WHEN TO COLLABORATE AND WHEN TO COMPETE?

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Resource Paper

Summary

Competition: ‘To seek or strive for something in opposition to others: to contend for a prize’. Collaboration: ‘To work in association (sometimes invidiously, with an enemy).’ Chambers English Dictionary

Ultimately, to better inform decisions about when to collaborate and when to compete - a vital day to day practical issue facing organizations - it is important to delve ‘behind the scenes’: to better understand what competition and collaboration mean in the Voluntary and Community Sector (VCS)? ...And who are Voluntary and Community Organizations (VCOs) competing and collaborating with anyway? Competition and collaboration are integrally linked - two sides of a coin, though the contentious side for VCOs is competition. Therefore this paper ‘grasps the nettle’: it focuses in on what competition in the VCS means, yet explores the meaning of collaboration also - one cannot be effectively addressed in isolation from the other.

• In section one, past and current VCS thinking on the issue is provided at international and UK levels. The historic and ethical considerations that make competition so uncomfortable for people in the VCS are tackled head on.
• In section two, perspectives are woven in from the disciplines of strategic management and marketing; these can help VCOs understand what competition and collaboration mean and assist them in identifying the drivers that inform decision making about when to compete and/or collaborate.
• In the third section, it is reasoned that a key strategic decision for VCOs is whether and when to make greater use of the opportunity to collaborate in order to compete. This is especially advocated for small and medium sized VCOs as a way of realizing potential against the backdrop of larger organizations increasing their proportion of total VCS market share.
• In the final section, it is underscored that the proposal about collaborating in order to compete is made not to defeat larger organizations, or take part of ‘their’ pie (market share); rather it is contested that, when thinking about issues of competition, it is important for the VCS to be less parochial and far more focused on the overriding challenge of increasing the size of the overall pie rather than VCO versus VCO competition; to turn more attention on increasing the competitiveness of the VCS as a whole, thus increasing the contribution of large, medium and small VCOs.

Case study perspectives inform this paper via the VCO that the author works with, Concern Universal (CU). Established in 1976, CU is a British based international development organization. CU strives to understand and to decide when to collaborate, compete, plus collaborate to compete, through it approach to ‘Partnership’. More widely, it is recommended that solid research be undertaken, and practical guidance developed, for small and medium sized VCOs on when to collaborate and when to compete and in particular how to collaborate in order to compete. It is argued that this guidance ought to be tailored to be relevant to different stages of VCOs life-cycles. Originally articulated for an NCVO/Performance Hub ‘Compete or Collaborate’ seminar in October, 2006 this resource paper sets out to compliment the verbal presentation re the Centre for Charity Effectiveness, Cass Business School, Charity Talk on ‘When to Collaborate and When to Compete’, 10th October 2007. It provides more substance – a somewhat academic ‘additional course’ for

2 To extend the point still further, the word ‘co-opetition’ was even introduced to describe a mindset of combining competition and collaboration (Nalebuff and Brandenburger, 1996).
3 CU has developed an extensive Operations Guide, with its approach to Partnership at the heart of this, for internal learning and development of good practice purposes.
those who are interested. The author expresses his great appreciation to Caroline Copeman and Professor Ian Bruce, and other colleagues at CU and the Centre for Charity Effectiveness, for their very helpful ideas and support in preparing this.
Section 1

1.1 The need to turn the tide - An international perspective on VCS competition.

Key point - Section 1.1
As collaboration can be considered quintessential to VCS, it is understandable why people feel uncomfortable with competition and what it means for the VCS. Having acknowledged that, we need to get over it! We need to harness the positive elements of competition and learn how to address the negatives.

‘Every organization has competitors. Businesses compete to sell their products and services. Cities and Regions compete to attract new industries, contracts or government funds. Schools and Universities compete for students and to attract and hold a talented faculty. Start up ventures and small organizations compete for scarce resources to ensure their very survival… The search for a competitive edge, and management of the entire organization to achieve and sustain it, are the central operating tasks of our time’.

Davidson (1995)

Davidson’s (1995) quote could be extended in a more nuanced way to VCOs. However, the point is made: competition is part of the basic make up of organizations whether in the UK or elsewhere and whether we feel comfortable with it or not. And clearly - linked to wider societal factors, let alone VCS attitudes and dynamics - VCOs have oftentimes not been comfortable with competition. The discomfort is something to acknowledge and address:

‘Conditioned perhaps by British Schooling, we carry around an idea that competition is for most of us about losing. That is true only for closed competitions where only one or a few can win and where the others lose; what one might call the horse race concept of a competition. But competitions do not have to be like that; they can be more like marathons where everyone who finishes wins and in essence one is running against oneself’.

Charles Handy (1988), Understanding Voluntary Organizations

Handy (1988) went on to list three positive characteristics about competition – good competition excites us; it sets standards and it increases the cake; he then analyses how conflict and problems can come from bad competition and ends by informing us that St Augustine said that ‘the worst of sins was to be turned in on oneself’ - thus encouraging VCOs to remind themselves what they are about, especially where competition to ‘make the cake’ has turned into competition to ‘get the cake’. A key argument of this paper is that the UK VCS, over the past ten years or so, has been much too focused on ‘getting the cake, rather than making it bigger’.

Before delving into this in the next part of this section (1.2), we will stick to a wider horizon and consider competition from an international, historical and ethical perspective. It can be argued that it is not just British schooling, or other peculiar British factors that make the UK VCS think competition is somewhat distasteful: it is something deep in the roots of what competition and collaboration mean in a VCS context, in this country and internationally. However, before launching into this it is useful to acknowledge Handy’s (1988) wise words: competition can be a very good thing! It is this precisely type of input from Handy (1988) - and others who have written about the positive aspects of competition - that can create consternation amongst those in the VCS who would like to label it bad and close the case at that.
Let’s start with the meaning and purpose of the VCS. The VCS focuses on creating and sustaining positive societal change: for instance, as Drucker (1990) put it, the ‘product’ of a VCO is a ‘changed human being’. He contended that VCOs are ‘central to citizenship and increasingly carry the values of society’ (Drucker, 1990); Handy (1988), commenting about the key role of VCOs in society, reasoned that ‘their meaning is their purpose’. What is it about that ‘meaning’ that finds such a problem with competition? The author believes that this is related to the modus operandi of how VCOs deliver their mission and to how competition has grown to mean something negative for many people in society.

A problem with competition is that people oftentimes fundamentally associate VCS efforts with collaboration; with growing numbers of people co-operating together to eventually achieve something remarkable. For instance, as Loeb (2004) argues: ‘history shows that many people taking small steps together can achieve miraculous advances’ and that ‘it is the unsung heroes who ultimately create change’ notwithstanding the influence of great leaders and/or VCOs that articulate or provide a front and springboard for these actions. He reminds readers that ‘striving for a more humane world is worth the effort’; that ‘they are part of a community of like-minded souls stretching across the globe and extending backward and forward in time’; that today’s communication technologies provide an unprecedented opportunity for creating and sustaining change (Loeb, 2004). He adds that we live in times ‘fraught with uncertainty and risk’ and that when one considers the huge challenges that confront people, ‘merely thinking about them is to flirt with despair’; in these circumstances, ‘no one is immune, not even those whose occupations or interests directly involve helping others or bringing about constructive social change’ (Loeb, 2004). Against this background, the VCS has an important role in helping enable ‘ordinary citizens to continue working to heal their communities and to strive for a more humane world, despite the perennial obstacles and the frequent setbacks’ (Loeb, 2004).

Many people in the VCS deeply and intuitively recognize the value of collaboration and it being at the very essence of how VCOs work effectively. Alternatively they are skeptical that competition has anything positive to offer. VCS activity can be gloriously diverse with many people contributing in many different ways to making something happen, often incrementally and bottom-up, rather than as the result of a top down grand plan. In this vein Meg Wheatley (2001) makes the wider link with nature over the millennia: ‘In nature, change doesn’t happen from a top down, strategic approach; ‘there is never a boss in a living system - change happens from within, from many local actions occurring simultaneously’.

