joint ventures) and corporate models (group structures, full mergers).

Some collaborations involve only community businesses, some include other social sector organisations, and some also include organisations from across the public, private and social sector. Inter-agency collaboration is not the whole story: involvement of local people in designing and implementing collaborative activities can be significant.

Collaborative activities involving community businesses can be described as follows:

— Learning: exchanging knowledge, ideas, contacts

— Influencing: seeking collectively to change policy and practice

— Connecting: acting as community anchors and hubs

— Sharing: distributing funds, staff, skills, equipment, space

— Designing: co-designing services or products

— Market-building: joint promotion and sales, building social supply chains

— Bidding: partnerships to win contracts and grants or attract investment

— Delivering: joint implementation of projects and programmes

— Place-shaping: working together to develop social economy ecosystems

Generally, the objectives of collaborative activities are to reduce costs, win new business, attract finance or other resources, and grow a market or enhance impact. Often a combination of different activities and collaborative models are deployed in an effect to achieve these objectives.

1.3 Benefits of community business collaboration

Various benefits of collaboration have been identified. Overall, most collaborations are experienced as beneficial by those involved. However, in each case the arguments in favour of the benefits produced by collaboration can, at least in part, be offset by arguments against.

Financial resilience
- In favour: efficiencies and economies of scale, enhanced ability to attract finance and other resources, financial or in-kind subsidy.
- Against: costs involved in assembling partnerships, duplication of meetings and overheads.

Positioning and influence
- In favour: enhanced collective positioning, reputation and profile.
- Against: loss of individual power and brand, power imbalance within collaborative ventures.

Stronger market
- In favour: exchange of knowledge, skills, networks, reach and business development opportunities.
- Against: loss of distinctive intellectual capital.

Community impact
- In favour: greater efficacy in tackling big or complex problems.
- Against: loss of flexibility in working practices, complexity in decision-making.

We have not been able to find any evidence that specific collaborative activities are most likely to produce particular benefits: for example, that bidding consortia are the best route to stronger financial resilience, or that sharing of space and co-location is the strongest strategy to achieve enhanced community impacts. Rather it appears that many different types of collaborative activity singly and in combination can, directly or indirectly, produce such benefits.

1.4 Collaboration within context

Collaboration among community businesses does not happen in a neutral space. It is shaped by organisational histories, capabilities and cultures, as well as by the specific local context in which community businesses operate. This suggests that the process of building and supporting collaboration is more important than advancing specific models of collaboration.

1.5 Collaborative behaviours

The environment within which community businesses operate tends to encourage competitive rather than collaborative behaviour, and collaboration is easier talked about than practised.

The evidence suggests that collaborations, if they are to succeed, need to find ways to manage complex aspects of organisational behaviour, including trust, control and risk. Indeed, most community businesses operate on the basis of 'co-opetition' a term used to describe business behaviours which are a combination of competition and co-operation.

Collaborations between community businesses and other types of organisation, and indeed with local citizens as well, may be more important than collaborations between community businesses themselves. This is because successful and sustained collaboration requires shared goals, and this can be more important than organisational similarity.

It is often said, not least by community businesses themselves, that 'shared values' are essential for successful collaboration. While the hard evidence for this is poor, it seems clear that the behaviour of individuals in leadership roles (and this can extend beyond the CEO) is often instrumental in the success or failure of partnerships which include community businesses.

1.6 Fostering collaboration

Secondary structures and institutions can play a role in fostering and enhancing collaboration among community businesses and with others. These can include, for example:

— Community anchor and hub organisations

— Community business infrastructure

— Local authorities

Sometimes funders also seek to foster collaboration. The evidence suggests that this needs to be approached with considerable care as, where collaboration is felt to be a prerequisite for achieving funding, it can produce behaviour designed primarily to satisfy the funder. The evidence of the efficacy of providing targeted funding for particular types of collaborative activities, e.g. to help community businesses establish bidding consortia, shows a mixed picture of success and failure.

1.7 Conclusions and recommendations for Power to Change

1.7.1 Can the Power to Change hypotheses be substantiated?

Only partially, and as currently formulated they are problematic for a variety of reasons set out in the report (section 14).

1.7.2 Should the hypotheses be modified?

We suggest alternatives, for consideration by Power to Change, as follows:

– **Collaboration (1): community businesses which take the lead in collaborations with other agencies are able to improve their financial position because they can bid for bigger contracts and generate surpluses from them.**
  Example: a community business creates a consortium which includes other community businesses, training specialists and local employers, to bid for and deliver a youth employability programme, and generates surpluses from the contract.

– **Collaboration (2): community businesses which collaborate with local people and with other public, private and voluntary agencies are able to tackle complex community challenges more successfully because they can co-ordinate local efforts better.**
  Example: a community restaurant works with its customers, other local restaurants, retailers, schools and health services to increase efforts to encourage healthy eating and reduce obesity and diabetes in the local population.

– **Place-making: community businesses which have a strong vision for their community can bring neglected or underused resources into productive use, because they can work with others who share that vision.**
  Example: a community business sees potential for a creative industries quarter and works with local arts agencies, funders, schools, colleges and local residents to create pop-up galleries and take over and refurbish a redundant town hall: creating performance, training, and creative work spaces across the neighbourhood.

1.7.2 Should Power to Change consider funding policies which encourage collaborative behaviours, for example in its place-based work?

It would be a mistake to require service collaboration as a condition of grant, because this could well produce behaviours simply designed to satisfy the funder. But the following options could be considered:

— To require applicants for grants over (say) £10k to demonstrate that they have shared their proposal with at least two other community businesses locally or from elsewhere, and have taken account of feedback.

— To require applicants for grants of over (say) £10k to demonstrate that they are an active participant in a regional or national community business practice network.

— To ask applicants to explain how they have engaged with people in their local community in developing their proposal.

1.7.3 Should Power to Change commission more research into community business collaboration?

— Further in-depth research and/or mechanisms which require grantees to provide data on collaboration run the risk of placing additional burdens on community businesses, without necessarily yielding significant additional useful insight.

— However, as a first step, Power to Change itself could undertake a small piece of desk research to compare financial performance of grantees that engage in substantial collaborative activity and those that do not.

— The forthcoming Power to Change research on how local authority policy and practice helps or hinders community businesses, presents an opportunity to deepen understanding of how local authorities can foster collaboration among local community businesses and with others.

1.7.4 Are there other things that Power to Change could usefully do?

— There are many general guides on collaboration and a new one is not needed. But Power to Change may want to commission a simple tool to help community businesses assess for themselves how well they are performing in terms of collaboration.

— Power to Change could consider sponsoring an annual awards event for community business collaboration, and for citizen participation.

— Power to Change could discuss with community business infrastructure organisations what role it could play as a funder to help them foster useful collaboration across the sector.

2. Introduction

This report draws on the England, UK and international evidence base about business and social sector collaboration, in an attempt to throw light on the different forms of collaboration which may be available to community businesses, the potential benefits (or disbenefits) of collaborative activity, and to identify the organisational behaviours and systems of funding and other support that can foster useful collaboration. In particular this study aims to test two hypotheses set out by Power to Change:

> **Collaboration: community businesses that collaborate with others in the local area are more successful because they can drive down costs through collective bargaining, mutual support and the ability to negotiate up and down their supply chains.** For example, a community business that works with others nearby to negotiate the transfer of multiple assets from the local authority.

> **Resilience: community businesses that share a common vision with others in the local area are less reliant on local and central government support because assets and surpluses can be used to cross-subsidise otherwise non-viable activities.** For example, a community energy business that generates a consistent surplus and commits a proportion of this to a community benefit fund which in turn supports a community library and café.

It should be noted that the evidence base, both in this country and overseas, for the benefits of place-based collaboration by community businesses is weak. While there is extensive literature on the theory and practice of collaboration in the business sector and, to a lesser degree, in the charity sector, there are few studies which directly shed light on Power to Change hypotheses.

Studies about organisational collaboration at a local level have tended to focus on related but different themes, for example on the relationships between:

– commercial businesses locally

– social enterprises and commercial businesses

– social enterprises and the public sector in the delivery of public services

– those involved in multi-sector regeneration and economic development partnerships.

And many of these studies offer a series of assertions, or attempts to describe or prescribe good practice, rather than a careful sifting of evidence.

3. Models of collaboration

A variety of collaborative models have been described among businesses and among social sector organisations, or indeed across both, and various terms are used to describe the different models (e.g. Charity Commission, 2009:12–13, Hache *et al.*, 2016:6, Joy *et al.*, 2018:13). Sometimes collaborative behaviours can lead to a blurring of boundaries between organisations (e.g. sharing staff, placing people on the management boards of partner organisations, group structures) and can act as a precursor to the merging of organisations. The community business collaboration spectrum could be described as follows:

Associate models	Alliance models	Consortia models	Corporate models
Information sharing	**Strategic alliances**	**Partnership agreements**	**Group structures**
Networks	**Support agreements**	**Joint ventures**	**Mergers**
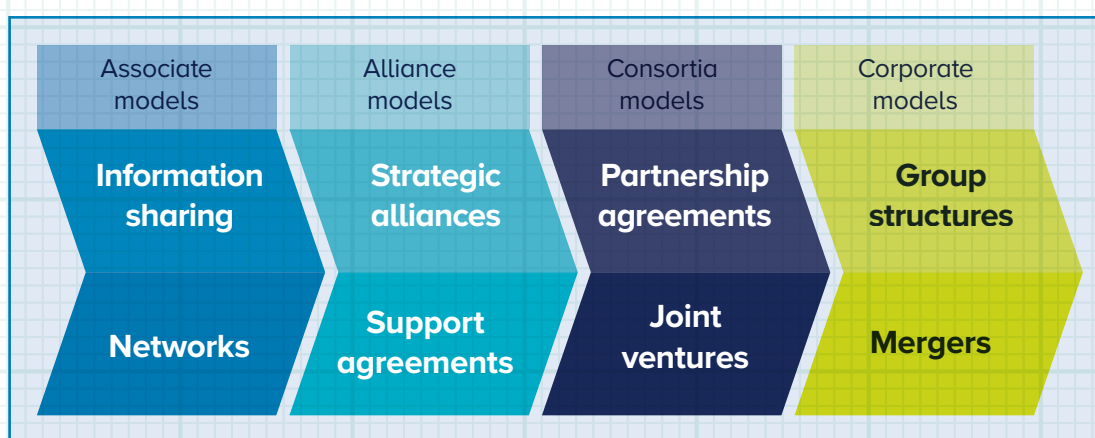
Associative models

– **Information sharing.** This takes the form of ad-hoc and unstructured exchange of ideas, experience, opportunities and so on. It can become the foundation for more formal types of collaboration.

– **Networks.** These include local, regional or national networks. Membership of networks will often involve other organisations beyond community businesses, and many will operate according to particular fields or specialisms. Networks vary greatly in their level of formality and expectation: some practise strict entry criteria, others are open to all; some may require membership fees and others charge nothing; some promote an active give/get culture, while others expect little in return from participants. (See section 12.1 for the main community business networks in England.)

Alliance models

– **Strategic alliances.** These involve an agreement, not necessarily formalised, between organisations to work together for a particular objective. In the small charity sector 41% of strategic alliances are between two organisations only (Broomhead *et al.*, 2016:7).
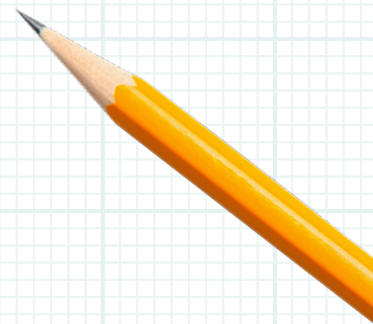
– **Support agreements.** This is where one organisation makes back office support, space, finance or other resources available to other organisations. At community level it is often a community anchor organisation or community hub which provides this type of support. It is interesting to note that a recent study found no examples where large/national charities were providing such services for community organisations (Joy *et al.*, 2018:22).

Consortia models

– **Partnership agreements.** These are formal agreements, often to deliver a funded service, where normally one organisation takes a lead role and is the accountable body to the funder.

– **Joint ventures.** This is where two or more organisations set up a special purpose vehicle to bid for funds and/or deliver a joint activity or programme, and where both profits and losses are shared.

