Collaboration and mergers, their future potential in the voluntary and community sectors in Northern Ireland.

At an invitation only seminar held under the Chatham House Rule at Voluntary Services Belfast 27 January 2010, the Building Change Trust brought together 27 individuals from a variety of positions right across the community and voluntary sector in Northern Ireland to discuss collaboration and mergers and their future potential within the sector.

The event was which expertly facilitated by Colin Stutt was very successful and there was a wide ranging yet focused discussion

The Building Change Trust is currently considering how it will use its resources to respond to the issue of mergers, collaboration and partnership over the coming period.

To contribute to wider debate, discussion and knowledge of the issue across the sector the Trust has summarised the outcome of the event. We hope this will assist others in the sector and outside it in their consideration of the issues.

Types of collaboration
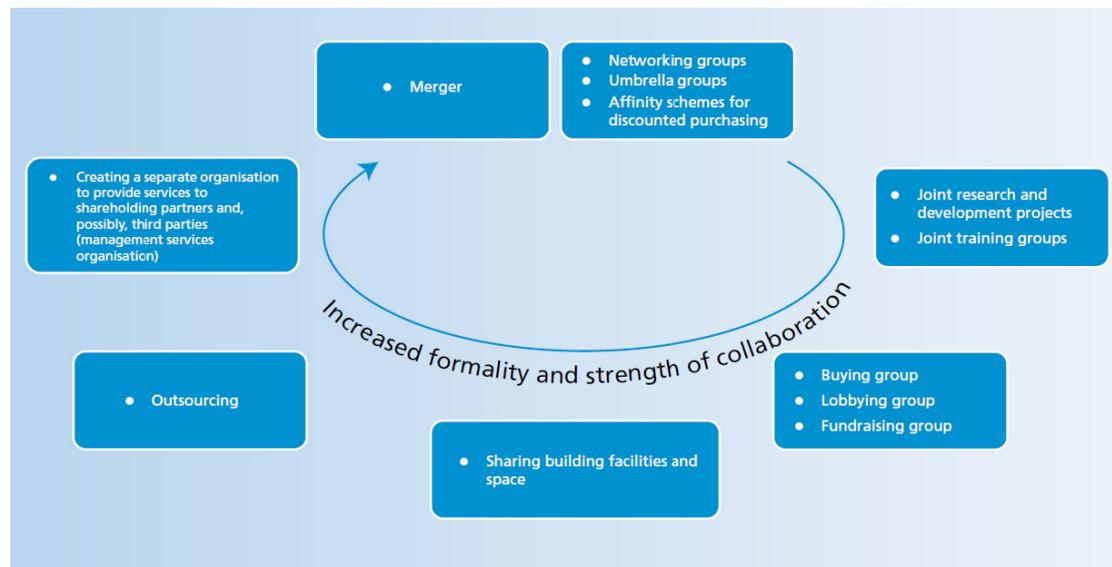
# Charity mergers:
Tackling the issues in practice