In terms of wrestling with these issues at a fundamental level, Korten (2006) has written a relevant, timely and important book called ‘The Great Turning: From Empire to Earth Community’ in which he looks back in history in a widest sense to:

- Firstly, reject conventional biology with its Darwinian notion of competition being essential to progress; he instead profiles newer theories where it is reasoned that ‘life has learned over billions of years the advantages of co-operative, locally rooted, self organization; he challenges that ‘perhaps humans might be capable of doing the same’. Korten (2006) cites the work of evolutionary biologist Elisabeth Sahtouris and others who have taken the study of life to a profound level where they have revealed that life is ‘fundamentally co-operative’ with each ‘individual organism continuously balancing individual and group interests’; where life ‘has learned the negative

4 In a similar context Berger’s (2006) contends that the ‘global iRevolution gives power to the people’

5 This is in line with the thrust of strategy guru Henry Mintzberg’s (2005) arguments about the realities of how organizations in any sector develop - let alone the standpoint that organisations in the VCS are oftentimes most effective when bottom up or ‘emergent’ strategy development is emphasised.
consequences of unbridled competition’. In light of the massive global challenges facing us - such as climate change⁶, for instance - Korten (2006) opines that either ‘we learn to co-operate or we suffer the fate of other unviable species that failed to learn life’s most essential lesson’ (i.e. we become extinct).

- Secondly, Korten (2006) traces the history of various empires over the past 5,000 years and attributes many of the negative aspects associated with these empires to do with a ruthless application of competitive approaches. He picks out positive periods of change in the various empires and links these with a more collaborative approach prevailing at the time (e.g. Egypt between 1990-1786 BC, Rome between 96-180, etc).

- Thirdly, Korten (2006) - linking with the debate about the blurring of boundaries between different sectors (explored later in this section of the paper) - looks beyond just VCS activities to how locally driven and emergent efforts of people, working collaboratively/in partnership, can turn the tide of a situation where otherwise he contests that corporations, and the dominating political influence of the US in particular, is currently dominating the global agenda; his book is ‘devoted to growing and linking local independent businesses, nonprofit organizations, and local governments in mature, locally rooted, life serving economies with the potential to displace the rootless, opportunistic, money driven, and ultimately suicidal corporate global economy’ (Korten, 2006).

In a similar vein other writers help us get to the heart of why people interpret the meaning of competition in a UK VCS to be negative and the meaning of collaboration to be positive. For instance, Rian Eisler (1995), a cultural historian, has placed the conflict between the dominator and partnership models of organization in a historical context and brought to bear the lens of gender analysis to illuminate the deeper roots of our contemporary struggles for justice, peace and environmental stewardship. Eisler (1995) traced to subordination of the feminine to the masculine and of the organizing principle of partnership to the principle of domination. Through such different lens the author believes we can begin to see more clearly how people in the VCS are likely to instinctively and passionately appreciate the positive aspects of collaboration and reject competition. However, it is important to retain balance and not ‘throw the baby out with the bathwater’. Whilst Korten (2006) and others might feel that many of the worlds ills are associated with an unduly ruthless competitive approach prevailing, and whilst it may be the case that collaborative approaches are quintessentially important to the VCS, there is never the less the benefits of competition which Handy (1988) pointed out at the start of this section; these remain, of course, of value in keeping a balance about the positive role that competition can play in VCOs.

**Reflection - Section 1.1**

1. Do the ideas above regarding collaboration somehow being ‘quintessential to the VCS’ match with (a) your experience of organizational realities on the one hand and (b) your beliefs about the sector on the other?

2. Do you think that Handy’s (1988) positive views about competition are valid for VCOs?

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⁶ According to the Economist (09/09/2006), ‘Climate Change is complicated and uncertain, but...the underlying calculation is fairly straightforward. The global average temperature is expected to increase by between 1.4 to 5.8 degrees this century. The bottom end of the range would make life a little more comfortable for northern areas and a little less pleasant for southern ones. Anything much higher than that could lead to catastrophic rises in sea levels, increases in extreme weather events such as hurricanes, flooding and drought, falling agricultural production and, perhaps, famine and mass population movement’.
1.2 The UK VCS in the past 20 years - the growing spectre and reality of competition for VCOs

Key point - Section 1.2
Let’s not pretend this is new! Or reinvent the wheel when exploring the issues. What competition means, and what affect it will have on the VCS, have been pivotal concerns for at least the past twenty years. Moreover, the spectre and reality of competition for VCOs has grown over this time.

By way of context, what some involved with the UK VCS recognize as strengths or positive developments - e.g., the trend towards a more professional, business-like and/or competitive approach - others identify as weaknesses or negative developments. Also what some people fear – like a ghost, and hence the term ‘spectre’ above – may not, at times, be a reality: in this instance, it is important to reflect that heated talk about an increasingly more competitive context for VCOs is often not founded on empirical evidence.

Against this backdrop, it was felt vital to not ‘reinvent the wheel’; to recall and reconsider analyses of internal and external trends affecting the VCS sector in the past say twenty years and see where competition and collaboration fitted in. This is because, it struck the author that many issues and responses around competition and collaboration were not new. Accordingly, from considering a range of earlier thinking and wider VCS trends – for instance, Boris, 1989; Mulgan and Landry,1995; Lubeleska, 1996; Clutterbuck and Dearlove, 1996; Knight, 1993; Leat, 1993; Salamon and Anheier, 1996; Saxton, Burrows and Wolff-Ingham, 1996 - it was indeed interesting that the factor of competition did surface as a primary issue going back to the mid 1980s.

However, while writers by the mid 1990s appeared to largely agree that the need to secure funding and address related competition issues between VCOs, had emerged as an important strategic concern facing the sector - and for that matter they often shared thoughts on many broader points concerning the strengths, weaknesses, opportunities and threats affecting VCOs - fewer researchers identified the underlying importance of developing and maintaining a body of high calibre VCS leaders and managers that would be effectively tuned in to these challenges and recognize the key strategic drivers to deal with them. Nevertheless, this is not universally the case. Ian Bruce, for example, is a notable exception; by the mid 1990s he had already done a great deal to stimulate debate and action on the importance of the VCS developing managers and leaders, specifically developing the generic disciplines of management and marketing - including how to deal with competition issues in a VCS context.

So what were the competitive pressures on VCOs by mid 1990s and what, if anything, can we learn from these ten years later? By way of summary, Lane, Passey and Saxon-Harrold (1993) recorded that from 1975 the number of registered charities in England and Wales had risen significantly. The income of registered charities was in excess of £16 billion (the sector was already larger than the agricultural industry in income terms). A review by Kendall and Knapp (1996) broadly agreed with these findings. Balanced against this positive outlook, a negative perspective had also emerged with respect to trends in income; ‘Charities in Recession’ (Taylor-Gooby,1993) found that 64% of VCOs experienced a real decrease in income during the recession (which affected the UK in the late 1980s, early 1990s), whilst at the same time 47% of organizations witnessed an increased demand for services. Concerns about a potential shrinking resource base coincided with increased demands for welfare services and an unspoken assumption that VCOs and the private sector could fill gaps in welfare provision left by statutory authorities (Lane, Passey and Saxon-Harrold,
1993). Lane, Passey and Saxon Harrold (1993) noted that the economic recession was blamed by some researchers for many of the problems faced by VCOs - falling income, lack of volunteers, a seemingly growing gap between large and small charities, too little professionalisation (or indeed too much). In this vein a Director of Execucare argued:

“The caring nineties were to have been the era of a new larger, self confident and more professional VCS. However, the early 1990s knocked the momentum out of this dynamism, reducing both public profile and the resources to effect a change. In the long term this may be an advantage. It is easy for managers to get carried away with surging growth, creating complacent and flabby organizations. The recession forced charities to make strategic decisions. Coming years will see leaner organizations with fewer people - but working more effectively.”

Mairi Shirley (1993)

Against a background of what seemed to be decreasing resources and an escalating workload, a key trend had arisen: that of increasing concern about competition between VCOs. Indeed Kotler and Andreasen (1996) contended that the most significant characteristic of the non-profit marketplace in the 1990s was the extent of competition. In short it was a hot topic 10-15 years ago! However, while they felt this to have been the case, Kotler and Andreasen (1996) reasoned that many VCOs either would not recognize that competition existed or would refrain from doing anything about it because it was considered ‘not nice’ - believing that their sister VCOs were simply helping to provide social services and not competing.

In light of all this, the author would feel that the prominence and issues to do with competition have permeated more widely in the VCS in past ten years, notwithstanding the some visionary people, such as Kotler and Andreasen (1996) might have spotted it as the primary issue previously. Competition in the VCS sector can be linked to the key strategic driver and issue of maintaining a flexible approach towards the management of change. It can be demonstrated, through tracing the martial roots of strategy for instance, that keeping a flexible stance has been recognized as a key ingredient for success for thousands of years. VCOs need to consider how their strategies have evolved and ensure that these do not become unduly rigid - something that Mintzberg (2005) and other strategic management writers have given considerable attention to. However, what has been the VCS strategic advantage or disadvantage in this regard?