Corporate models

– **Group structures and mergers.** Mergers involve the acquisition of one organisation by another or, more rarely, the creation of a wholly new organisation. In the case of group structures, the subsidiary (the organisation which has been acquired) will retain a degree of identity and operational autonomy, but the 'parent' organisation will usually establish certain management requirements and will retain a reserve power to take full control if necessary. In a full merger the organisation which has been acquired will be subsumed into the operations of the host organisation, often losing its distinctive identity.

The case studies in the separate case study Appendix document illustrate several of these models:

Alliance models	Strategic alliances	Gibside Community Farm, LS14, Buurtbuik, Tea Leaf Trust
	Support agreements	Glendale Gateway Trust, Westway Trust
Consortia models	Partnership agreements	ARISE Yorkshire Ltd, Glendale Gateway Trust, Library of Things
	Joint ventures	Leeds Community Spaces, ARISE Yorkshire Ltd, Consorzio Copernico
Corporate models	Group structures and mergers	Cooperativa Integral Catalana, Tea Leaf Trust

4. Extent of collaboration

Collaboration, in all its forms, is a widespread activity. In one study, 58% of US non-profits engaged in associative collaborations in the previous three years and 78% in consortia collaborations involving joint delivery of programmes (Neuhoff *et al.*, 2014:5). A survey of small charities in the UK found that 66% engage in some form of collaboration (Broomhead *et al.*, 2016:3). The extent of collaboration among community businesses in England is not known, but it is possible that this would follow a broadly similar pattern.

Not surprisingly, informal models of collaboration are far more prevalent than formal models. Only a quarter (26%) of small charities enter into an agreement for the purposes of the collaboration (Charity Commission, 2011:5). Generally, there is a view that trust and relationships are more important than written agreements: "The better [personal relationships] are, the more effective the working… policies don't mean much" (quoted in Cairns, 2011:23). Among small charities, of those which engage in collaboration:

98% are part of a networking group.

80% of these network with organisations in the same field, but only 47% with the business community (Broomhead *et al.*, 2016:5–6).

39% are part of a strategic alliance.

Strategic alliances can be for different purposes: delivery of direct services (72%), policy (26%) and marketing (19%). Only 54% of these have any written agreement (usually a Memorandum of Understanding) to support the strategic alliance. Not all strategic alliances are critical for core business: more than half (56%) of small charities reported that the strategic alliance related to less than 10% of their services (Broomhead *et al.*, 2016:7).

25% are in a formal partnership

and 63% of these were said to be created to better meet beneficiary needs, although financial benefits were also significant drivers (Broomhead *et al.*, 2016:3).

6% engage in a joint venture.

The most common benefit reported is greater financial reward (Broomhead *et al.*, 2016:4).

5. Participants in collaboration

In the context of community business, some collaborations primarily involve community businesses, some include other social sector organisations, and some also include organisations from across the public, private and social sector.

Local collaborations which only involve community businesses appear to be much less frequent. While there are no studies that address the reasons for this, it is possible that competitive tensions may play a part. Information exchange and networking activities do take place exclusively among community businesses but usually beyond a local area: the competitive element is less likely to arise between community businesses from Sunderland and Southampton, for example. As two of the case studies (Leeds Community Spaces and ARISE Yorkshire Ltd) in the separate case study Appendix show, there are examples of community businesses collaborating exclusively for local bidding purposes, although these appear to be exceptional and many local bidding consortia will include other organisations as well. Moreover, many collaborative activities, such as place-shaping, connecting and influencing, usually require collaborations beyond community businesses alone.
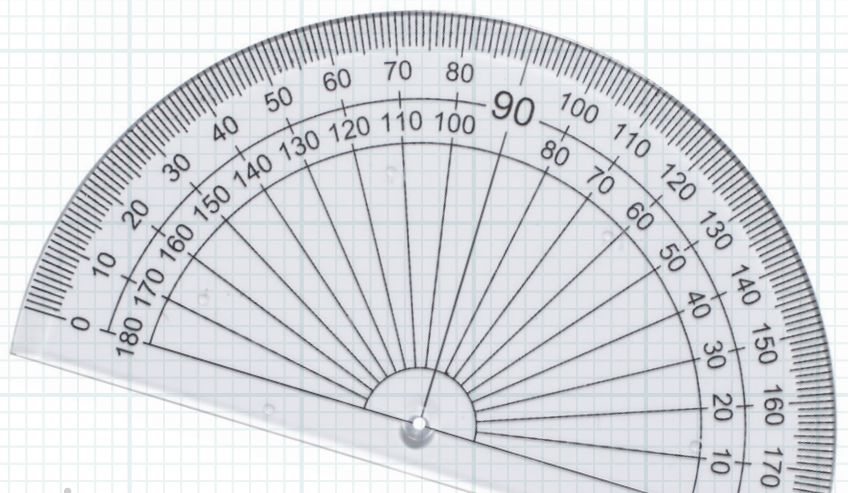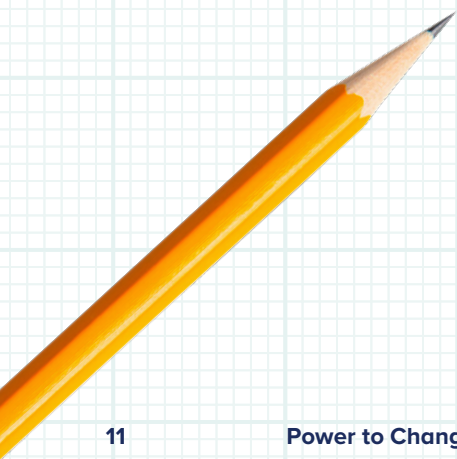
In the co-operative sector overseas, well-established local co-operatives often engage in collaborative activities, for the purposes of (for example) joint purchasing, marketing, attracting grants and investment, or sharing resources, and are supported in this by secondary co-operatives operating over a district or region (see for example the information around Consorzio Copernico in the accompanying case study Appendix). Similar structures to support district or regional co-operative collaboration did exist in England in the past (Wyler, 2017:76–77, 156–157), but were aggregated over time into national operations.

This does raise the possibility that in future if community businesses were to become a much more prevalent and visible part of the social and economic landscape, with a strong common identity and a greater ability to achieve trading success and social impact without necessarily having to engage with other public and private agencies, then the rationale for them to band together for mutual advantage might increase. However, the international and historical experiences suggest that, even then, the forms of collaboration might eventually gravitate towards regional and national structures, rather than structures centred on local places.

It should also be noted that inter-agency collaboration is not the whole story: involvement of local people in designing and implementing collaborative activities can also be significant, as demonstrated in several case studies in the accompanying case study Appendix (notably the LS14 Trust).

Examples of the various types of participation in collaboration can be found in the accompanying case study Appendix:

Collaborations between community businesses primarily

Glendale Gateway Trust

Leeds Community Spaces

ARISE Yorkshire Ltd

Consorzio Copernico

Tea Leaf Trust

Collaborations between community businesses and other social sector organisations

Gibside Community Farm

Library of Things

ARISE Yorkshire Ltd

Westway Trust

Cooperativa Integral Catalana

Collaborations between community businesses and other social, public and private organisations

Glendale Gateway Trust

Leeds Community Spaces

LS14 Trust

Westway Trust

Buurtbuik

Tea Leaf Trust

Significant involvement of local people in the collaborative process

Glendale Gateway Trust

LS14 Trust

Library of Things

Westway Trust

Cooperativa Integral Catalana

6. Collaborative activities

In practice, collaborative activities which involve community businesses are likely to include the following:

– **Learning:** exchanging knowledge, ideas, contacts

– **Influencing:** seeking collectively to change policy and practice

– **Connecting:** acting as community anchors and hubs

– **Sharing:** distributing funds, staff, skills, equipment, space

– **Designing:** co-designing services or products

– **Market-building:** joint promotion and sales, building social supply chains

– **Bidding:** partnerships to win contracts and grants or attract investment

– **Delivering:** joint implementation of projects and programmes

– **Place-shaping:** working together to develop social economy ecosystems

Some of the models of collaboration described in section 3 above are well-suited to particular activities. For example, consortia models (partnership agreements and joint ventures) are usually the vehicles for bidding to win contracts and grants or attract investment, and for delivering project and programme partnerships.
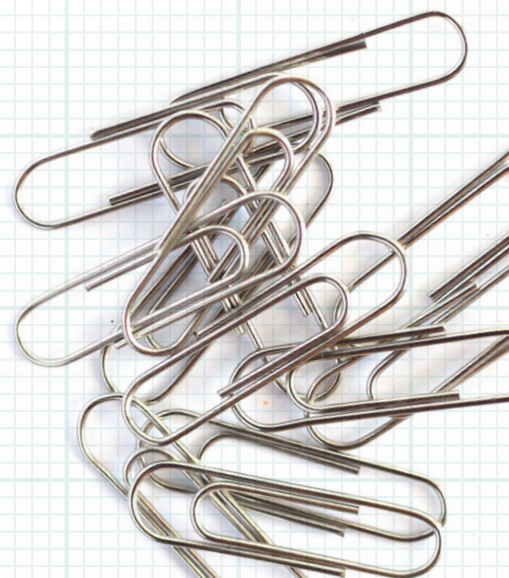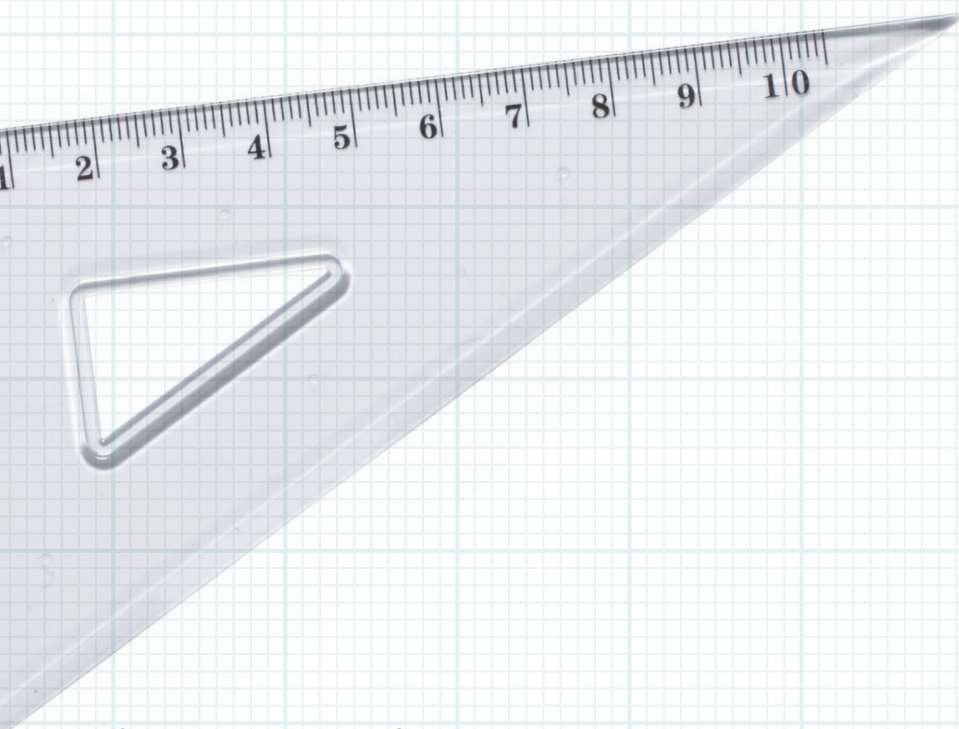
It is rarely the case that collaborations involve only one of these activities. The extent to which collaborations involve multiple activities is illustrated by the case studies in the accompanying case study Appendix:

	Learning	Influencing	Connecting	Sharing	Designing	Market-building	Bidding	Delivering	Place-shaping
Gibside Community Farm	■			■		■			
Glendale Gateway Trust	■		■	■			■	■	■
Leeds Community Spaces	■	■	■		■	■	■	■	
LS14 Trust Leeds	■	■	■	■	■	■		■	■
Library of Things	■		■	■		■	■	■	■
ARISE Yorkshire Ltd	■		■		■	■	■	■	■
Westway Trust	■	■		■	■	■		■	■
Buurtbuik Amsterdam		■	■	■	■	■		■	■
Cooperativa Integral Catalana	■	■	■		■		■	■	■
Consorzio Copernico				■		■	■	■	■
Tea Leaf Trust	■	■	■		■	■			
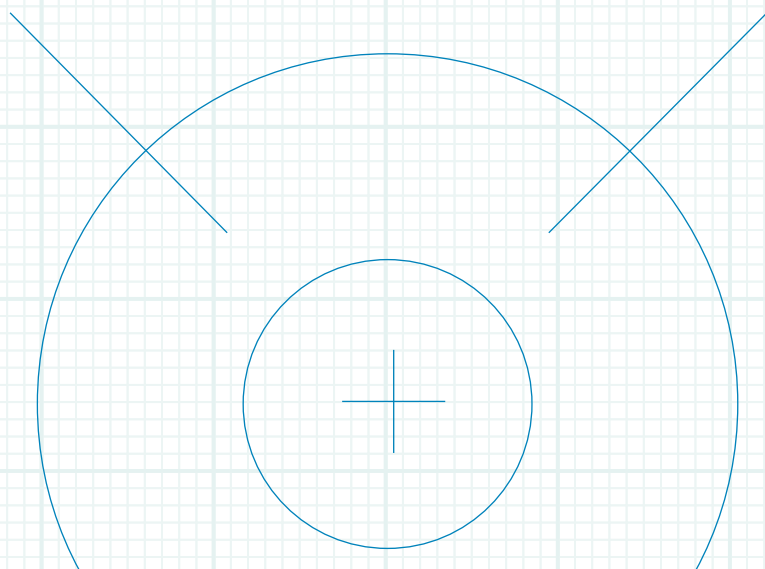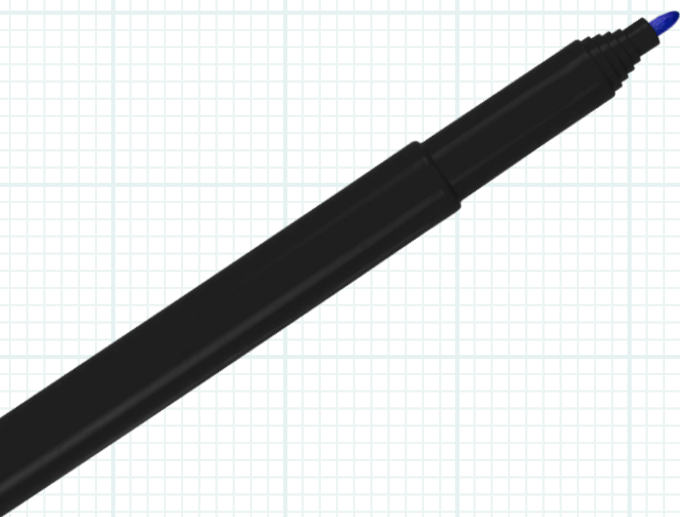
7. Collaborative objectives

The objectives of collaborations can be distinguished as follows:

— reduce costs

— win new business

— attract finance or other resources

— grow a market

— enhance impact.

Often a combination of different activities and collaborative models are deployed in an effect to achieve these objectives.

7.1 Collaborations to reduce costs

Cost reduction strategies may include: lower supply chain costs resulting from enhanced purchasing power; lower running costs obtained by sharing staff or combining back-office services, and reducing the need to invest in new skills or functionality, by working with an organisation which already has these.

— **Bronx Frontier Development Corporation, USA.** Community businesses can sometimes spot opportunities for collaboration in unlikely places. For example, in the 1980s the Bronx Frontier Development Corporation set up urban spice farms as an employment project in low income neighbourhoods, selling spice to cruise ships, motels, and hotels. It needed fertiliser to grow the spice and realised that there was a potential local supplier of free fertiliser: the Bronx Zoo. By taking the animal manure, it could save the zoo $25,000 a year in waste disposal. Moreover, it could compost and sterilise the waste, and market it as Zoo Doo for at-home gardeners. Top department store Bloomingdales bought 30,000 bags. (See Steckel, 2004:151–2).

— **Restore, Oxfordshire.** Mental health charity Restore works in Oxfordshire to get people into employment. It realised that many people it worked with need help to access in-work benefits. Instead of investing money and management time into ensuring it had staff who knew the complex benefits system, a more efficient option was to collaborate with an (unnamed) specialist organisation (Kail and Abercrombie, 2013:16,19).

— **Gibside Community Farm, North East England.** The community farm collaborates with others locally to access storage and transport facilities in exchange for use of land, thereby reducing costs and enhancing productivity for all concerned (see case study in the separate Appendix).

7.2 Collaborations to win new business, attract finance or other resources

A common strategy for community businesses, and others, is to establish consortia for the purposes of bidding for and winning public sector contracts:

Consortia can provide a contract-ready supply chain by bringing together diverse organisations that can play different roles in delivery and specialise in a range of services
(Hache *et al.*, 2016:7).

Consortia-building in the social sector has become more widespread in recent years with the tendency towards fewer but larger-scale public sector contracts.

– **Accept Partnership, Islington, London.** When London Borough of Islington commissioned its mental health services, it was clear that it was not prepared to offer small contracts. Four mental health charities joined together to form the Accept Partnership and won the contract. Individually they would have been unable to access that opportunity' (Kail and Abercrombie, 2013:15).

– **The Leeds Community Spaces Consortium and the Arise consortium in Bradford,** involving ARISE Yorkshire Ltd and others, are two rare examples of relatively successful bidding consortia involving community businesses. The first has negotiated transfer of assets from the local authority into community hands, and the second has attracted finance including funds for a community-led housing scheme. (See case studies in the separate Appendix.)

In practice, consortia are rarely partnerships of equals, as usually one organisation takes the lead or 'prime' role, and the others act as subcontractors. In some cases, the prime contract is not a local organisation, but rather a regional or national charity or private sector corporate, and this can produce additional inequalities and tensions. Few consortia established for the purpose of bidding for contracts last long; of five examples highlighted by the Charity Commission only one appears still to be operating actively (Charity Commission, 2011:25-30).
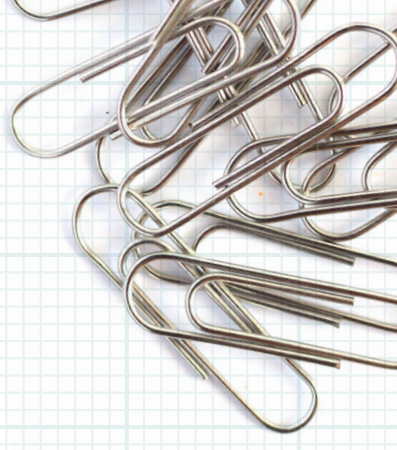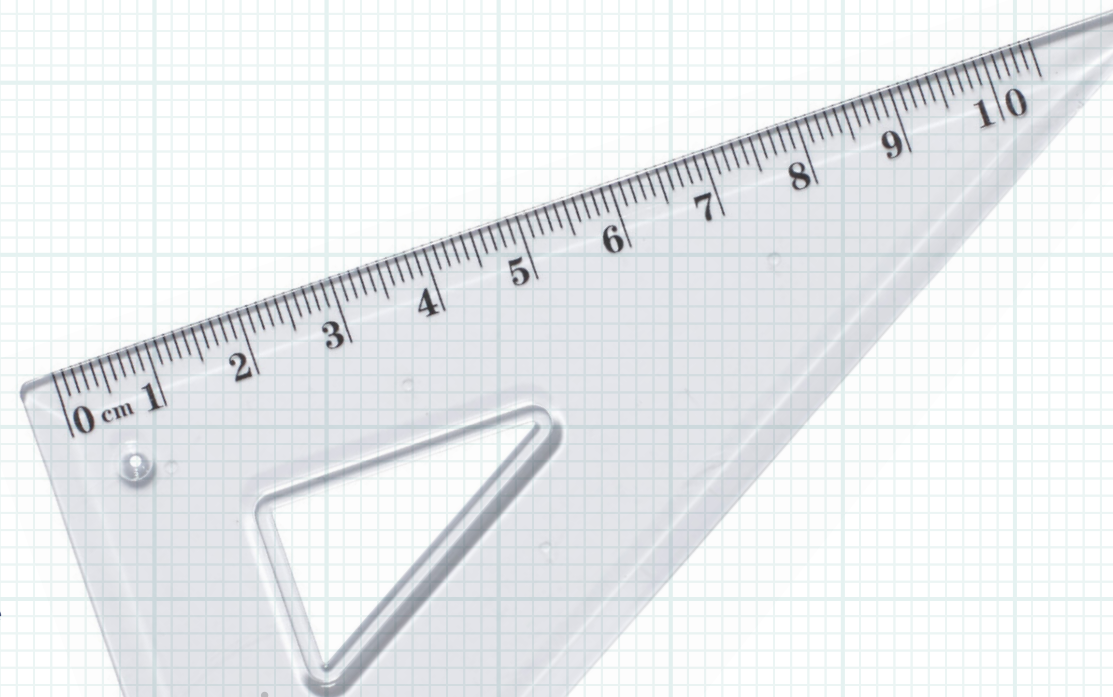
7.3 Collaborations to enhance impact

As community businesses broadly share a common purpose and usually have complementary values, they can be willing to share knowledge and skills through discussion groups and other forms of network activity, and sometimes resources as well, in the interests of achieving a bigger combined impact. This can extend to new product development, social innovation, joint marketing, subsidy of other organisations and also to alliances capable of influencing policymakers and investors.

Networks and alliances for this purpose which principally involve community businesses are not usually local; they are much more likely to be regional or national. This is in part because community businesses operating in different localities are far less likely to be in competition with each other. Organisations like Locality and the Plunkett Foundation or Co-ops UK have had considerable success in creating opportunity for community businesses across the country to share 'know-how' on, for example, how to transfer assets into community ownership, how to establish a community shop, or how to manage a community share issue.
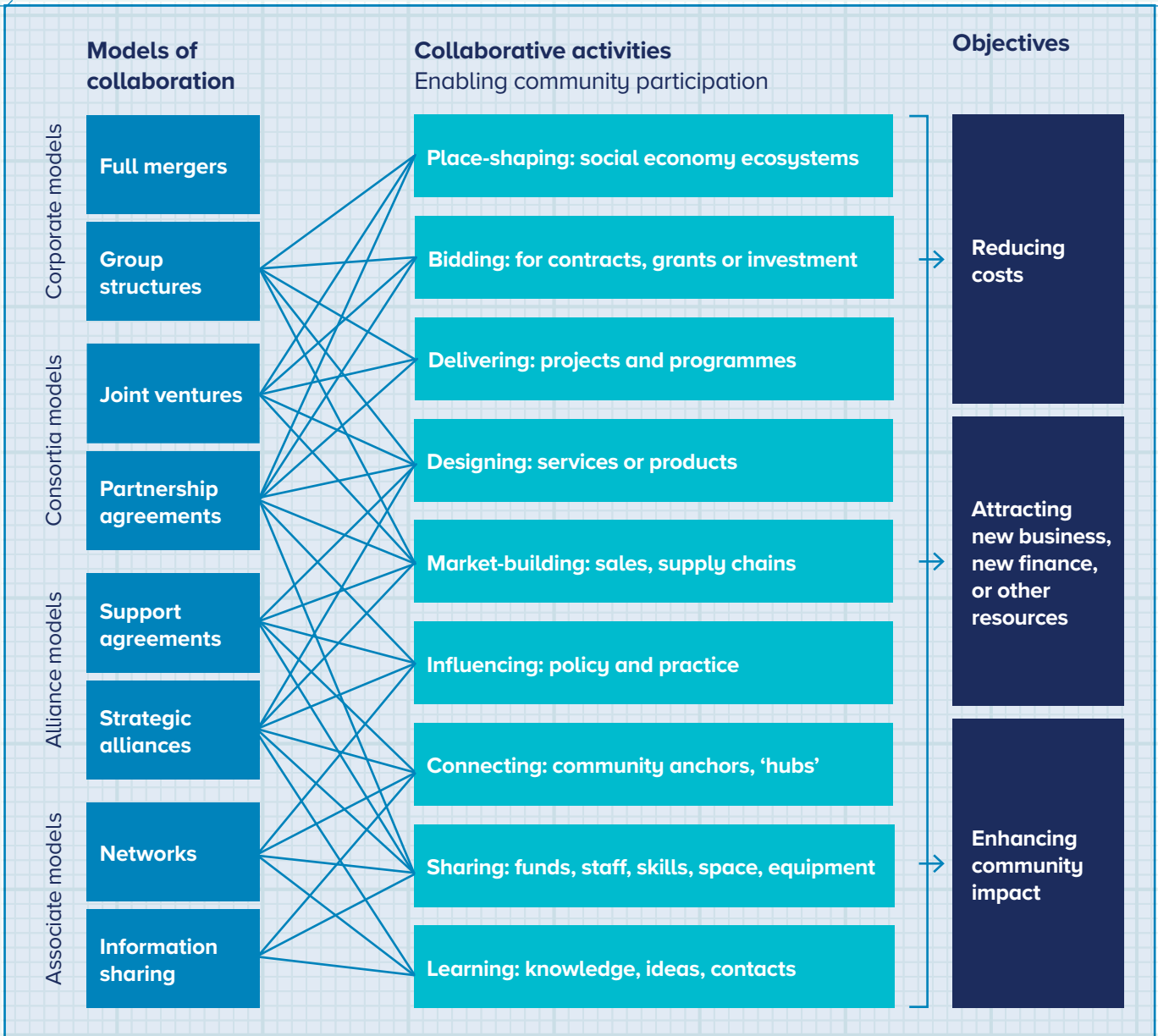
At a local level, collaboration designed to enhance impact will usually involve community businesses working with many other local agencies, and will take a wide variety of forms:

–**The Westway Trust,** operating in North Kensington, London has substantial income-generating assets. It is able to provide subsidised rents for social sector tenants and draw on operating surpluses to provide grants to local organisations. The value of such support amounted to £400,000 in 2016/17 (Westway Trust, 2017:10 and see case study in the separate Appendix).