October 2009

Summary of recommendations in that report

- Use of an independent facilitator

- Merger specific training for trustees Increased evaluation of mergers

- Value of a brokerage facility

- Provision of structured short term finance

- Self analysis and self knowledge is at the core of a successful charity merger

Social Finance also produced a diagrammatic representation in that report of the actions and phases in a successful merger. This is reproduced below
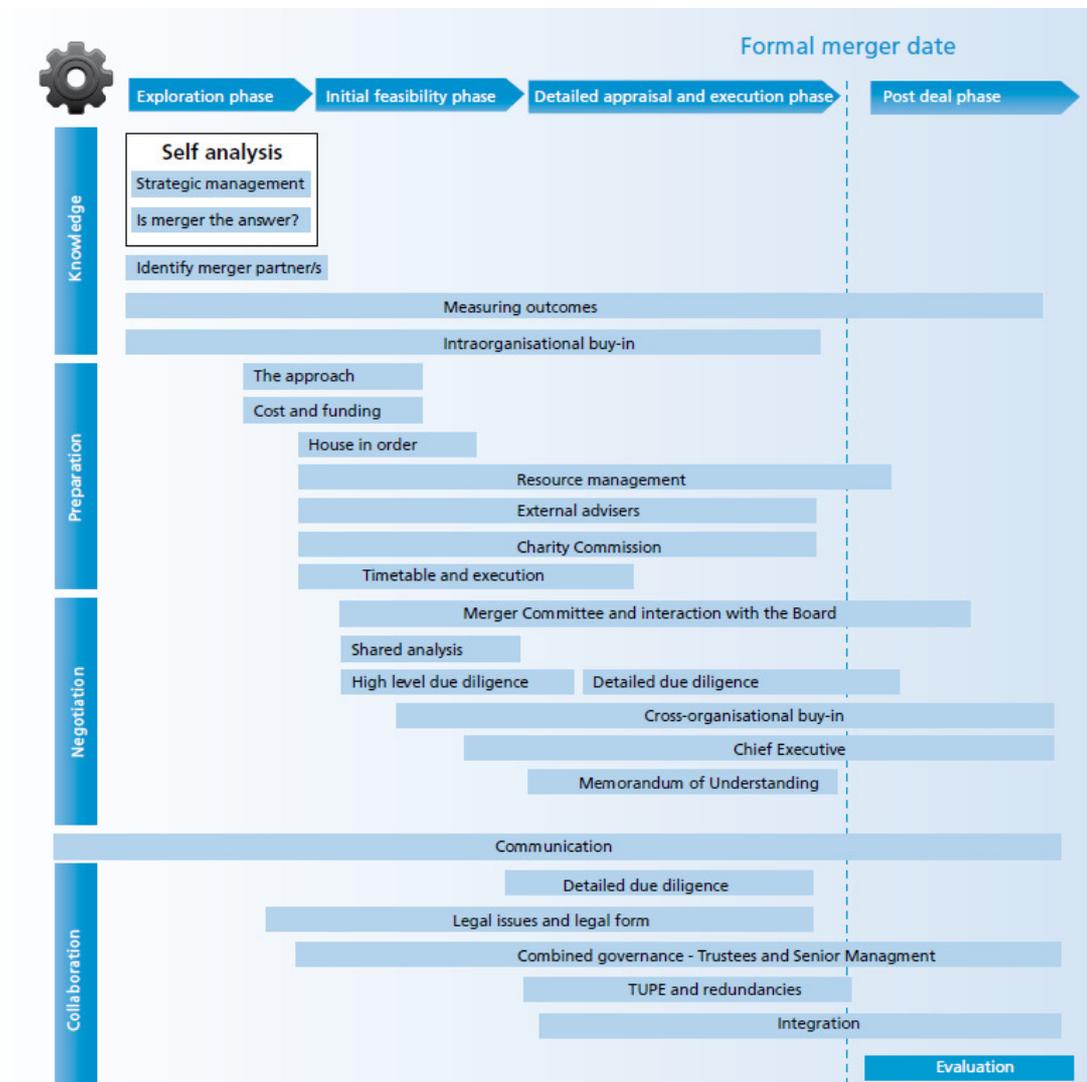
Mergers and collaboration in the community and voluntary sector, a presentation and discussion facilitated by Colin Stutt

VCS collaborations are about creating improved stakeholder value

As a voluntary decision to improve service by being more efficient or more effective,

by having a greater voice or achieving critical mass,

or

Defensively, in response to changes in the environment such as funding pressures

Private sector collaborations are about creating improved shareholder value

For much the same reasons

Yet, The Economist reports this week that

¾ of mergers fail to create additional shareholder value,

&

½ of mergers actually destroy shareholder value

Identifying the key drivers

It is useful to distinguish between

Voluntary collaborative activity which is undertaken because the organisations involved believe that it will improve their performance,

and

Involuntary collaborative activity which is undertaken as a result of some perceived or actual threat in the environment which means that collaboration has to be considered as a means of survival or to minimise damage to the organisation

Voluntary collaborative activity is **Collaboration to Thrive**

Involuntary collaborative activity is **Collaboration to Survive**

The discussion considered both forms of collaborative activity as well as how the sector could manage a debate with itself, Government, funders and the wider society about the value of VCS activity.