Looking back, it is interesting to record that the Wolfenden Committee (1978), for example, characterised flexibility as the primary advantage of VCOs – looking ahead, would that emerge so prominently now or in 2010? Any reduction in flexibility due to financial dependence, particularly on Government agencies, it was argued by the Wolfenden Committee (1978), needed to be avoided. Because of the popularity and common sense of such views in the 1980s it was later argued that organizational strategies had emphasized maintaining autonomy as a primary objective, and achieving independence from state funding was high on the strategic agenda by the early 1990s (Wilson, 1993). Wilson (1993) recorded that the Conservative Government from 1979 onwards began to take steps to eradicate what it termed the ‘dependence culture’. He argued that this, for managers VCOs, meant that a set of strategic changes were forced upon them; the shift, to what came to be known as the ‘enterprise culture’, forced VCOs to survive through increased competition (Wilson, 1993). Saxton, Burrows and Wolff-Ingham conclude that the political and cultural shifts of the 1980s meant that the demands on charities were increased as the burden of care shifted from the state to the VCS and the ‘enterprise culture’ made it much more acceptable and common for VCOs to use professional marketing, fundraising and management techniques.
Wilson (1993) went on to opine that the recession in the late 1980s and early 1990s had had the effect of forcing the pace of this change - but not its general direction. Wilson (1993) posed the question of whether competitive strategies would work in the VCS; he recorded that at that time the empirical research which could definitely answer the question was yet to come. However, he reflected that the little evidence that was available at the time suggested that ‘excessive competition and commercialization were likely to lead to a stifling of flexibility and innovation rather than facilitating it’. Jackson (1993) recorded the difficulties arising from the lack of information about the VCS, and noted how ‘policy making was therefore carried out on thin ice’. In this difficult situation, Wilson (1989) predicted that the future scenario of VCS activity in the UK would be one of increased competition between sister VCOs and the fragmentation of service provision: smaller VCOs, with few resources to attract continued funding, could eventually be ‘squeezed out’ of existence by their larger counterparts with bigger and perhaps more flexible budgets. He argued that holes might, therefore, develop in the fabric of service provision.

Even by the early 1990s, the available evidence tended to confirm Wilson’s predictions: Whilst overall income had gone down, the voluntary income of the top 400 charities had increased and several of the biggest VCOs showed excellent growth (CAF, 1992). Brophy (1993) acknowledged that many smaller and medium sized VCOs were having acute difficulties in simply surviving; he explained that the bigger VCOs were getting bigger because of their greater professionalism (advertising, direct mail and legacy marketing in particular) and because they had less reliance on government grants. Wilson (1989) reasoned that to avoid fragmentation VCOs could band together more and collaborate over broad areas of service provision. However, VCOs, it was reasoned faced a challenging task, for, as Wilson,1989 records, history in some respects mitigates against such a collaborative approach, as did the legal framework of charity law that encouraged isolationism in charitable activity.

Many years ago Sun Tzu argued that the ultimate victory in war was to defeat the enemy without a single blow. As will be reasoned in the final section of this paper, VCOs have a common enemy at a fundamental level. Currently charities allocate a good deal of energy and resources into ‘fighting’ each other rather than collaborating to defeat a common enemy. The issue of collaboration is highlighted in papers written by Wilson in 1992 and 1993; these focus on trends in the VCS. Wilson (1993) acknowledged that ‘it is always dangerous to predict future trends and patterns, especially if one is around to see how wide of the mark some crystal ball gazing can be’. This paper provides an opportunity to review his predictions! Wilson (1993) argued that two key factors seemed clear, although accepting that the empirical evidence was ‘sporadic and slim’. Firstly, there seemed little doubt, he contested, that the pursuit of commercial, competitive strategies will lead to the isolation and insularity of larger VCOs, whilst some smaller and medium sized VCOs would be forced out of business. Secondly, referring to his own work plus that of Huxham (1991) and Deacon and Golding (1991), he adopts the view that although collaborative strategies seem a logical alternative, it is equally likely that within the sector, variation will occur in the extent to which collaboration is both necessary and desirable.

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<td>1. Looking back over the past 20 years, do you believe that competition has been a growing issue?</td>
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<td>2. In light of the heated debate about competition and collaboration over the past 20 years, do you think that the VCS has really learned anything? Moreover do you think it has changed its mindset/language as a result?</td>
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1.3 So what happened? Some results of VCS competition over the last 20 years
Key points - Section 1.3

1. VCS competition: In terms of large, medium and small sized VCOs, there have been winners and losers: the VCS is now more polarized and, as anticipated, larger VCOs have grown their proportion of total VCS income.

2. Inter sector competition: As predicted, divisions between business, public and the VCS have become more blurred. One result of this is that VCOs have been increasingly competing with businesses, for instance.

3. Societal implications: Signs exist that the way competition is being handled could increasingly corrode VCS concentration on the cause and the people that it exists to serve (its customers).

It can be reasoned that several of Wilson and others contentions about the future of large, medium and small sized VCOs, and the likely impact of competition, have been realized.

On the one hand, for instance, it can be stated, in the context of it ‘being a time of great change’ that the VCS has grown ‘dramatically’ over the last 15 years; the number of general charities has increased from 98,000 in 1991 to 169,000 in 2004; the VCS’s visibility has risen; government rhetoric places the VCS at the heart of policy making and change; and expectations about what the VCS can achieve are higher than ever: however, on the other hand, recent analyses confirm there have been winners and losers with large charities delivering local services being accused of ‘damaging’ smaller local organizations and contributing to an increasingly ‘polarised’ sector.


Today 0.2 of VCOs generate 38.9% of the sector’s income (UK Voluntary Sector Almanac, 2006). The following helpfully unpacks the ups and downs of evolution in recent years still further:

‘The description of fall in total income appears counter intuitive at a time when we know that the voluntary sector in the UK is once again expanding. The level of detail highlighted (and yes there is much going on beneath the surface)...is, however, enough to illustrate that the continuing expansion is producing winners and losers. Large national organizations are doing relatively well, driven by a mixture of contract income from the public sector and voluntary income sustained by investment in fundraising. There is undoubtedly a geographical element to this success – national organizations are better able to build brands, achieve economies of scale, and transact with central government bodies and their national agencies, backed up by an increasingly enforced Compact. It is no surprise that smaller, local charities, perhaps working in areas of local compacts, are doing less well.

Wilding, Collins, Jochum and Wainwright (2004) NCVO Almanac

The changes in the VCS have a great deal to with competition and the developments to date confirm the predictions of Wilson and others in the late 1980s to mid 1990s. In the next section we can see how this situation can be seen through the lens of concepts on competition to better appreciate how this has arisen; also how the trend is likely to go on unless the competitive and collaborative decisions made by small, medium and large VCOs change.

The things that VCOs compete and collaborate on have evolved. For instance, Griffith, Jochum and Wilding (2006) reason that even though ‘the paid workforce of the VCS has grown by almost 10% since 2000, competition in the labour market remains strong and this
is especially the case for skilled employees', a trend that 'is unlikely to change in the immediate future'.

Also there has been a growing recognition that competition will exist at different levels:

- Probably most often competition will occur at a Strategic Business Unit level - rather than the whole organization in any case. A SBU, according to Johnson Scholes and Whittington (2006) is 'a distinct part of an organization for which there is a distinct external market for goods and services that is different from another SBU'.

- Also it is useful to recognize that in any particular sphere of VCS activity (e.g. 'International Development') there may be many VCOs each with different capabilities and which compete on different bases and levels. Hence the growing understanding that 'Strategic Groups' exist. Johnson Scholes and Whittington (2006) define strategic groups 'as organizations within an industry with similar strategic characteristics following similar strategies or competing on similar bases'.

Thus whilst - as one ingredient to all this - there is it would seem a more competitive environment prevailing at the VCO versus VCO level, this level should not be unduly focused on: the sands are shifting and the VCS needs to consider competition in a less parochial or narrow way. For instance:

‘The boundaries between the VCS the State and the market are shifting and blurring. The market for public service delivery has broadened and deepen, and many services traditionally run by the State are being transferred to the VCS. At the same time, an emphasis on earned income and sustainability is leading to a growth in social enterprise organizations and activity. Interest in the social and environmental of businesses is also growing. Loyalty to a particular provider is probably a thing of the past. People are less concerned about who they receive a service from (and which sector they belong to) – and more concerned with the service they receive. As services become widely available and are reproduced by multiple suppliers, providers are finding that they must change their value proposition (the added value they offer their customers) in order to differentiate themselves.