– **The Kindling Trust** operates in Manchester, working for a just and ecologically sustainable society. It is part of a group structure (the Fairfield Environment Trust is the head charity and the Kindling Trust along with Fairfield Recycling and Bridge 5 Mill are wholly-owned subsidiaries). Since its foundation in 2007 it has established and supported a series of initiatives, many of which have gone on to flourish as independent agencies but which are still informally connected. They include co-operative organic food enterprises (Veg Box People and Manchester Veg People), an urban horticulture hub (Woodbank Nursery), training programmes in organic growing (Commercial Growers Course), new farmer incubation (FarmStart), network-building for the sustainable food movement (Feeding Manchester and Feeding Stockport), lobbying for better quality and climate-friendly food policy in the city-region (Sustainable Food Vision) and providing volunteering opportunities in organic food production (Land Army).

– **Multi agency co-operative models** have been developed in some other countries to a more significant extent than in England. In some cases, as in Italy, this has been supported by legislation and practice which favours certain types of local social organisations in public sector procurement. One example is Consorzio Copernico in Piedmont, where six co-operative businesses, supported by a secondary co-operative, collaborate to enhance their business operations and their community impact (see information in the separate case study Appendix).

– The following are examples of citywide social economy alliances (with public sector engagement) designed to bring about social and economic improvements (Vickers *et al.*, 2017:35):

– **Cleveland:** Evergreen Co-operatives links philanthropy, government and support to seed community worker co-ops in disadvantaged areas, and assist their creation and scaling through procurement.

– **Warsaw/Krakow:** the Academy of Social Economy (Krakow) integrates marginalised people and communities through multi-sectoral partnerships to support social enterprise development.

– **Barcelona:** creative and cultural development initiatives combined with multi-stakeholder governance which includes local people in poorer areas; this aims to democratise gentrification tendencies (e.g. in Nou Barris).

– **Lille:** Recode is a multi-sector partnership that helps retrain industrial workers to the service sector according to local labour market needs.

– **Bologna:** Incredibol is a multi-sector partnership (public/private, social economy), supported by the city and region to develop cultural and creative industries.

8. Towards a typology of community business collaboration

Taking account of the various models of collaboration, the activities and the objectives as described above, the following is proposed as a typology of community business collaboration:

Models of collaboration

Collaborative activities
Enabling community participation

Objectives

Corporate models

- Full mergers
- Group structures

Consortia models

- Joint ventures
- Partnership agreements

Alliance models

- Support agreements
- Strategic alliances

Associate models

- Networks
- Information sharing

Collaborative activities:
- Place-shaping: social economy ecosystems
- Bidding: for contracts, grants or investment
- Delivering: projects and programmes
- Designing: services or products
- Market-building: sales, supply chains
- Influencing: policy and practice
- Connecting: community anchors, 'hubs'
- Sharing: funds, staff, skills, space, equipment
- Learning: knowledge, ideas, contacts

Objectives:
- Reducing costs
- Attracting new business, new finance, or other resources
- Enhancing community impact

# 9. Benefits of collaboration for community businesses

Generally, collaboration is said to be a good thing. The majority of collaborations (over 70%) are regarded by participants as successful (Neuhoff et al., 2014:6). In England, 82% of small charities with experience of collaboration reported that experience to be successful and 29% very successful (Charity Commission, 2011:5). But the extent and duration of success is often questionable. The following assertions have been made about the specific benefits of collaboration among social organisations (including community businesses) and in each case the arguments in favour of the benefits produced by collaboration can at least in part be offset by arguments against. Where evidence is available this is noted, but often these and similar assertions are unsupported by evidence.

9.1 Collaboration produces financial resilience

– **In favour: efficiencies and economies of scale, enhanced ability to attract finance and other resources, financial or in-kind subsidy.**

– **Against: costs involved in assembling partnerships, duplication of meetings and overheads.**

It is often claimed that collaboration between organisations can improve their financial situation, and while there is evidence for this it is not overwhelming. In the US it is claimed that 52% of non-profit collaborations result in financial savings and 47% result in fund development (increased income or investment) (Hirsch). In the UK, 34% of small charities working in a formal partnership or consortium believe this increases their sustainability, and just over half (51%) reported some form of cost saving, such as staff costs (12%), direct programme costs (11%) and direct programme salaries (6%). Where small charities have stated that savings have been made, the median saving amount was £9,500 per annum. Also, 62% of small charities believe that funders 'potentially favour' collaborative partnerships (Broomhead *et al.*, 2016:10–11). Moreover, 75% of participants on programmes run by the School for Social Entrepreneurs, which include highly structured collaborative learning opportunities, agreed or strongly agreed that the programmes contributed to greater financial stability. Although it is not clear how much of this is attributable to the quality of collaboration, to the learning content, or to the small grants which accompany these programmes.

While some savings or increases to trading or other types of income are sometimes achievable as the result of collaboration, the collaborations can themselves be costly, and these costs are not always taken into account when savings are claimed.
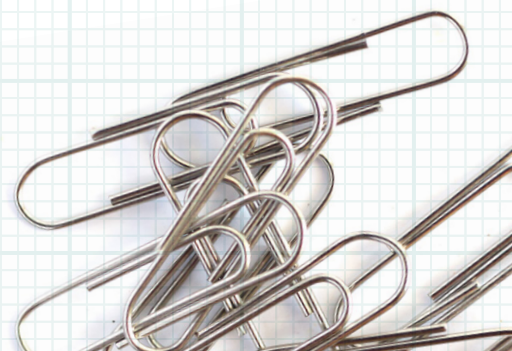
'Sometimes there may be efficiencies and economies of scale, but often there may not. There are likely to be costs involved in putting the partnership together, duplication of meetings between organisations, and duplication of overheads'
(Kail and Abercrombie, 2013:20).

'Experience shows again and again that [collaborations] are a poor strategy for reducing costs' (Ostrower, 2005). Consortium formation 'requires significant investment of time and resources for an uncertain return' (Baker and Cairns, 2011:2). One-third of small charities encounter difficulties with their collaboration and, of these, 68% are cases where the collaborative activity involved joint bidding for contacts
(Charity Commission, 2010:21).

There is evidence that collaborations which emerge through co-location can sometimes produce financial benefits:

— Members of the Impact Hub worldwide network (which offers shared workspace for social entrepreneurs, some of which will be community businesses) reported an annual average revenue growth of 34%, and this increased to 48% for those participating in business support programmes offered by the Impacts Hubs (Impact Hub, 2018:19). However, it is not clear whether these growth results are produced by collaborative activities or by other factors.

— CAN Mezzanine which also offers shared workspace for social sector organisations, mainly in London, reported that 18% of tenant organisations achieved cost savings or increased income as a result of collaboration (Bright Red Dot Foundation, 2017).

9.2 Collaboration produces more influence

> – **In favour: enhanced collective positioning, reputation and profile.**
>
> – **Against: loss of individual power and brand, power imbalance within collaborative ventures.**

It has been claimed that non-profits have considerably more power to influence funding trends, the context for non-profit enterprises, complex community issues and development challenges, when they band together (Connolly, 2004:27). 34% of small UK charities report that formal partnerships improve the evidence of impact to beneficiaries, and 44% believe that government/local authorities favour charities working in partnership or in consortia (Broomhead, 2016:10-11).

– Independent evaluation of collaborative action learning programmes run by the School for Social Entrepreneurs, where community businesses and similar organisations come together in small cohorts of ten or twenty organisations, showed that 74% of participants attracted new customers or clients, 65% developed new products and services, and 40% diversified into new markets.

– The Rotherham Children, Young People and Families (C&YP) Consortium was set up in 2003 and comprises more than 30 voluntary sector providers of services to children, young people and families in Rotherham, including community businesses. One member commented: 'The main reason I want to be part of the Consortium is to ensure that the voluntary sector has a voice and influence within the C&YP services. This is noticeably lacking in other authorities and I believe that this is because of the structure of and availability of this Consortium' (Charity Commission, 2009:26)). For example, the C&YP worked with the Rotherham Clinical Commissioning Group to increase the voice of children and young people in the design of mental health services, and the C&YP has established a 'Different But Equal' board to achieve a systematic inclusion of the voice of young people in service design (CYP&F Consortium, 2018, Rotherham Clinical Commissioning Group, 2018).

However, collaboration can also lead to a loss of influence, as a result of reputational damage, a weakening of brand identity, dominance by one partner, or a combination of these. For example, where financial control is exerted by one party, 'power is exerted through explicit threats of applying sanctions such as ending a contract or damaging the reputation of a subcontracting organisation' (Lyon, 2010:13). Multi-purpose community sector organisations in particular can find it difficult to work with other voluntary and community agencies: one study found that they struggle 'with trying to preserve their organisational culture, ways of working and particular message' and quotes an (unnamed) multi-purpose community organisation saying 'We have to position ourselves, carve out a niche, protect what we've got, expand where we can' (Cairns, 2011:21).

9.3 Collaboration produces a stronger operating market

– **In favour: exchange of knowledge, skills, networks, reach and business development opportunities.**

– **Against: loss of distinctive intellectual capital.**

Agglomeration of social enterprises in a local area is said to:
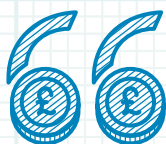
enable access to demand for social enterprise goods and services together with institutional support, funding and commercial contracts, as well as access to both formal and informal networks that can provide a wide range of knowledge and mutual support (Pinch and Sunley, 2016).

Networks are important for business development: 78% of small charities which are part of a network report that the network helps increase knowledge of opportunities available for the charity (Broomhead *et al.*, 2016:5–6).

– CAN Mezzanine reported that 72% of its tenant organisations share information and 33% found new business contacts (Bright Red Dot Foundation, 2017:5).

The Charity Commission found that among small charities there was a fear that collaboration may lead competitors to steal their ideas and that this is 'particularly an issue where the smallest charities are competing for the same resources' (Charity Commission, 2010:22). Whether or not such fears are grounded is another matter, and there is a lack of evidence on this question.

9.4 Collaboration produces enhanced community impact

– **In favour: greater efficacy in tackling big or complex problems.**

– **Against: loss of flexibility in working practices, complexity in decision-making.**

The collective impact model is gaining ground; this is an approach that calls for multiple organisations or entities from different sectors to abandon their own agenda in favour of a common agenda, shared measurement and alignment of effort (Kania and Kramer, 2011). Community collaborations are not always successful and can fail due to a combination of factors, such as loss of flexibility in working practices, complexity in decision-making, dilution of brand and reputation. However, the evidence does suggest that when organisations decide

to work together to pool their resources and activities in order to tackle a big or complex problem, they can sometimes achieve more. A US study of non-profit collaboration claimed that 23% of collaborations result in a previously unmet community need being addressed, 14% produce greater coordination of services (less overlap, duplication, fragmentation) and 11% produce improved quality of programs and services (Hirsch). A UK study of small charities found that of those working in formal partnership/consortium, 63% felt they improved their ability to meet the needs of a shared beneficiary group, and almost half (44%) reported that they were reaching more beneficiaries (Broomhead *et al.*, 2016:10-11). A study by the Kings Funds found that partnership working at community level was 'often key to an outreach approach, with charities sometimes supporting core services in engaging 'hard-to-reach' populations' (Gilburt *et al.*, 2017:24).