Collaboration to thrive

Voluntary collaboration

- Importance of self-knowledge and having a strong strategic vision

    - Beneficiaries of the charity gain by strength of the strategic vision underlying collaborative activity & improved effectiveness

- Voluntary collaborative activity can have benefits in forms of

    - Increasing impact, effectiveness,
    - VFM
    - Ability to command expertise, purchase key services etc.
    - Group sustainability
    - Providing a way forward for challenged organisations e.g. those suffering from trustee fatigue or unable to deal with a more complex environment, to make an orderly 'exit' from the market
    - Providing a means for organisations to take control/responsibility for their own futures

- Service delivery drives the pressure for scale

    - Larger organisations are not always better organisations, it depends on the functions

- While VCS organisations have to be prepared for change, there should be no presumption or pressure to collaborate

- Collaborative activity is hard work and requires substantial investment of human and financial resources

- While there is a need for technical resources to support collaborative activity (covering legal, financial and other aspects) the core of successful collaboration is based on personal relationships and compatible organisational cultures

- The VCS has sectoral solidarity and the ability to sort out complex issues itself, if it is informed and aware of the key issues

- The VCS sector is distinctive in having the freedom to act as the voice of informed dissent

- The freedom of association and to form new organisations is an important right
  - Nothing should be done which interferes with the right to establish new VCS organisations even if that leads to accusations of fragmentation

Collaboration to survive

Involuntary Collaboration

- Government, funder expectations

  - Need for investment to make collaboration effective (and this is not always recognised by Government, funders)

- Unrealistic perceptions of benefits of collaboration activity

  - Private and public sector myths
  - Seeking bureaucratic tidiness
  - Service delivery can suffer as a result of poorly structured collaboration
- But

  - Duplication of resources can be wasteful
  - Existing patterns of provision are not necessarily appropriate for the future
  - Organisations with experience of change are more open to further change and have enhanced credibility as collaboration partners
    - this can make it very difficult for small/new organisations to get on the change bandwagon

- Differences between voluntary and community sectors

  - Not one size fits all, some is very much local
  - Provision of neighbourhood services is inevitably complex and demanding
  - Imbalance in resources/connections between some voluntary and some community organisations

- External change can force collaboration

  - RPA etc., peace-building and reconciliation
  - Pressure for partnership working (often nominal, rather than real)

- The environment for VCS activity is increasingly competitive

- Mechanistic procurement regimes
- Private sector competition

  - These factors can undermine the distinctive contribution of VCS organisations

What should we do?

- An inclusive debate across the sector about **voluntary** collaboration

  - Demystify collaboration
  - Avoid creating artificial pressure for collaboration

- Provide

  - Information, guidance, advice, training,
  - Funds for those who chose this route
    - To focus particularly on initial exploratory/ feasibility scoping of relationship and technical issues
  - Directory of resources, expertise, quality controlled if possible
  - Some flexible funding for feasibility study
  - Brokerage
  - Feedback on what works **and** what does not work – including measurement and evaluation
  - Help for trustees in handling the change processes

- BCT should

  - Open the debate in a non-threatening way
  - Argue for flexible funding for early investigation/feasibility
  - Identify those who can provide leadership, in a non-threatening way
  - Provide evaluation tools, case studies, recovery from 'failed' approaches
  - Target trustee's knowledge and understanding
  - Make people resources available
  - Target improved understanding of the issue in the sector and by government and funders

What should we do debate?

- An informed debate is required

  - Firstly at a philosophical level and then at a technical level

- o Setting out the principles and the evidence to sustain the role of the VCS
- o Drawing on the experience of other regions in UK & Ireland & internationally
- o To enhance understanding of the role of the VCS in the sector itself and with funders, Government and the wider public

- In that context collaboration should be presented as

  - o Something which the VCS has considerable experience of (and may be more successful at than the public and private sectors)
  - o An option open to organisations which wish to collaborate to thrive or to survive
  - o But only an equal option with other routes
  - o There should be no artificial pressure to collaborate
  - o However, when VCS organisations do chose to explore the route of collaboration they should have access to the range of resources and supports detailed on the previous slide

Conclusion

Building Change Trust is well placed to initiate this debate and to orchestrate (with NICVA and other organisations) the provision of the resources required to facilitate, support, resource and document successful collaborative activity to the benefit of the wider voluntary and community sector.