Griffith, Jochum and Wilding (2006)

The trend of increasing blurring of the boundaries, and the implications of this for the VCS, was much speculated upon in the 1990s. It’s happened!

Even at a cursory level, VCO competitors now increasingly include businesses and government. It’s accordingly not enough to only consider competition between VCOs; otherwise the real world passes the VSC by! Accordingly an idea would be to extend the ‘Scenario for the Future’ type analysis – as set out in the Voluntary Sector Strategic Analysis (Griffith, Jochum and Wilding, 2006), and look at the pressures and opportunities affecting the VCS through the lens, for instance, of Porter’s (1980) classic text on competition, or other peoples concepts that were drawn up specifically to analyze competition drivers affecting a sector/organization. It is possible to trace the origins of other arguments and see that there might be wider implications arising from the affects of competition. Consider the following:

‘The issue for charities is compounded by their traditional reluctance to admit that they are even in competition with one another. This viewpoint is partly created because for most charities the cause is more important than the organization. So if one charity grows at the expense of another, the cause is
benefiting - the consequences for individual organizations are often seen as less important.

Saxton, Burrows and Wolff-Ingham (1996 p.8)

It can be contested that the traditional view, as expressed above, about charity managers being more concerned about the cause, rather than the survival and growth of their own organization, will have been increasingly undermined since the mid 1990s as a result of a combination of the issues connected with competition.

For instance, to illustrate this anecdotally, within CU people have often heard members of other international development VCOs speaking the language of collaboration: however, when it is time to act on forming collaborative arrangements they have been frequently more narrowly concerned with their organizational perspective, rather than the work that needs to be facilitated among communities in developing countries and the synergies that could result from collaboration. This is not to reason that CU is somehow special and does not respond in similar ways in different circumstances – of course it faces the same pressures.

However, this example hopefully underscores the key point that a culture for effective collaboration and fair and appropriate competitive approaches needs to be nurtured within an organization.

Having reflected on this matter, the view can be argued that wider political and cultural changes in the 1980s and 1990s did serve to corrode the traditional perspective in many VCOs today - i.e., that the cause is more important than the organization. The paramount concern within VCOs about institutional survival has been written about by others: e.g., in the international development field by Fowler, 1992.

Indeed as Drucker (1954) contested, the ‘first duty of an organization is to survive’. However, it is important to more clearly think through what implications a growing competitive culture in VCOs can be argued to have in terms of undermining the VCS’s traditional mission and culture. Notwithstanding this, one cannot under-estimate the fact that much activity in organizations generally, including related to competitive or collaborate behavior does not result from any grand - or even hum-drum! - design: whatever the plan and the best intentions to collaborate or compete in this way or that way, sometimes highly important decisions on such matters result through having to respond to the twist and turn of daily events7. In this respect Harrow’s (2005) paper on trying to better understand the concept of improvisation in VCOs is important. And again it underscores the fact that an organizations response to deciding about competitive or collaborative responses almost needs to be imbied through it so that it reacts appropriately when circumstances emerge. CU strives to do this through a number of informal and formal ways; for instance, capturing as much learning as possible in its Leadership and Partnership Guides & featuring learning and communication and relevant ingredients in its organizational strategy (2003-2009).

Reflection - Section 1.3

1. Taking stock of the analysis of competition above at VCS, inter sector and societal levels… Does this accord with your own views?
2. How would you have described the results of competition over the past 20 years?
3. How do competitive pressures affect the organization(s) you work with?

7 With respect to this ‘messy’ sort of management reality, Napoleon once commented: ‘no plan survives contact with the enemy.’
Section 2: What Competition and Collaboration mean – strategic management and marketing perspectives

Key Points – Section 2

1. Marketing: A marketing orientation provides VCOs with a way to keep their bearings when considering the propriety of whether to collaborate and/or compete.

2. Competitive Advantage: Collins’s (2005) research provides VCOs with an understanding of five distinguishing VCS issues, plus the underlying generic factors, that will enable them to become great organizations in a competitive marketplace.

3. Size matters! Notwithstanding that the UK VCS competitive playing field can be argued to be tilted towards larger VCOs, even the smallest VCOs have excellent possibilities to create and sustain change in current global context.

Competition is oftentimes at the heart of concepts on how organizations work: for instance, Ohmae’s (1982) ‘strategic triangle’ in which the strategy of an organization is defined through the tripartite and ‘living relationships’ between the ‘strategic three C’s’ – the customer, the corporation and the competition. The roots of competition have been argued to be as ancient as humankind itself with ‘strategic competition’ coming into existence when people developed the ability to imagine and evaluate ‘the possible consequences of alternative courses of action (Henderson, 1984). Competitive Strategy has been defined as ‘specifying the distinctive approach which the organization intends to use in order to succeed in each of the strategic business areas (Ansoff, 1987)

The understanding of what competition means in different sectors has also developed significantly. Hamel and Prahaled (1996) in Competing for the Future, set out fascinating ways by which competitive leadership can be achieved in any sector and in so doing a whole business area or industry can be shaped and transformed. More specifically, Johnson, Scholes and Whittington (2006) reflect that ‘inherent in the notion of strategy is the issue of competitiveness’ and that ‘in business, this is about gaining advantage over competitors; in the public sector, it might be demonstrable excellence within a sector and/or advantage in the procurement of resources (the two will probably be linked’). Various people have tried to tackle the issue head on in a VCS context: for example, in ‘Play to Win: The Nonprofit Guide to Competitive Strategy’, La Piana and Hayes (2004) explore how being ‘a fair and effective competitor has a positive, practical, ethical, and political impact on the work of VCOs and their supporters’; moreover that constructive and ethical competition can be a driving force behind innovation and real social change. La Piana and Hayes (2004) reason that much centres on the positioning VCOs well in order to compete for limited resources of all types - funders, staff/volunteers and so on.

At a more generic level again, it is interesting to note that it is not only in texts on strategy, but in marketing also, where issues around competition seem to be fundamental and dominate. Some even define strategy and marketing through the lens of competition. For instance:

‘It is very significant that both strategy and marketing operate at two levels… Strategy is the process which shapes the ability of an organization to compete successfully over time, and, as such, should penetrate all parts of that organization. Strategies are also the specific means by which corporate objectives are achieved. Marketing is also a specific profession deploying defined skills in the pursuit of corporate objectives. Both relate to customers, both seek to disarm competitors, and
to do so must galvanize the whole organization. Both also provide specific skills and processes to work with other specialists in achieving corporate goals."

Davies (1995, p. 59)

Whilst competition is clearly going on in the VCS all the time, the various considerations explored in the Section 1 give VCOs cause for consternation. However, the disciplines of strategic management and marketing can be of assistance in guiding VCOs through if one considers the issues from deeper, philosophical standpoints. For instance:

‘Charities are unsure when and where to compete, or even whether and from what perspective to engage in the debate about the rules that should govern this rapidly evolved mixed economy of welfare. In short, charities are being buffeted by much larger political and economic forces. Traditional strategic positions and operational techniques are not guiding us through this storm. I hope that this book has shown how marketing as a philosophy, as well as a strategic and operational tool, can help and provide us with a means of steering successfully through these rough seas of change; and more fundamentally, help to keep our course true to our reason for existing.’

Bruce (1994, p. 274)

Marketing is ‘the whole business seen from the point of view of the final result: the customer’ (Drucker, 1954). If competitive and collaborative questions are put through the filter of considering the impact on the people that VCOs exist to serve then it will guide people in their practical decisions about when it is appropriate to collaborate and/or compete. Leading on from this, it is can be reasoned that it is vital for the values and orientation of marketing to be woven into the fabric of the strategic management process in VCOs. Unfortunately much of the VCS sector literature available on strategy and marketing does not sufficiently tackle the important philosophical aspects. It is recommended that this is addressed through further research and promoting the results throughout the sector.