– LS14, a community business in Seacroft in Leeds, established a 'digital lounge' which is delivered in partnership with local businesses. This scheme offers digital inclusion skills to older people and to some of the most isolated in the community, helping them to stay connected with friends and families. The digital lounge is also open to everyone in the community, including unemployed people, who can develop new skills, get help with CV-writing and application forms, build their interview skills and look for jobs. (See case study in the separate Appendix.)

– Thames Reach, a London homelessness charity, did not have any direct experience of working with Irish travellers, but recognised that they were a disadvantaged group needing help. By partnering with a small organisation working with the Irish community in Lewisham, Thames Reach improved the available services (Kail and Abercrombie, 2013:14).

– The West London Zone adopts a collective impact approach. It aims to connect West London's 'rich ecology of local social assets to deliver better outcomes for children' and works with multiple local partners including schools, voluntary organisations and community businesses. It found in an early pilot that 32% of the children it worked with 'reduced their risk factors' during the course of the pilot. It also found preliminary evidence that the average rate of improvement in mental wellbeing among the children supported through the West London Zone model was double the rate of their peers (West London Zone, 2016:16).

It is clear therefore that collaborations which include community businesses can produce positive benefits of several types, but also that significant benefits cannot be assured in all or even perhaps in most cases. We have not found evidence that specific collaborative activities are most likely to produce particular benefits: for example, that bidding consortia are the best route to stronger financial resilience or that sharing of space and co-location is the strongest strategy to achieve enhanced community impacts. Rather, it appears that many different types of collaborative activity singly and in combination can at least potentially produce, directly or indirectly, the range of benefits described above.

10. Collaboration and systems change

It has been suggested that collaboration by social sector organisations and others can shape the social and economic conditions of a place. In other words, collaboration which involves community businesses, alongside other social economy actors, can lead to something beyond the immediate functional benefits for a group of individual organisations, to reduce operating costs, or attract project funding – a systemic shift in how complex problems are addressed at local level.

– **Impact networks.** This term was used by New Philanthropy Capital and Impetus Trust to refer to a 'range of activities provided by different organisations leading to a positive outcome'. The idea is similar to the private sector 'value chain' (i.e. a chain of specialist organisations that must work together to produce complex products), but it is claimed that thinking in terms of impact networks can 'help charities to ensure their decisions around collaboration are made with results for beneficiaries in mind'. One example was the Peterborough Social Impact Bond pilot where organisations collaborated on their work with the same group of people, helping them at different stages of their rehabilitation journey (Kail and Abercrombie, 2013).

– **Social economy ecosystems.** A social economy ecosystem operates beyond atomistic social economy organisations to networks and collaborations, horizontal and vertical. This implies local collaborations between community businesses and other social enterprise organisations, between new and established players, as well as 'often fruitful collaborations' between sub-sectors of the social economy. The Cooperativa Integral Catalana is an example of community businesses operating within a group structure and also as autonomous or semi-autonomous bodies, to engage in high levels of co-operation in an effort to model and practice an alternative social and economic ecosystem (see information in the separate case study Appendix). It has, however, been suggested that to be fully effective a social economy ecosystem needs to operate at multiple levels: national/institutional, inter-organisational coalitions and project partnerships (Vickers *et al.*, 2017:37).

– **Community wealth-building.** Community wealth-building initiatives have flourished in the United States, such as the CASE programme in Chicago and in Albuquerque, New Mexico, driven by collaborations among municipal authorities, universities and colleges, community development finance institutions, business incubators in the poorest districts, consumer co-operatives, urban farms, community land trusts, etc. (RSA, 2016). In the UK, Preston Council has adopted a similar model working across the public sector and housing associations to increase spending on local goods and services, strengthening local businesses and creating local jobs. From 2013 to 2017, local procurement in Preston rose from £38m to £111m (Chakrabortty, 2018).
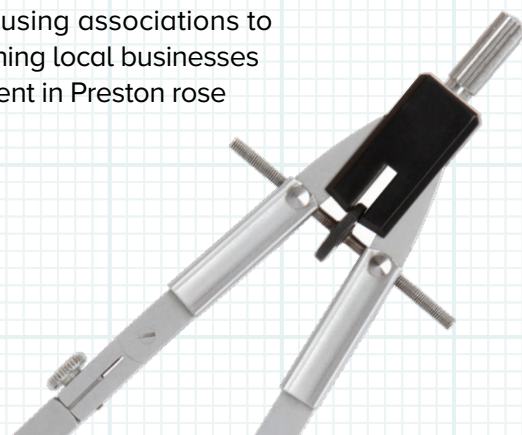
The Commission on the Future of Localism called for 'a relational approach to localism' and pointed to the change in culture and behaviour of communities, local councils and local authorities which will be required to achieve this:
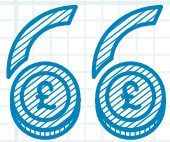
Resetting the relationship between these actors requires recognising that people and communities (both in terms of informal activities and community action, as well as formalised community organisations and governance) are equal actors as place-shapers alongside elected local leaders
(Locality, 2018:23).

However, the Commission also warned that collaborative approaches need to involve groups representing communities of interest, otherwise 'there is a risk that these approaches can end up reinforcing disengagement' (Locality, 2018:23). Indeed, successive attempts to build cross-sector partnerships at local level to bring about economic and social improvements have failed to win the confidence of communities of interest, not least black and ethnic minority communities:

Black and minority ethnic voluntary and community organisations felt they were marginal to local policy debates. They were mainly used by mainstream and statutory agencies to deliver the latter's goals and targets rather than being fully involved in strategic policy discussion; most felt also that they had little access to senior policy-makers or politicians
(Joseph Rowntree Foundation, 2002: 1).
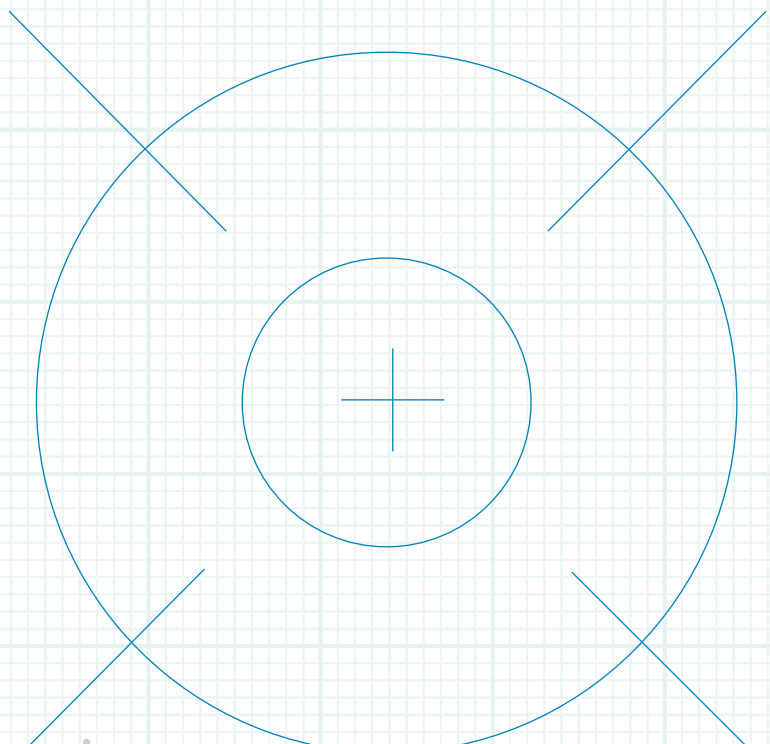
11. Collaboration and context

Collaboration among community businesses is not something that happens in a neutral space. It is shaped by the organisational histories of the community businesses, their capabilities and cultures, as well as by the specific local context in which they operate: the challenges and opportunities arising from the demography, economy and social conditions of the communities they work in; the financial and other resources available; the behaviours of other agencies and institutions operating in the area, and so on.

Therefore, it may be more important to understand the process of building co-operation rather than trying to describe the model types of co-operative forms (Lyon, 2010:14), because collaborative models which succeed in one context are unlikely to be directly transferable to another.
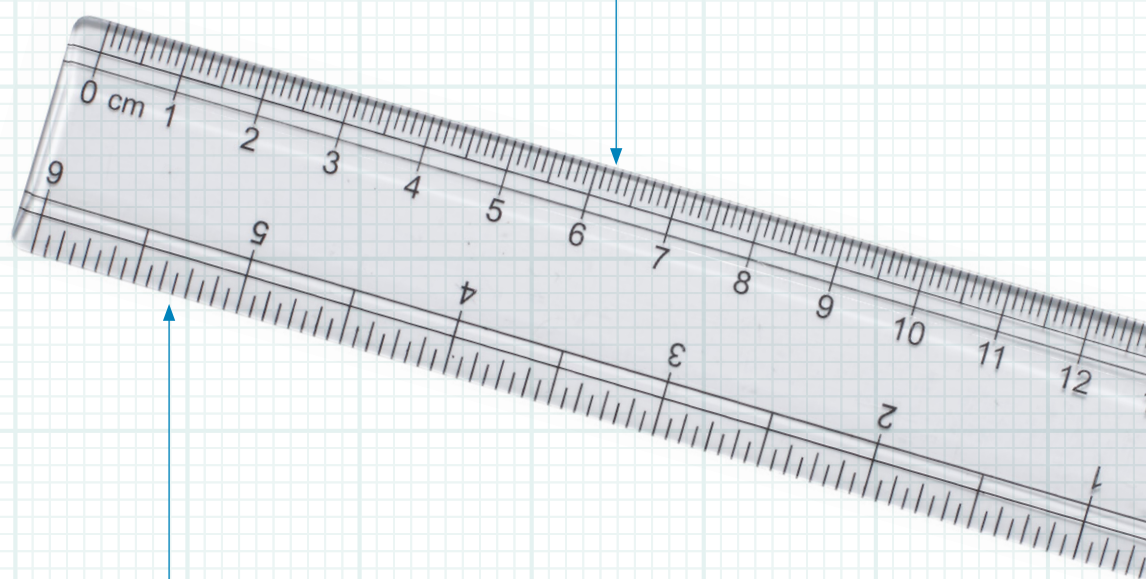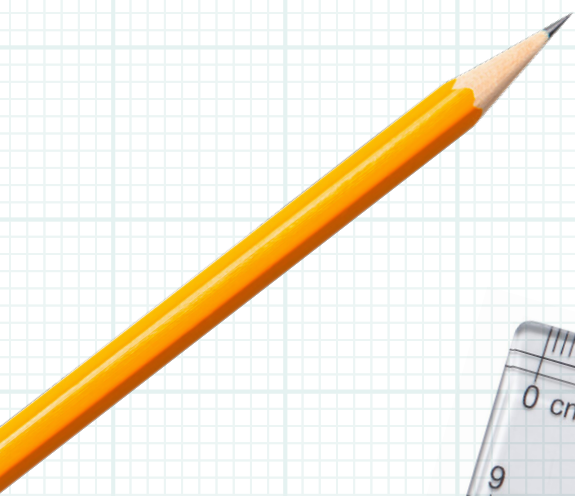
12. Collaborative behaviours

Collaboration is more easily talked about than practised, especially in a context where public funding is receding, where organisations may be struggling for survival, where there are multiple undercurrents of hostility and suspicion arising from real and perceived inequalities, and where powerful local institutions are unwilling to relinquish their power. It is not surprising that so often partnership at community level is described as 'the suppression of mutual loathing in the pursuit of public funding'.

Nor are the difficulties of collaboration only experienced by the smaller or weaker participants, and those in a leading role who have to be accountable to funders can also feel the strain. As the Braunstone Foundation, a community business in Leicester, recollected: 'A partnership we led had seven partners, but during its life span there were 13 organisations and we had to park some who were not delivering targets' (Broomhead *et al.*, 2016:18).

A US study of collaboration by non-profits identified the five main barriers they experienced were identifying potential partners, defining partner relationships and roles, cultural integration, costs of collaboration, concerns about risk (Neuhoff *et al.*, 2014:12). In the UK, small charities reported that poor leadership, planning and communication were the most likely reasons for collaboration failure (Charity Commission, 2011:5).

Common success factors for collaboration are said by the Charity Commission to include the quality of the pre-existing relationship (55%) and compatibility of the organisations' aims, values and mission (52%) (Charity Commission, 2011:5). The evidence also suggests that collaborations, if they are to succeed, need to find ways to manage complex aspects of organisational behaviour:

– **Trust.** This cannot be taken for granted, is easily jeopardised and usually emerges over time from active inquiry and experience. Trust has been defined as an expectation of the behaviour of others, based either on personal relationships, or on the knowledge that there are institutions that can ensure or enforce expected behaviour. It has been noted however that this is not the same thing as blind acceptance, and often emerges over time from active inquiry and experience. It has also been pointed out that trust behaviours can arise from conscious calculations of vulnerability, risks and rewards, or from more instinctive and impulsive assessments or habits of action (Lyon, 2010:5).

– **Control.** In most forms of collaboration, a power imbalance is present. Collaboration does not arise solely through the desire to act reciprocally. In most cases there is likely to be an element of coercion into action by the sanctions and controls of others, producing a 'duality of trust and control' with blurred boundaries and each assuming the existence of the other (Lyon, 2010:6).

– **Risk.** Collaborative behaviours require a willingness to embrace vulnerability, including potential for reputational damage or loss of market position. For example, in one case study:
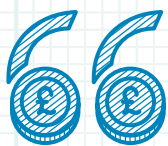
> *support providers ... felt that they were exposing themselves to risk when sharing information on funding sources or when admitting their own weaknesses in front of other organisations*
>
> (Lyon, 2010:11).

Clearly collaboration is not necessarily the best strategy, in all circumstances, and in some cases it can be better to go it alone, or only to engage in collaboration where certain essential conditions can be achieved.

> *Partnering is warranted, when two or more organisations have complementary missions, when they can bring different resources to the table, and when those resources are crucial for achieving the objective. Partnering may also be warranted when an objective can only be achieved through collective action and when the partners are truly committed to the objective*
>
> (Ostrower, 2005).

Most community businesses operate on the basis of 'co-opetition', a term used since the 1980s to describe business behaviours which are a combination of competition and co-operation. Co-opetition can typically take place when companies that are in the same market work together in the exploration of knowledge and research of new products, but at the same time they compete for market-share of their products and in the exploitation of the knowledge created (Gnyawali and Park, 2009, Nalebuff and Brandenburger, 1996).

However, collaborations between community businesses and other types of organisation, and indeed with local citizens as well, may be more important than collaborations between community businesses themselves. This is because successful and sustained collaboration requires shared goals, and this can be more important than organisational similarity.

It is often said, not least by community businesses themselves, that 'shared values' are essential for successful collaboration. However, the evidence for this is poor, the relevant values are rarely defined or even discussed, and it may be more convenient to blame breakdowns in collaboration on a lack of shared values than on other factors. Having said that, the behaviour of individuals in leadership roles is often instrumental in the success or failure of partnerships involving community businesses. Success can rely on leaders who understand that 'collaboration, and the generosity of spirit that is vital to enable collaboration to work, is essential to maximise our respective impacts' (Lewis, 2016). Moreover, at community level, the leadership necessary for collaboration is usually shared, rather than residing in a single individual. Small voluntary organisations 'often rely on a small group of committed well-networked individuals (volunteers, trustees, and staff) who wield considerable influence within the organisation and beyond' (McGovern, 2014, Jacklin-Jarvis *et al.*, 2018:7).

13. Fostering collaboration

Secondary structures and institutions can play a role in fostering and enhancing collaboration among community businesses. These can include:

13.1 Local, regional and national infrastructure

Community anchor and hub organisations

These can be community businesses in their own right, or other multi-purpose community development agencies, rooted in a local area. Typically, they provide a space for community businesses and others to come together, build connectivity and co-operation, but many also work beyond a single building base right across their community to foster collaboration.

— There are many successful examples of community anchor organisations across England. These include: the Selby Trust, Bootstrap Enterprises, Westway Trust (see the separate case study Appendix) in London; Hebden Bridge Town Hall, Halifax Opportunities Trust, the Goodwin Centre in Yorkshire; Blackburne House, the Alt Valley Trust in the North West, and so on. They are often members of the Locality network.

— CAN Mezzanine provides incubator space for community businesses and other social enterprises at locations in London. It runs a CAN club which offers monthly Hackathons with other club members, to focus on live operational challenges (Bright Red Dot Foundation, 2017).

— Impact Hubs: there are 100 Impact Hubs in 50 countries worldwide, including examples in Birmingham and London, offering a shared workspace for social entrepreneurs. The Impact Hub movement has built collaborations with large NGOs and corporations such as WWF. Its 2018 global impact report shows that its members' top support needs were 'feeling part of a larger community and network' (84%) and partnering and collaborating with other members (72%) (Impact Hub, 2018:17).

Community business infrastructure

At national level, the primary infrastructure organisations for community businesses are Locality, which supports all types of community business but especially those which are multi-function, and which hosts a variety of regional and other community business networks; the Plunkett Foundation, which operates in rural areas and has built expertise in community shops and pubs; and Co-ops UK which promotes and supports co-operative models and also hosts the Community Shares Unit.

Sector specific infrastructure organisations include:

– Association of British Credit Unions Limited
– Association of Community Theatres
– Association of Community Transport
– Association of Independent Museums
– CAMRA (pubs)
– Cohousing Network
– Community Energy England
– Community Land Trust Network
– Community Managed Libraries Network
– Confederation of Co-operative Housing Ltd (CCH)
– Renewable Energy Association
– Schools Co-operative Society
– Supporters Direct
– UK Credit Unions Limited (UKCU)
– Working Men's Club and Institute Limited (CIU)

Other notable infrastructure organisations which support community businesses, as part of their wider role, include the School for Social Entrepreneurs, UnLtd and Social Enterprise UK.

Community business networks are operating in some, but not all, regions in England. The Northumberland Federation of Northumberland Development Trusts (FONDT) was set up in 2002, supported by Locality. It provides networking and skills exchange opportunities for its members and is a vehicle for promoting community businesses to public bodies and funders.

Community business networking is exceptionally well developed in Scotland. There are over 300 members of DTAS (Development Trusts Association Scotland) which arranges a variety of network activities with its members and with others. There are 18 local social enterprise networks, including the Glasgow Social Enterprise Network, Edinburgh Social Enterprise, and others in Aberdeen, Aberdeenshire, Argyll and Bute, Borders, Dundee, East Lothian, Falkirk, Fife, Inverclyde, Moray, North Ayrshire, Perth & Kinross, Renfrewshire, South Ayrshire, Stirlingshire, West Lothian. Scotland-wide thematic networks include the Community Food Social Enterprise Network, Cultural and Creative Social Enterprise Network, Employability Social Enterprise Network, Health Social Enterprise Network, Sport Social Enterprise Network, and Tourism Social Enterprise Network. These are supported and co-ordinated by Senscot, whose purpose is to establish and maintain a national support network for community activists and their social enterprises.

Several factors may have contributed to the high level of community business networking in Scotland: the existence of well-functioning support agencies such as Senscot and DTAS, effective funding policies from the Scottish government, the Big Lottery Fund, and Highlands and Islands Enterprise, all of which have been prepared to invest long-term in the support infrastructure, as well as a strong sense of national and local identity and the personal connectivity which is easier to foster in a smaller population (despite the challenges of a dispersed geography).

13.2 Public bodies and regulators

A common thread running through public policy for the voluntary and community sector, since the publication of the Treasury's 2002 Cross-Cutting Review, has been the idea of collaborative working between voluntary and community organisations as a means of achieving greater efficiency, effectiveness and impact (Baker and Cairns, 2011:7).

Government funding to encourage collaboration has not always produced happy outcomes as far as the participating agencies are concerned. There is a long history of place-based regeneration (City Challenge, Single Regeneration Budget, etc.) with multi-agency partnerships required in order to access funding, and bidding consortia assembled with no experience of working together. In such cases the consortia tend to be led by one party, with other partners acting as sub-contractors (Lyon, 2010: 11). The primary financial benefits often accrue to the lead or 'prime' contractors (which in recent years are usually large national companies or charities with no local base or long-term allegiance).

However, local authorities have at times played a role in stimulating collaborations among community businesses as a means of growing a local social economy. For example, in 2004 Sheffield City Council adopted a policy for the expansion of opportunities for social enterprises through public procurement and planning policies and funded a social enterprise development agency, the Sheffield Community Economic Development Unit (SCEDU), although like others of its kind, this is no longer operating.

Preferential local procurement, whereby public authorities seek to contract with local suppliers, can certainly grow the market for community businesses. Within the European context this practice has until recent years been more evident outside the UK. For example, in the early 1990s Italian social co-ops had a preferential procurement arrangement with municipalities. This was contested as a breach of EU competition law, but the Italian municipalities were able to develop an approach acceptable to EU regulations whereby they specified tenders for contracts from organisations to meet specific social requirements to employ a minimum number of disadvantaged people (Spear, 2008:45). Consequently, in many parts of Italy a collaborative social infrastructure was developed, including secondary cooperatives whose role was to help local co-ops come together to take advantage of the procurement opportunities.

In the UK there is increasing recognition that, at a local level, social sector organisations (including community businesses) can help public agencies meet their service design and delivery challenges, and that a more collaborative approach could be helpful. Local Compacts designed to foster collaboration between the voluntary sector and public bodies were first drawn up in 1998 and are still in place in many areas (Ventress, 2014:5). However, investment in community capacity is not regarded as a priority when awarding a contract and there is rarely interaction with community-based organisations before contracts are awarded (Lucas and Carr West, 2017:3, 4). Moreover, without investment in collaboration, the public sector is in effect externalising the costs: 'there are currently many collaborations designed to shift costs of managing multiple relationships from commissioners to charities, which charities are expected to accept' (Kail and Abercrombie, 2013:20). So, while there are a few instances of procurement approaches which encourage collaboration, such as alliance commissioning, and there is some policy interest in designing collaborative models which can 'commission for complexity' (Knight *et al.*, 2017), the general practice is not conducive to fostering collaboration.

Regulators are likely to encourage but not require collaborative activities.

> *Collaboration can lead to improved organisational effectiveness, reduced duplication, better use of resources and more value for money, all of which enable the charity to better help its beneficiaries. Trustees should consider frequently whether there are any aspects of their work that can be better delivered in partnership with others* (Charity Commission, 2009).

13.3 Independent funders

Independent funding agencies can play a significant role in encouraging or even requiring organisations to work together (Lyon, 2010:11). The motivations of funders are varied: some feel collaboration would give charities an opportunity to learn from more 'professional' organisations; some feel it would result in a better outcome for beneficiaries; and some believe it is a way to cut costs. 'Each of these reasons is quite different and will incentivise different behaviour among charities' (Kail and Abercrombie, 2013:30).
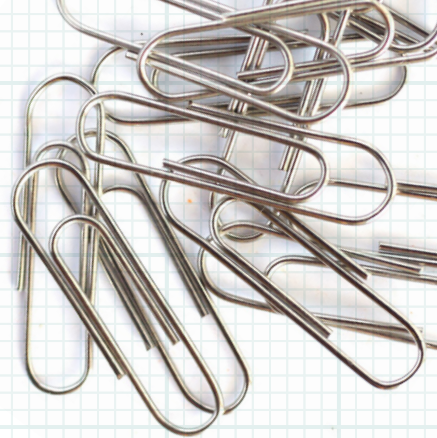
Funders rarely work systematically to foster collaboration. One study suggested that only 2% of funders make the funding of collaboration a consistent practice (Neuhoff *et al.*, 2014:8). A primary difficulty for funders is that when applicants believe that collaborations are necessary in order to attract funding, they will enter into joint bidding arrangements and other forms of partnership primarily to satisfy a funder, and that is often in the end unproductive and unsustainable. A study of a US grants programme which required collaborative behaviours from grantees found that 'once funding ended so did most of the partnerships, including those that were meant to be long term' (Ostrower).