Turing to a specific issue: how can strategic management and marketing shine a light on the topical concern that a small number of large VCOs – sometimes referred to as VCO ‘super-brands’ – are going to potentially gallop away from small and medium sized VCOs because they hold important survival and growth cards when it comes to competition and collaboration. For instance, consider the following recent criticism about large VCOs:

‘The obsession with charities wasting money continues with a report published by the British rightwing think-tank, the Centre for Policy Studies, attacking charities for spending too much on fundraising and chief executive’s salaries, not raising enough from the general public, and taking too much cash from government. To many in the charity world this sounds like a cracked record. But accusations of inefficiency and financial mismanagement continue. In particular, the authors target the large names, arguing that smaller charities are more efficient, innovative and independent’.


Whatever the rights and wrongs of this, we probably first need to unpack what constitutes competitive or collaborative advantage for a VCO, regardless of size, perhaps even regardless of sector…. It would be possible to stock libraries full of books and papers on peoples’ views on this!

At a rudimentary level, the author believes that Collins (2005) has put his finger on it, arguing in ‘Good to Great in the Social Sector’ that any organization – small, medium or large, business or VCO - can be a great organization. He reasons that the critical distinction is ‘not
between business and social, but between great and good and that we need to reject the naive imposition of the language of business on social sectors and instead embrace a language of greatness'. He goes on to contest that the Good to Great principles articulated in his best selling and thoroughly researched business book do apply to VCOs, 'perhaps better than expected' and that there are five distinguishing issues that separate VCOs from businesses:

- Defining greatness and calibrating success without business metrics;
- Having outstanding leadership and getting things done within a diffuse power structure;
- Building a first class team and ‘getting the right people on the bus' within VCS constraints;
- Working out how to increase and secure the flow of resources to the VCO
- Building momentum by building the VCOs brand

When one considers the critical impact of these issues on competitive and collaborative advantage for VCO organizations in the UK, and align these with the more generic factors from Collins (2005) work – summarized in annex 2 – then a rich analytical framework emerges from which to consider the competitive situation of large, medium and small sized VCOs. One can reason that the competitive advantage balance is tilted towards large VCOs:

- Larger VCOs often have a greater ability to invest in calibrating success, determining the impact of their work and using this to attract future funding – an increasingly key issue. This is notwithstanding that locally driven work of smaller VCOs might be just as if not more effective.

- Larger VCOs might not necessarily have more passionate and capable leaders than small and medium sized VCOs. However, because of their size, larger VCOs, if successful, are likely to have had to define and redefine their structures for decision making and action over time very clearly. Also they may have developed their structures to accord with the needs/preferences of funding organizations (whether this results in effective structures or not!) This sometimes gives confidence to funding bodies which attracts more funds.

- Larger VCOs, if successful, are able to attract a strong and diverse range of people to joint their team – volunteers or paid staff. In turn being able to demonstrate sheer capacity (in terms of numbers, diversity, etc) - sometimes regardless of the effectiveness the structural context for this - is important to some funding bodies. Thus success tends to breed success, insofar as VCOs continue to strengthen their teams over time.

- Larger VCOs, perhaps most importantly, can oftentimes invest in fundraising more than smaller VCOs leading to their ongoing growth. In situations of great competitiveness, or hyper-competition, Johnson Scholes and Whittington (2006) reason that the ‘deep pockets’ of such organizations can enable them to survive when smaller and medium, less well resourced, organizations, go out of business.

- Larger VCOs can build momentum by building a distinct brand arguably more readily at international, national, regional and local levels than smaller and medium sized

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8 Johnson, Scholes and Whittington (2006) state that: ‘hyper-competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors’ advances to create a condition of constant disequilibrium and change.’
organizations - though of course these are often well placed to do this highly effectively at local levels.

The author hastens to add that big is definitely not always best and along with Handy - in his ‘The Elephant and the Flea’ (2002), for instance - and many others, could set out a list of the substantial opportunities and strengths of small and medium sized VCOs: paramount to this, as unpicked earlier, would be the compelling fact that seismic change in society oftentimes results from many small voices coming together in many diverse and different ways. Indeed, as we have seen in Section 1, the ICT revolution allied to wider changes in society - reference Korten’s (2006) work, mean that there has been a recent metamorphosis in the potential for handfuls of people all round the world to create sparks, add energy, passion and commitment in their shared efforts to enlist many others; to thus ultimately collaborate to compete against whatever issue they are campaigning on; to therefore change the world in what is arguably the hallmark way of truly outstanding VCS activity.

However, notwithstanding this, the above does help explain why big VCOs are going to continue to potentially gallop ahead - especially in areas of service delivery relative to campaigning/advocacy type work, though it would be inappropriate to define the marketplace so bluntly.

For instance, in considering the journey of CU over the past 20 years or so, when it has grown in many ways - including in its income and expenditure from ~£50,000 to ~£10 million per annum - it certainly feels the case, from the author’s perspective at least, that it would be relatively hard to replicate the same organizational building type growth if starting again at the same position now (i.e. with very limited resources); this is especially given the ever higher ‘entry’ costs and the greater and greater need to be able to invest in impact measurement and fundraising. With momentum now developing at CU it is somewhat more straightforward to see, on the other hand (subject the usual sort of factors like not suffering from a disaster or a string of poor decision making, etc!) that growth will continue in scale, scope and impact of activity in the future. One of the most important factors to CU being able to grow internationally in the past has been developing its approach to working collaboratively/in partnership; to collaborating to compete. In the next section we consider the advantages of this, especially for small and medium sized VCOs. Also advice needs to be tailored to the pivotal points in a VCOs development, or life cycle, whereby different approaches to collaboration, competition and collaborating to compete are needed.

Reflection - Section 2

1. Does looking at competition and collaboration through the lens of strategic management and marketing help or hinder you in your feelings about, and your understanding of, these issues? If not, what helps you?

2. The author is ultimately positive about the possibilities for even the smallest of VCOs…Given the growing income levels of large VCOs, and the competitive nature of the VSC marketplace, where do you stand regarding the potential for small and medium sized VCOs to contribute towards societal change in the future?
Section 3  Collaborating to Compete

Key Points - Section 3
1. Having acknowledged that VCOs compete all the time, VCOs next need to think through how they can bring in their fundamental preference for collaboration; collaborating to compete thus comes into play.
2. It is important for the VCS to go beyond the first (and comfortable) stage of thinking about how organizations collaborate successfully – they need to develop understanding about how such collaboration can lead to greater competitiveness.
3. Some VCS specific and generic drivers for decision making about when competitiveness might be improved by collaboration are presented in this section.
4. Ultimately, if a significantly greater number of larger VCOs made a genuine commitment to work collaboratively with smaller VCOs, the overall VCS’s ability to compete in its mission for societal change would be transformed very positively.

The question posed at the outset was: ‘what do competition and collaboration mean in the VCS’? At face value they mean the same as in any other sector. There is, after all, no special dictionary definition for VCS competition or VCS collaboration; nor is there a solid case for separate definitions in the author’s view. The VCS arguably needs to ‘get over itself’, accept the positive attributes of competition and fully acknowledge its involvement with competition at all sorts of levels. Earlier in the paper, perspectives on VCS discomfort with competition have been given plus ideas shared about VCOs fundamental preference and disposition towards collaboration. In this respect collaborating to compete is a key concept for the VCS.

As a starting point, it is clear that organizations never simply ‘just compete’ or ‘only collaborate’: most writers would argue that organizations are often simultaneously competing in some markets whilst collaborating in others (Johnson, Scholes and Whittington, 2006). By way of backdrop, consider the three ways in which organizations can grow:

- Firstly, organizations can expand internally which is the approach traditionally favoured because managers are able to retain complete control and, if successful, the method can yield high rewards.

- Secondly, organizations can grow through acquisitions and mergers. This approach has also been widely utilized. For instance, in the 1990s the Charities Aid Foundation merged with the Charities Effectiveness Review Trust.

- Finally, there is a ‘wide variety of collaborative working arrangements’. It is ‘important to realize that a merger is at the end of a long road with many stopping places where charities may choose to go so far and no further’ (Watkins, 1993). As such, organizations can grow through collaborative partnerships or alliances. Relative to mergers and acquisitions these are often quicker to form, are less risky, more flexible to operate, they tend to drain fewer resources and enable a stretching or leverage of financial, managerial and technical resources. As long ago as the early 1990s it was forecasted that VCOs would increasingly join forces in order to be both more effective and more attractive to funders; the latter being increasingly puzzled by the multiplicity of charitable organizations with, as they saw it, identical objectives (Watkins, 1993).

In annex one some practical guidance is given about the formation of alliances.
In 'Collaborating to Compete' Bleeke and Ernst's (1993) argue that the days of 'flat out, predatory competition between organizations in some Darwinian type game are over': they opine that whilst 'learning how to collaborate to compete, it is important to keep alive to the fact that 'competition does not vanish' – instead, rather than 'competing blindly' as before, organizations 'should only compete in precise areas where they have a durable advantage'.

It is important to go beyond the first stage of thinking through how organizations collaborate successfully together – which is often the main preoccupation of the VCS - to accepting the fact, and developing understanding, that this collaboration can lead to greater competitiveness: greater competitiveness in the sense of the VCS as a whole achieving more (realizing greater societal change) and greater competitiveness in the sense that VCOs achieving more than they would have done separately; often put in the 1+1=3 parlance of strategy synergy (reference annex 1).

Bleeke and Ernst (1993) suggested various drivers and practical factors for success; these chime in well, for instance, with case study perspectives from CU:

- Bleeke and Ernst (1993) highlighted the importance of relationships and communication; they underscored how hard these must be worked at to make collaborating to compete work;
- They reasoned that an organization’s willingness and ability to collaborate to compete is going to be an increasingly key predictor of success when reaching out over borders and boundaries (i.e. where it can benefit from the strengths and experience of collaborating organizations);
- They contested that in forming partnerships the more equal the partnership the brighter the future.
- They stressed the importance of flexibility and redefining the collaborative relationship so that it remains relevant and effective - especially important if the collaboration is going to last beyond the average seven or so years that most alliances last.

CU’s learning and its principles and beliefs about the issue of collaborative working and collaborating to compete are captured in its ‘Partnership Guide’. This Guide, targeted at an internal audience to strengthen practice, stresses the importance of:

- Developing a relationship and partner/community driven way of facilitating activity;
- Working hard to maximize informal and formal communication with all key stakeholders
- Being flexible and renewing approaches to identifying and working with appropriate partner organizations.
- The principle of trying to be equal, clear, fair and balanced in its relationships.

Overall it is clear in the Guide that - when considering CU’s history - a collaborative partnership approach has been fundamental to the organizations spirit and values and in relation to establishing and growing its work across different borders and boundaries. Also, linked to the blurring of the sector’s point made previously, and the growing importance of cross sector partnerships, CU’s Partnership Guide also provides advice on collaboration with businesses and Government. In this vein, CU has recently been involved with a study of cross sector partnership working conducted by Helen Wadham (2005); CU’s partnership with Tetley was harnessed as the case study for this.

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9 In 'Writers on Strategy and Strategic Management', Moore (2002) argues that Alfred Marshall was the first person to argue that Darwin’s theory of evolution could be employed to explain why certain organisations survive and others do not.
As well as providing the helpful philosophical orientation (described in the previous section),
the maturing discipline of VCS marketing provides practical pathways on how to collaborate
 to compete. For instance, Bruce’s (2005) latest edition of Charity Marketing includes
 chapters of relationship marketing and partnership marketing, with partnership marketing
 being defined as ‘the marketing of a product or offering jointly with another organization or
 grouping which can be constituted from the voluntary, statutory, commercial or informal
 sectors’ (with alternative terms for partnership being ‘alliance, collaboration, co-operation,
 joint venture or networks’). Bruce (2005) explains that the traditional paradigms of marketing
 have evolved; ‘in the case of partnership marketing, the changed mindset is that
 organizations and groups that previously nearly always thought of themselves as competitors
 or at least separate, can achieve their customer orientated goals more effectively through
 partnership or collaboration’.

Bruce (2005) identifies four drivers that are encouraging collaborating to compete through
 partnership / alliance forms:

• Many of the VCS’s customers have multiple needs that VCOs cannot meet on their
  own.
• A significant number of intermediary customers are not prepared to deal with many
  individual VCOs concentrating on single causes; they want instead a holistic
  approach by a holistic deliverer
• Donors often ask for more co-operation between VCOs
• Statutory commissioners often believe they will get a more effective outcome if VCO
  providers would co-operate more.

He adds that ‘all of us who have tried to encourage such partnerships and alliances know
 how difficult and time consuming they are to establish’ and reasons that marketing can assist
 by (i) keeping a dominant focus on its intermediary and end customers and (ii), through
 relationship marketing approaches, can help manage the interactions between alliance
 members so that the collaborative effort remains healthy and viable.

Extending the more nuanced VCS perspectives on the drivers that might encourage
 collaboration, Johnson, Scholes and Whittington (2006) reveal that there are 7 generic
drivers to consider in decision making about when competitiveness might be improved by
 collaboration to achieve: increased buying power; increased selling power; stakeholder
 expectations; shared work with customers; entry to new markets; decreased risk of
 substitution and increased barriers to entry.

Returning to the previous point about whether size matters from a VCS competitive
 marketplace standpoint, Mitchell and Drake (2005) have undertaken very interesting
 research which posed the question ‘does size matter in organizational collaboration and, if
 so, what works and why?’ The fact that large VCO and small VCO partnerships were homed
 in on for this study is interesting in the context of whether this avenue – complimenting small
 VCO to small VCO collaboration - provides a solid way forward to help enable small sized
 VCOs to succeed. While the answer to this can be yes - obviously determined by whether a
 specific collaborative venture is successful or not! – as Mitchell and Drake (2005) point out it
 should not be seen as a panacea and that:

‘Collaboration and partnership require any organization to think through a number of
 key questions. Why are we doing it? Who do we involve? How will it work? In large
 small collaborative partnerships the potential for misunderstandings is increased
 because of the specific dynamic created by VCOs of differing sizes working together.
 Size affects confidence, real or perceived power bases, capacity, resources, systems
 capability, methods of working, values and operational processes.
In general large small partnerships work best for small organizations where they have been realistic about their strengths and weaknesses and are willing to work with others. Where it has worked best for large organizations, it has required them to fully address the central issues of cultural difference and their approach. The way that staff and volunteers ‘feel and think’ about working in partnership can have a far-reaching and inhibiting effect. Issues such as the fears and realities of ‘take over’ and ‘market squeezing’, sensitivity of approach needed by the large agency, and an openness to build on the best elements of each other’s culture by the small agency need to be taken on board.’

Mitchell and Drake (2005)

Much of the above is in accord with CU’s experience in working at an international level with smaller VCOs and also CU’s collaboration with larger organizations. Linking this to CU’s key strategic emphasis of helping to facilitate the strengthening of (usually smaller in income and expenditure terms) partners that it works with in countries such as Mozambique, Mitchell and Drake’s following contentions are particularly relevant; although these emerged from UK VCS they have been borne out by much of CU’s experience internationally:

‘The potential for ‘power’ imbalance within large small partnerships is much greater. For it to work, both the large and the small have to be prepared to take risks, share resources, be less defensive and territorial, open to change, and transparent about communication, needs, strengths and weaknesses.

Mitchell and Drake (2005)

Larger VCOs often collaborate to compete with larger VCOs. This can often make the entry costs even greater for small and medium sized VCOs. CU can cite several anecdotal experiences related to this. Ultimately - notwithstanding some of the challenges helpfully set out by Mitchell and Drake (2005) above - if a significantly greater number of larger VCOs more frequently made a genuine commitment to work collaboratively with smaller VCOs, the VCS’s ability to compete in its mission for societal change would be transformed very positively.

Reflections - Section 3

1. Does the organization(s) you work with collaborate in order to compete?

2. What major strategic obstacles (if any) exist for your organization(s) to do more work with a wider range of small, medium and large VCO partners?
Section 4: Competing to increase the scale, scope and influence of the VCS

Key Points – Section 4

1. All organizations in the VCS are battling against one enemy or competitor – the needs and issues that challenge VCOs when trying to create and sustain positive societal change.

2. Too much emphasis on VCO versus VCO competition may ultimately serve to produce an increasingly negative response from the general public and other stakeholders as they might become unduly cynical about the motives and role of the VCS.

3. The most important debate about competition and collaboration is: How can strategic management and marketing skills be used more effectively and more widely to harness the positive potential of competition and collaboration in order to challenge and change peoples behaviors and attitudes in society on a continuing basis.

‘If you know your enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not your enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle’


Are other VCOs really our competitors - worse our enemies?