The experience of the Futurebuilders fund, which provided several loans to help establish local bidding consortia, was mixed:

— **The Rotherham Children, Young People and Families Consortium** was established in 2003 with a small grant and loan from Futurebuilders. It established itself as a charity and a CIC trading subsidiary, and is still operating, with funds from the local authority and membership fees (Charity Commission, 2011:26; CYP&F, 2016).

— **The Sheffield Well Being Consortium,** established in 2009, received support from Futurebuilders, and attracted 60 organisations into membership including community businesses. However, it had limited success in attracting contracts for its members, and in 2013 attempts were made to merge with two other citywide networks to form Sheffield Cubed. It appears to be no longer operating.

A 2011 study for the Big Lottery Fund (Baker and Cairns, 2011) made several suggestions for how funders could approach the challenges of fostering collaboration among grant applicants and beneficiaries. These included:

— Enabling organisations to think first about what they want to achieve through collaborating, before deciding what form collaborative working arrangements should take.

— Funders need to find ways to make the best use of their internal communications and online technologies to facilitate peer learning among grant holders.

— New approaches to supporting organisations to prepare, and manage, collaborative working need to be developed. These would use peer learning, online technologies and targeted and bespoke support.

— Where bespoke support cannot be provided, funders can ensure that their procedures allow organisations the time they need to identify the most appropriate collaborative working arrangements.
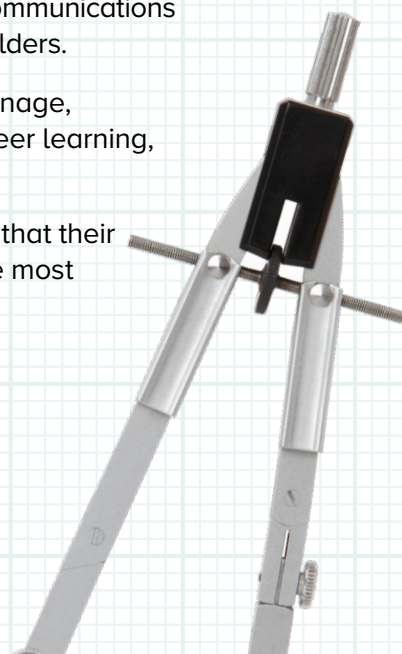
14. Conclusions

The two Power to Change place-level hypotheses as currently stated are difficult to substantiate from the available evidence and are problematic for a variety of reasons:

> **Collaboration: community businesses that collaborate with others in the local area are more successful because they can drive down costs through collective bargaining, mutual support and the ability to negotiate up and down their supply chains.** *For example, a community business that works with others nearby to negotiate the transfer of multiple assets from the local authority.*

— It is not clear whether this refers to collaborations between community businesses only, or to wider collaboration.

— If it is the former, there is relatively little evidence that this has been successful in local areas to a significant degree.

— It is not clear what the difference is between 'collective bargaining' and the 'ability to negotiate up and down the supply chain'.

— It is not clear whether success means community impact, financial performance, or something else (e.g. durability), or better still a combination of these.

— While there is some evidence that collaboration can drive down costs, this is not always the case.

— The example given does not illustrate the hypothesis.

— In any case it is a poor example, as there are few cases of this happening (asset transfer is more often the result of individual negotiation supported by a favourable local, regional, or national policy framework).

> **Resilience: community businesses that share a common vision with others in the local area are less reliant on local and central government support because assets and surpluses can be used to cross-subsidise otherwise non-viable activities.** *For example, a community energy business that generates a consistent surplus and commits a proportion of this to a community benefit fund which in turn supports a community library and café.*

— The term resilience could mean many things, and the proposition that a reduced reliance on public sector support can produce resilience seems a very narrow interpretation of what resilience might be and what brings it about.

— There is no evidence that a common vision with others in a local area is the main factor in reducing reliance on public sector support. In fact, the converse may be true, i.e. that community businesses which seek to build common vision with other local agencies are more rather than less likely to need continued public sector support to realise that vision.

– If 'with others' refers only to other community business, then the evidence for this assertion is rather limited. There are examples of mutual aid among community businesses alone, but most productive collaborations of this type include other social sector agencies beyond community businesses, and often private and public partners as well.

– Some community businesses provide support and subsidy to other community businesses, using surpluses and assets for this purpose, and that can improve the financial resilience of those who receive the support and subsidy. But the driver for this is not necessarily a shared common vision. It is rather than one community business has financial strength and/or an asset base and a vision for community change, and applies its resources to support other community businesses (and others) in pursuit of its vision.

– The example given is not a good one, if it is intended to serve as an illustration of current practice, as while there are examples of this in rural Scotland, there are very few examples at present in England. Moreover, where surpluses from community energy schemes are applied to subsidise other projects, that is often within a single multi-function organisation which indeed may not see itself as primarily a community energy business.
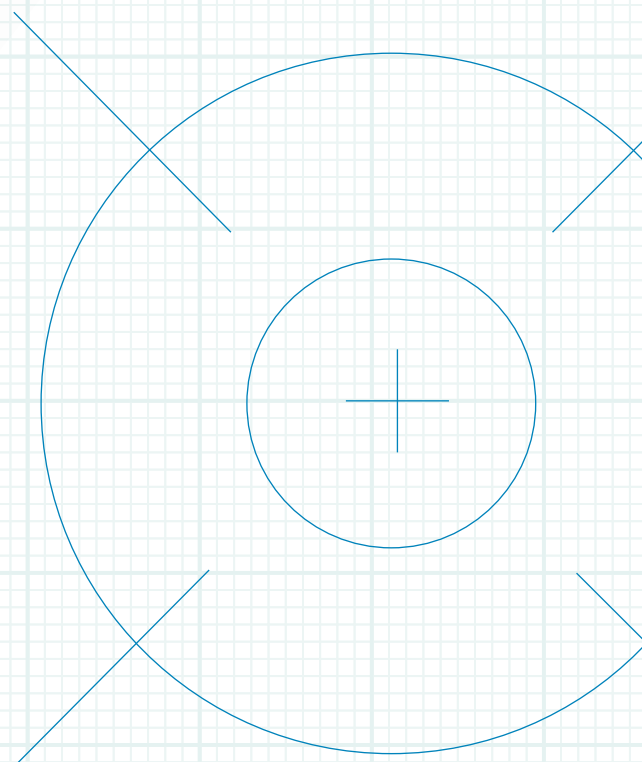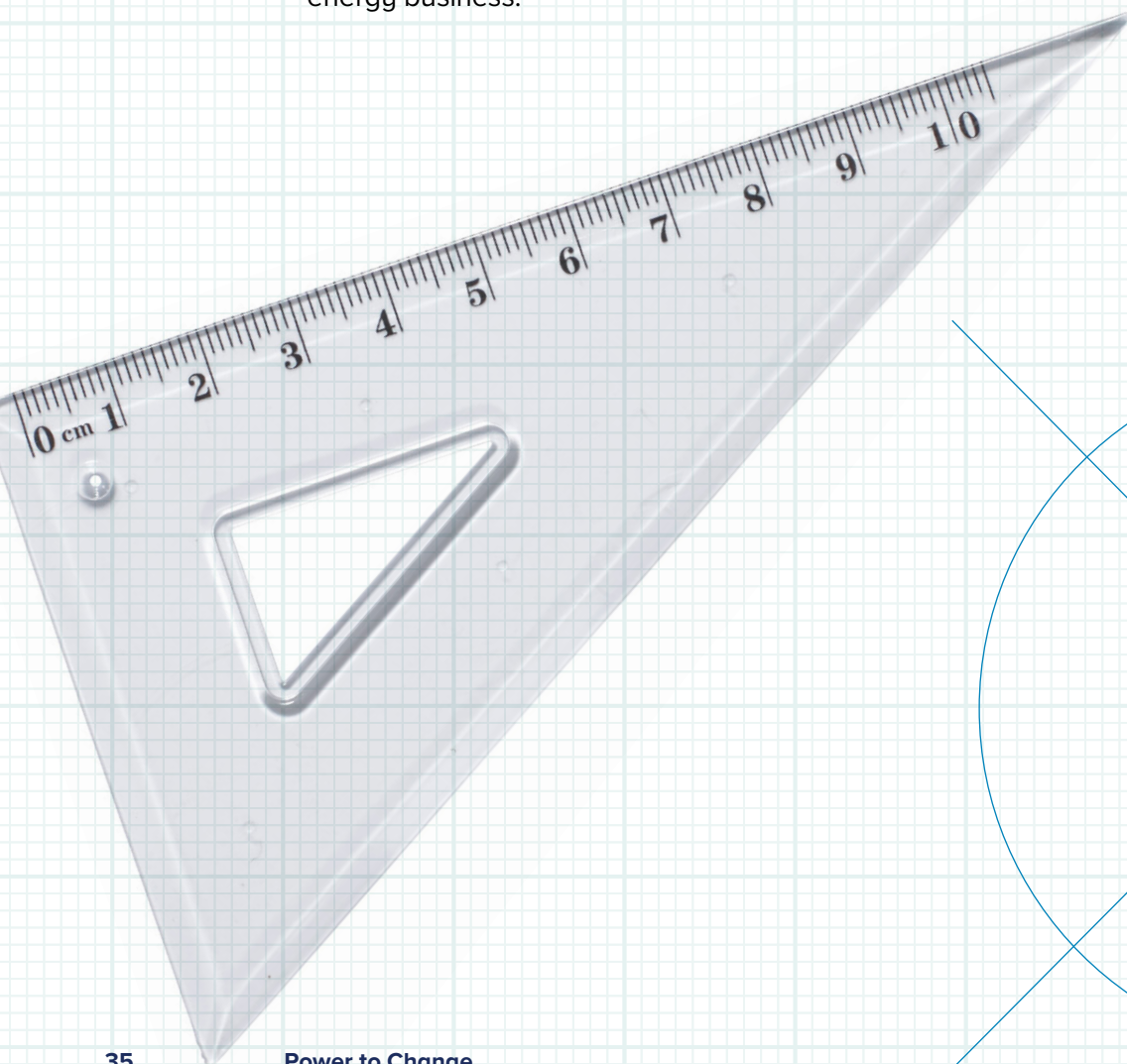
15. Recommendations for Power to Change

15.1 The Power to Change hypotheses

We recommend that both of the current place-level hypotheses are reframed. We suggest alternatives, as follows:

15.1.1 Collaboration: it may be helpful to distinguish between collaboration which produces financial benefit and collaboration which produces social benefit, as follows:

Collaboration (1): Community businesses which take the lead in collaborations with other agencies are able to improve their financial position because they can bid for bigger contracts and generate surpluses from them. Example: a community business creates a consortium which includes other community businesses, training specialists and local employers, to bid for and deliver a youth employability programme, and generates surpluses from the contract.

Notes:

– This is relatively easy to evidence. The research questions could include: When a community business establishes bidding consortia does it win contracts? How much income do these contracts generate for the community business? Do they produce net surpluses?

– It should be noted that community businesses are not always able to generate surpluses from contracts. This hypothesis focuses on community businesses which 'take the lead' in bidding collaborations because when community businesses have a subsidiary role (especially where the lead agency is a national organisation) it is less likely that they will benefit financially.

Collaboration (2): community businesses which collaborate with local people and with other public, private, and voluntary agencies are able to tackle complex community challenges more successfully because they can co-ordinate local efforts better. Example: a community restaurant works with its customers, other local restaurants, retailers, schools and health services to increase efforts to encourage healthy eating and reduce obesity and diabetes in the local population.

Notes:

– This is less easy to evidence, but not impossible. The research questions could include: What was the nature of the complex challenge? What were the distinctive roles of those involved? What form of co-ordination took place and how did that help address the challenge? What evidence is there that this made a difference (e.g. in the example above what happened to obesity and diabetes trends in the locality)?

– As with all types of complex social challenge attribution is difficult, and the best evidence might be qualitative rather than quantitative. Collective impact methodologies might be helpful (Kania and Kramer, 2011).

15.1.2 Place-making. There is an inherent difficulty here in that place-making implies a whole-systems approach capable of producing multiple benefits, so it will be difficult to set out any hypothesis in terms which can be firmly evidenced. However, we suggest the following:

Place-making: community businesses which have a strong vision for their community can bring neglected or underused resources into productive use, because they can work with others who share that vision. Example: a community business sees potential for a creative industries quarter and works with local arts agencies, funders, schools, colleges and local residents to create pop-up galleries and take over and refurbish a redundant town hall, creating performance, training and creative work spaces across the neighbourhood.