If one reads the advertisements of many VCOs then the impression is gained that organizational efforts are geared externally towards fighting for positive societal change. However, if one considers - and perhaps especially if one is involved with - the day to day realities of organizational survival, and inter-organizational competitive pressure, the conclusion can be reached that much effort is devoted to tackling the real ‘enemy’ which is internal to the VCS; namely that each VCO is competing for resources against others in order to facilitate its own work; that each VCO is in a war to survive, grow and develop market share against its competitors – worse enemies: other VCOs.

If such a position is considered in the light of human nature, and the evidence of British and world history, then it is can be contested that it is understandable; for instance, in his ‘History of the English Speaking Peoples’, Churchill (1957) opined that the past has been shaped predominantly by war. However, the VCS, at root, is focused on challenging history and societal trends. Moreover history can be interpreted in different ways! A fascinating insight into this by Korten (2006) was reviewed in this paper – this was argued to be fundamental in giving real hope that narrow self interest at organizational or individual levels need not prevail.

In military terms the enemy can be considered as the competition. Are VCOs really enemies of each other? The term enemy can be considered to be an incongruous notion in a VCS context and, it can be reasoned that it should be: the notion that the enemy of one VCO is another VCO, is - in the author’s view - a fundamentally misplaced emphasis on one of the major strategic issues facing the sector.

The real enemies are the needs and issues that VCOs exist to challenge!

The enemy of one VCO organization should not be narrowly viewed as just another VCO organization: at a rudimentary level, all organizations in the VCS are battling against one enemy or competitor – the needs and issues that challenge VCOs when trying to create and
sustain positive societal change. Sadly, in the popular press and literature, plus in reality, too much emphasis rests with how one VCO might successfully compete with another VCO. And yes this competition does go on - every hour and every minute. However, whilst the focus on individual VCO market share obviously has an important place in the debate as we have seen earlier in this paper, the arguably greater, and too frequently neglected issue, is to consider how strategic management and marketing skills can be harnessed to increase the resources available to the VCS as a whole and to VCOs specifically. For instance, how can the VCS compete to control the agenda; to put the needs of those communities and individuals that the VCS serve first; to obtain greater resources and influence in relation to the Public and Private sectors? Nevertheless, even concentrating debate on inter-sector competition for resources is perhaps not reaching the heart of the matter. As Johnson, Scholes and Whittington (2006, p 79) reason, ‘typically managers take too parochial a view as to the sources of competition, usually focusing their attention on direct competitive rivals’. This certainly seems to be the case with the VCS! Yet there are other factors in the environment which influence this competitiveness and Porters (1980) five forces framework, for instance, was developed over two decades ago to help identify the sources of competition in an industry or sector - although initially developed for businesses, it is of relevance to VCOs.

It is the authors view that still more deeply, and conceivably more importantly, the discussion about competition within the VCS should go beyond VCO versus VCO or even the need to control the allocation of and secure greater resources and influence from the public and private sectors; and/or to obtaining greater resources from the general public: rather it should shift to the issue of how strategic management and marketing skills can be used to challenge and change peoples behaviors and attitudes in society on a continuing basis - according to Kotler and Andreasan (2006) the most difficult of marketing challenges. For the VCS, it can be about competing against rival paradigms or patterns of thought. A strategic policy recommendation arising at a sector level is therefore that more attention is given to competition in terms of the battle to promote the mission and impact of UK VCS in society. To miss this is to miss something quintessential about the role of the VCS in society and it is to miss something elementary about the opportunities that the disciplines of marketing and strategic management offer. If VCS leaders and managers unpack and better appreciate these issues, they will be clearer in making decisions about when and how to compete, collaborate or indeed collaborate to compete.

There is nothing new about this debate and controversy.

Even a cursory review of the VCS press, yet alone the significant amount of research and other work undertaken, reveals that many people feel awkward and hold firm views about the question of competition in the VCS. Collaboration has been shown to be less contentious. The debate about competition and what it means in a VCO context is not new, yet the VCS is still wrestling with it in 2006! To avoid reinventing wheels, the debate was traced back in this paper to the last two decades or so: in this concluding section the importance of learning from what has been said in the past to help focus current and future deliberations is underscored. For instance, in a questionnaire survey previously carried out by the author (Williams, 1996), there was resounding support for the notion of ‘collaborating in order to compete’ which has been a proposed key way forward for further attention and action; moreover, several of the respondents of that questionnaire requested that the debate be lifted out of what might be described as the murky swamp of inter - or even intra - VCO competitive issues.

Competition can be a good thing!
Having argued about competition being seen through a wider lens, the paper ends by returning to VCO versus VCO level which the sector is so obsessed by. Let’s get real - competition between VCOs is a reality! Perhaps it is time that more people in the sector started to be comfortable with it. Especially given that they are probably directly or indirectly involved with it - particularly if they are at strategic decision making levels in a VCO. Competition between VCOs is totally un-surprising and natural. If one unpacks what competition means and how it can benefit the VCOs – for instance, reference Handy (1988) arguments earlier in this paper - it need not be seen as uncomfortable or worse evil. Indeed we can embrace its positive characteristics as a good thing! We do not need to take it to the excesses that cloud peoples’ minds to it, notwithstanding that these excesses are a true and major concern for global society.

The future

In short, in the Twenty First Century a richer and broader view about competition is likely to lead to the nurturing of VCS activity. However, too much emphasis on inter-organization competition may ultimately serve to produce an increasingly negative response from the general public and other stakeholders as they might well become cynical about the motives and roles of VCOs. We have to concentrate and communicate about the really important competition that matters to the VCS, which is a common ‘enemy’ to VCOs. When it comes to VCO to VCO competition we need to treat this more naturally, become comfortable with it. In the quote from Sun Tzu at the beginning, it is argued that one must know oneself and know the enemy; otherwise the chances for defeat are increased.

In the past 20 years business sector practices and theories have had a great influence on VCOs, including on the issue of competition. This is to the extent that within VCOs there is a danger that they might significantly lose their bearings on the issues at stake. This is because the VCS has oftentimes somewhat superficially picked up the negatives of how competition can be seen from a business standpoint without considering the more profound way that business has already led the way in understanding how to collaborate plus collaborate to compete.

If VCOs fail to know themselves, and focus on matters of commercial type efficiency, investment and expediency, rather than VCS effectiveness, then it is understandable that they become misplaced in having an over-emphasis on other VCOs as their enemies or competitors in simplistic terms. In essence, VCOs should strive to be in tune with, and market, that which makes them different; they might appropriately work more collaboratively in order to keep efforts concentrated on the global theatre of enabling positive societal change.

**Reflection – Section 4**

1. *To what extent do you think the general public and other stakeholders have been negatively influenced by VCS competition?*

2. *What do you think are the biggest issues and opportunities revolving around VCS competition and collaboration?*
Annex 1: Collaboration via Alliances

Introduction

To take advantage of the opportunities of collaborating with other organizations, VCOs need to be familiar with the issues concerning the formation of strategic alliances. Much of the research effort related to alliances, joint ventures, mergers and so on has concentrated on the business sector. Few studies have been carried out in the VCS sector. The following guidelines are largely derived and adapted from advice given by Lynch (1993).

Taking into account the lessons learnt in the business sector, this annex addresses the issue of alliances and is divided into four. Firstly, the case for alliances is outlined. This is followed by a description of the main obstacles preventing the formation of alliances, which subsequently leads to the identification of the key factors influencing successful collaboration. Finally, the recommended steps that ought to be taken in forging an alliance are traced.

The Case for Alliances

The number of alliances in almost every sector has multiplied enormously. The rate and unpredictability of change is increasing dramatically and it has been commented that the successful managers of the future will be those able to think radically, embrace change and create adaptable organizations; for many small and medium sized organizations an alliance is frequently an appropriate way forward because, while it may be difficult in human and emotional terms, it is relatively low risk and usually has a low exposure in financial terms. In a changeable world of rapidly globalizing markets it is reasoned that the move towards globalization mandates alliances and makes them absolutely essential to strategic development.

It has even been predicted that the "rugged individualist" image of the successful entrepreneur or Chief Executive may become the dinosaur of the twenty first century. The future leader will increasingly be more visionary, spiritual and adaptive, able to capture opportunity rapidly, respond to changing situations and inspire a team through a dynamic common vision and shared values rather than through commands and orders.

A shrinking base of some VCOs has led many to ask themselves if cost efficiencies could be possible by addressing common issues or delivering similar services together with their peers. Collaboration can reduce individual expenses in planning, research, training, and other development activities in the early stage of a new initiative and, when overhead expenses are shared, duplication of cost and effort is avoided. The quality of results often increases when a problem is addressed through inter-VCO collaboration because organizations working jointly are likely to do a broader, more comprehensive analysis of issues and opportunities and additionally they also have complementary resources which diversify their capability to accomplish tasks.

The following list of advantages outlines the case for alliances:

- ‘Strategic synergy’: While the strategic directions of the organizations considering forming an alliance should be similar, the operational strengths and weaknesses should be dissimilar thereby creating a unified whole that is stronger than the sum of the parts (1+1=3).

- Speed of operations is often increased, particularly when larger organizations join up with smaller ones.
• The risk of involvement in certain operations is shared, enabling organizations to tackle opportunities that might otherwise be too risky.

• Resources, technology and management systems can be transferred between organizations enabling them to improve their capabilities and maintain a competitive position.

• The range and scale of activities can be increased through the gaining of market intelligence and accessing larger or different sources of resources resulting from new contacts at funding and implementation levels.

Obstacles in forging an alliance

Regardless of all the potential advantages, and despite the trend towards increasing numbers, managers have still in practice been slow to experiment with the formation of alliances. The main reason for this is that a real alliance compromises the fundamental independence of the participants.

Managers dislike this because for many of them management means total control whilst alliances mean sharing control. Drucker (1982) was perhaps the first to foresee that in future decades the world will see a proliferation of organizations in which autonomous partners would be linked in alliance structures. He reasoned that because no one partner would be the owner or sole parent, that no one would be in total control. The relationship would be one of mutual dependence rather than domination or subordination in which the critical managerial skill would be the ability to co-ordinate rather than command. The control factor is really no more than a perception problem and is not necessarily a reality. With the proper management systems in place, the control issue is easily surmountable and with a well planned method of co-ordination highly effective control measures can be introduced.

Beyond the control factor, and the related necessity for clear rules governing decision making, there are two other factors that should be considered:

• Strategic Shifts: alliances are created when two or more organizations realize that they have inherent weaknesses that are complimented by the others strengths. After a period of time, one organization’s weaknesses may no longer exist and the underpinnings of the alliance may be withdrawn. Given this situation it is a sound principle even in the heat of courtship to discuss the divorce procedures and settlement if things change or do not work out.

• Operational Effectiveness: in many respects alliances are like any other venture and once the right strategy is in place their success depends on the effectiveness on operational managers. In reality many alliances are made at the top and sustained by VCO leaders. The biggest operational trap is that the Chief Executives and Board members who launch the alliance have no idea how sophisticated the new operational process will be. Too often, they assume an alliance will either be no different to managing their own internal organization, or will not require much extra management time at all. Consequently they often conclude, when the venture has failed, that alliances do not work. In short it is essential to recognize the new operational challenges created by the alliance and then ensure appropriate staffing and resources are accordingly allocated.
Factors for successful alliances

VCOs should enter into alliances in order to concurrently achieve strategic goals (rather than tactical goals), reduce risks while increasing rewards, and leverage scarce resources. Put more simply alliances are a flexible way of making ‘fits out of misfits’ (Drucker, 1982). It has been further argued that every alliance should ideally have a ‘three dimensional fit’. In addition to strategic synergy which has already been discussed, organizations need to be able to work together at an operational level.

In addition to the strategic and operational considerations, the third factor is that a good "chemistry" should exist between the partners which mean that there is a good quality of relationship between the people involved.

Ohmae identified 11 key issues, further explores some of important factors for successful collaboration.10

Creating an Alliance

A three step process is recommended when creating an alliance. Following the drafting of a Statement of Principle (or Memorandum of Understanding) an Operations Plan is completed and then finally, based on the two preceding documents, the formal legal agreement is prepared.

(a) The Statement of Principle: Drafting a non binding Statement of Principle is one of the most critical steps in formulating an alliance. Its primary purpose is to move the debate beyond initial talking stages, where the verbal understandings may be somewhat vague or conceptual, to the stage of a clear description of the nature of the alliance. In working through this process ambiguities are clarified and it ensures that all partners are aiming at the same objectives. The Statement should be brief and to the point (usually two to six pages are all that is necessary) and it should be worked out by the key negotiators and brought to top management and members of the Board for approval, revision or rejection. It

10 Ohmae's 11 key issues:

(a) The collaborative effort should be seen as a personal commitment. It's people that make partnerships work.
(b) Anticipate that it will take up management time. If you can't spare the time, don't start it.
(c) Mutual respect and trust are essential. If you don't trust the people you are negotiating with, forget it.
(d) Remember that all partners should get something out of it. Mutual benefit is vital. This will probably mean that you have to give up something.
(e) Make sure you tie up a legal agreement. Don't put off resolving contentious issues until later. Once signed however the legal agreement should be put away. If you refer to it, something is wrong.
(f) Recognise that during the course of collaboration, circumstances change. Recognise your partner's problems and be flexible.
(g) Make sure you and your partner have mutual expectations of the collaboration and its time scale.
(h) Get to know your opposite numbers at all levels socially. Friends take longer to fall out.
(i) Appreciate that the cultures of partner organisations are different. Don't expect a partner to act or respond identically to you.
(j) Recognise your partner's interests and independence.
(k) Even if the alliance is due to last only a relatively short time, make sure their is top management and Board approval.
acts to give a clear direction for the next stages of the decision process and generally has the clear structure.

(b) The Operational Plan: The Statement of Principle represents a broad outline agreed by top management and members of the Board. It serves as a guide for middle level managers when working out the details of how the alliance will work in practice. Usually the people who negotiate the alliance are not the people who will be its day to day managers. Therefore it is important to encourage the operational managers to become involved which not only serves to build commitment but also helps avoid later confusion because a number of critical details were earlier ignored.


(c) The Legal Agreement: A legal agreement is often drawn up following the previous steps. However, any agreement is only as valuable as the commitment and fairness of the parties behind it and if the partners believe that they may have to refer to the legal agreement regularly for direction or to solve problems then the alliance is on the road to failure.

Conclusion

Alliances require commitment, flexibility and a willingness to share control. All the above procedures and the best designed plans will not make a stroke of difference if the position of the top management and Board members of the various partners is not open to negotiation and they are unwilling to share. As President John F Kennedy remarked: It is not possible to negotiate with those who say "What's mine is mine and what's yours is negotiable" Finally, the overriding ingredient for a successful alliance is that it has clearly defined goals so that all the partners can focus on an ultimate purpose.
The Good to Great research shows that building a great organization proceeds in four basic stages; each stage consists of two fundamental principles:

Disciplined People
- Level 5 leadership: Level 5 leaders are ambitious first and foremost for the cause, the organization, work – not themselves – and they have a fierce resolve to do whatever it takes to make good on that ambition. A Level 5 leader displays a paradoxical blend of personal humility and professional will.

- First Who… Then What. Those who build great organizations make sure they have the right people on the bus, the wrong people off the bus and the right people in the key seats before they figure out where to drive the bus. They always think first about who and then about what

Disciplined Thought
- Confront the brutal facts: Retain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be.

- The Hedgehog Concept: Greatness comes about by a series of good decisions consistent with a simple, coherent concept – a hedgehog concept. The Hedgehog concept is an operating model that reflects understanding of three intersecting circles: what you believe you can be best in the world at, what you are deeply passionate about and what best drives your resource engine.

Disciplined Action
- Culture of Discipline: Disciplined people who engage in disciplined thought and who take disciplined action – operating with freedom within a framework of responsibilities – this is the cornerstone of a culture that creates greatness. In a culture of discipline, people do not have jobs, they have responsibilities.

- The Flywheel: In building greatness, there is no single defining action, no grand programme, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembles relentlessly pushing a giant, heavy flywheel in one direction, turn upon turn, building momentum until and point of breakthrough and beyond.

Building Greatness to Last
- Clock Building, Not Time Telling: Truly great organizations prosper through multiple generations of leaders, the exact opposite of being built around a single great leader, great idea of specific programme. Leaders in great organizations build catalytic mechanisms to stimulate progress, and do not depend upon having a charismatic personality to get things done; indeed, many had a charisma bypass.

- Preserve the Core and Stimulate Progress: Enduring great organizations are characterized by a fundamental duality On the one hand; they have a set of timeless core values and a core reason for being that remain constant over long periods of time. On the other hand, they have a relentless drive for change and progress – a creative compulsion that often manifests itself in ‘big hairy audacious goals’. Great organizations keep clear the difference between their core values (which never change) and operating strategies and cultural practices (which endlessly adapt to a changing world).
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