Notes:

– This is less easy to evidence, but not impossible. The research questions could include: What was the vision for the community and to what extent was that vision shared by the collaborators? Did it require collaboration and a shared vision to bring neglected or underused resources into productive use? Was the hoped-for vision for the place achieved (in the example above, what evidence is there that a creative industries economy has grown in the neighbourhood)?

15.2 Power to Change funding policies

It would be a mistake to require collaboration as a condition of grant, because the evidence suggests that this could well produce behaviours designed primarily to satisfy the funder (see 13.3 above). But other options could be considered, as part of the application process:

– To require applicants for grants over (say) £10,000 to demonstrate that they have shared their proposal with at least two other community businesses locally or from elsewhere and have taken account of feedback.

– To require applicants for grants of over (say) £10,000 to demonstrate that they are an active participant in a regional or national community business practitioner network.

– To ask applicants to explain how they have engaged with people in their local community in developing their proposal.

15.3 Further research

As described above, the evidence base is relatively weak and it would be tempting to commission further in-depth research and/or create mechanisms which require grantees to provide data on collaboration. But this runs the risk of placing additional burdens on community businesses, without necessarily yielding significant additional insights which could materially help the policy or practice of funders or community businesses or others involved in the community business sector.

However, as a first step, Power to Change itself could undertake a small piece of desk research, drawing on existing knowledge held by Power to Change grants assessors. This would identify a sample of community businesses which are known to be energetic local networkers and collaborators, and a sample which are known to devote little energy to this. It would review their accounts over three or five years, to identify whether there are differences between the samples in terms of increase in turnover and strength of balance sheet. The quality of this research would of course depend on the knowledge of the grants assessors, and the results would be indicative rather than authoritative.

Power to Change is planning to commission research on how local authority policy and practice has been helpful to or has hindered community businesses. This presents an opportunity to deepen understanding of how local authorities can foster collaboration among local community businesses and with others (see 13.2 above).

15.4 Other actions Power to Change could take to promote useful collaboration

There are many general guides to collaboration and a new one is not needed. For example, NCVO has on-line guidance and resources freely available for establishing joint working agreements and bidding consortia (NCVO, 2018a and NCVO, 2018b). NCVO has also published a partnership working toolkit which contains guidance on how local Compacts can be used to foster collaboration with public bodies (Ventress, 2014). The Charity Commission has on-line resources advising charities how to identify partners to work with, draw up agreements and fundraise for other charities (Charity Commission, 2013).

However, Power to Change may want to commission a simple tool to help community businesses assess for themselves how well they are performing in terms of collaboration. This could perhaps be modelled on the Locality Early Warning Guide (Winders). Power to Change may also want to consider whether a self-assessment tool could be incorporated into the Twine community business intelligence platform, although the complexity of collaborative activities, as described in sections 3-8 above, does not lend itself to simple numerical indicators.

Power to Change could also consider sponsoring an annual awards event for community business collaboration, and for citizen participation, where the nominations have to be from other local partners and from local residents, rather than the community business itself.

The wider question of what Power to Change can do to help the sector infrastructure agencies improve the support they provide for collaboration, and also citizen participation, is beyond the scope of this study, but could form the basis for a potentially productive discussion with the agencies concerned.

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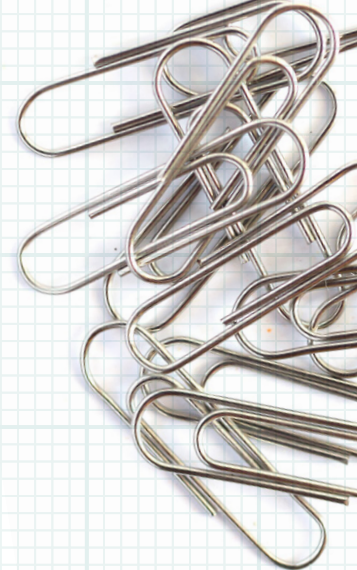
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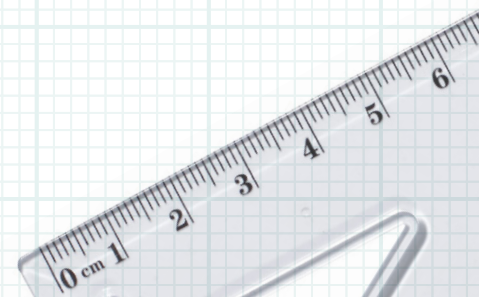
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Appendix A:
Top tips for community businesses

The following is a digest of practitioner advice which has emerged from the case studies.

Get the purpose right

– Always start by understanding the outcome and not just the service.

– Keep the focus on the objective of the partnership rather than the needs of the partners.

– Think big, and beyond your own world or community – there is merit and huge potential in doing more with less and across a wider community with other collaborators.

– The bottom line is that collaborations need to increase resilience and profitability. Without these being true, and being understood, it won't happen.

Choose the right partners

– When seeking people or organisations to collaborate with, seek out those with similar missions and mentalities even if their businesses are completely different.

– Look for people and organisations who genuinely want to collaborate, who want to make a difference in their community.

– When seeking collaboration partners, look for those who display a willingness to give, not just take.

– Collaboration works best where there is mutual respect, shared goals and objectives, and in particular, where each has something which the others need.

Establish the right relationship

– Relationships are key: get people talking, sharing, and liking each other.

– Be honest and upfront. It is tempting to try to be very easy-going and suggest that things won't be a problem when they will be.

– Establish clear terms and agreement for the collaboration

– Don't promise things you cannot deliver, be open about what you can and cannot do.

– Treat all involved in the collaboration as equals.

– Larger organisations need to act generously towards smaller ones.

Be brave

— Be confident in sharing your knowledge, expertise and experiences, not holding back for fear that others involved will use the information you share with them for their own good or compete with you.

— Don't be afraid to share your fears and secrets with others you collaborate with. This promotes a healthy relationship.

Be aware of the risks

— A partnership is only as strong as its weakest link, and can expose organisations which are not at the same level of thinking, delivery capability, contract-readiness.

Persevere

— Don't give up. Others may give up but keep going.

— It takes time, requires patience and needs trust if it is going to work, and for the collaboration to be sustained over a longer period of time.

— Sometimes the agreement/partnership we get is not exactly what we want, but if it is good enough for now it can always be revisited.

Be an ambassador for good collaboration

— Encourage funders to believe in the strength of collaboration, to attend meetings and network events. Promote the strength of collaboration and inform plans for commissioning activities right from the outset.

— Recognise that collaboration at local, community level benefits everyone. Pooling resources, time and talents helps to make a difference to everyone.

— Collaborations can raise an organisation's profile and reputation, and the positive benefits need to be acknowledged, valued and celebrated.

Appendix B: Wider learning for the community business sector

The following is a digest of the wider learning for the community business sector (policymakers, funders, support agencies, partners, community businesses themselves).

Conditions for collaboration to flourish

— It is difficult to make true collaboration happen among a group of local community agencies. It requires time, resources, commitment, passion and clear vision to create change, a willingness to set aside differences, and shared values and beliefs. Collaborations must also align with an organisation's ambitions and business priorities.

— Having a shared vision can be a solid foundation for collaboration. It can, for example, lead to a willingness to share expertise and costs.

— It can be helpful if collaboration partners are part of a bigger peer-learning and exchange network, e.g. Locality.

— The significant collaborations are not just between community businesses but also include collaborations with the private, public, community and voluntary-based sectors. When others are involved in the mix, not just community businesses, they bring different perspectives, values, beliefs, aspirations, skills and access to funds.

— Organisations operating beyond the local community can be drawn to organisations which collaborate.

— Where the collaboration is new, a track record of success among individual members is needed to achieve the necessary credibility.

Community involvement

— Place-based collaborations generate greatest community benefit when collaboration starts with local residents: only after engaging, involving and listening is it possible to draw together the right partners to help local residents create changes in their community.

— It is therefore important that the community and collaborators co-design services and programmes of work together.

— Collaborations can attract support and commitment from volunteers, particularly where the volunteers involved identify with the values and beliefs which underpin the collaboration.

The perils of collaboration

– It is important for the partners in collaboration to be explicit about expectations. These need to be revisited at regular intervals as not everything is obvious at the beginning. Where tensions emerge, they should be tackled as soon as possible.

– There can be reputational costs when joint bidding activities fail.

– Collaborations can be damaged if one organisation is not pulling its weight or is less secure in terms of its market, if one organisation is growing disproportionately to the other, or if differing cultures affect how staff are treated.

– Collaborations can produce competitive behaviours and can also exclude and isolate: the weaker, less confident and apparently less able organisations can be overlooked. But, at community level, it can be important always to treat such organisations as equals: they always have something to bring to the table.

The mechanisms of collaboration

– For significant and sustained collaborations, a special purpose vehicle can be helpful.

– Secondary support structures can allow community businesses to pool their resources in initiatives to address specific challenges in a place, and also attract investment.

– The communication and decision-making mechanisms need to accommodate the different working practices of the participating organisations.

Ambitions for collaboration

– Community businesses can contribute to the building of a local social economy, operating within a wider ecosystem of local exchange groups and consumer networks.
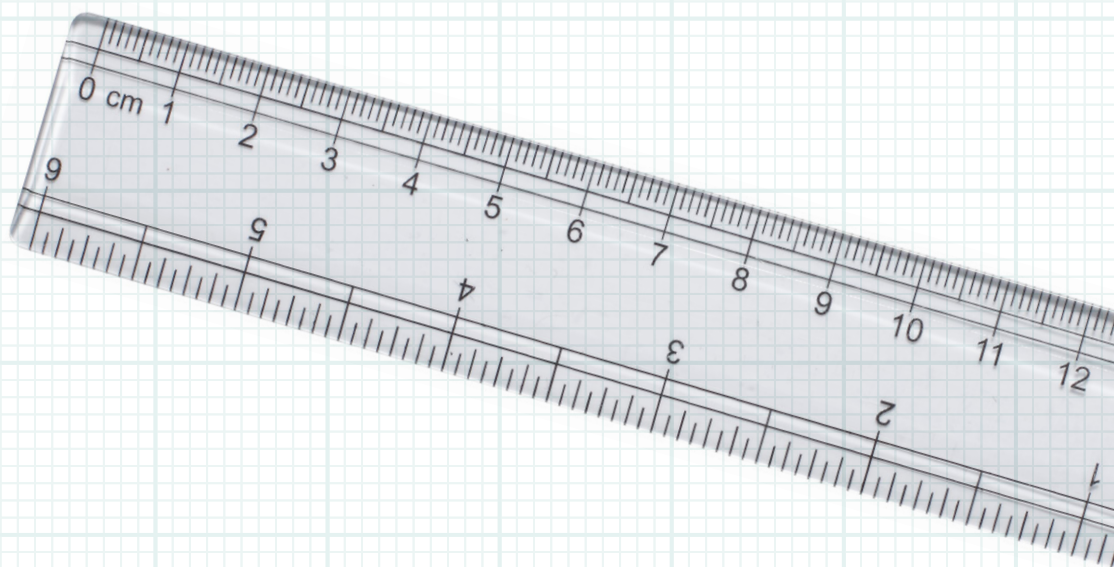
What good collaboration looks like

– Good collaboration means working with people, community and other organisations as partners, to co-produce or design services: instead of doing it to or for them, seeing them all as equal partners in seeking social and community transformation.

– Collaboration is working well when employees talk about both organisations rather than one.

How collaboration can be fostered

– Those who benefit from collaborative projects can share their expertise and knowledge with others who start similar journeys.

– Community anchor organisations can be an effective enabler and driver of multiple collaborations.

The role of funders

– Funders or commissioners who wish to encourage collaborative behaviour need to be aware that local organisations operate in a difficult environment and have learned to act in competitive ways.

– Funders and commissioners could be well-placed to stimulate much more collaborative behaviours but will need to change their practices:

  – using their funds to invest in genuinely collaborative working

  – avoiding tenders designed to be competitive which set community businesses and other organisations against each other

  – avoiding procurement systems which treat commissioners as 'adults' and community bidders as 'children'.

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