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Large/small partnerships

This worksheet examines large/small partnerships, where a large organisation bids for a contract on the basis that part of the service will be delivered by one or more small organisations on a sub-contract basis. Many Supporting People lead officers expect this to be the main way small providers will remain in the market. It looks at how to make these relationships work, their pros and cons for small organisations, issues to be considered and other available resources.

AT A GLANCE

- Be clear about what you offer large organisations – it should be either niche or specialist
- They might be cheaper to be part of, but you'll have to live within the large partner's cost framework
- Be clear about what sort of partner you want, and what sort of relationship you want
- If you choose partnerships, lobby your SP commissioners

Types of bidding strategy

There are several possible models of sub-contracting (see table):

One-to-one: this traditional model is reasonably familiar.

One lead, group of smaller partners: this has some of the features of a consortium.

One-to-many/group-to-many: both of these involve small providers bidding with more than one lead agency. These are temporary arrangements to maximise the chances of success. Clearly only one of the bids can be successful for any one contract, and once the contract is awarded the model becomes either one-to-one or one-to-several.

One lead agency
bids with one
smaller partner

One small
sub-contractor
develops bids
with several lead
agency partners

One lead agency
bids with a group
of smaller partners

Group of small
sub-contractors
develops bids
with several lead
agency partners

AN EXAMPLE OF MULTIPLE BIDS

One Collaborate partnership, consisting of three small agencies, decided that even if they formed a consortium, they would still not be big enough to bid. Nonetheless, they felt it was essential they were part of the service being tendered.

So they made a joint approach to three organisations they knew would be bidding and offered themselves as partners. The deal was that (a) each large partner knew that they would not have an exclusive relationship with the group and (b) the group would only enter into relationships where all three were taken on as partners.

One of the large agencies they approached dropped out, because it wanted an exclusive relationship with only one of the partners. It subsequently withdrew from tendering altogether, as it could not find another partner and the SP commissioners had made it clear they wanted bids to contain an element of partnership.

The two remaining large agencies were prepared to deal on this basis and, as at June 2008, both bids are in the final four being considered for the contract.

Characteristics of successful large/small partnerships

The Centre for Voluntary Action Research (ACVAR) at Aston University carried out a study of 13 successful partnerships between large and small organisations in 2006. They found they had a number of features in common which contributed to their success, including:

- service-related purpose: a clear, shared commitment to the service being provided;
- clear synergies: these arose from the two organisations working together;
- governance based on personal relationships: the partnerships operated on the basis of a high degree of trust and good personal relationships between the key people;

- a joint approach to decision making: the collaborations were treated by both parties as a partnership of equals, despite the disparity in size between them (*'equality is in the eye of the beholder'*);
- mutual exchange of benefits: both partners had something to bring to the table valued by the other.

Advantages of large/small partnerships

- Linking with a larger organisation can deliver good quality partnerships, as the ACVAR study demonstrates;
- The lead agency does the heavy lifting. Small agencies can buy into the larger organisation's professional expertise in writing the tender. The larger partner will take on the lead agency responsibilities if the bid is successful;
- Large/small partnerships are low cost compared with the money and time successful consortium bids require of the partners – this may be the only strategy you can afford;
- Bidding with more than one potential lead agency can increase the chances of success, but you can use your added value to your own advantage;
- They can lay foundations for future collaborations, both with the lead agency and other small providers. The Collaborate partnership cited earlier is planning on adopting the same model with other partners when bidding for other funding streams. Another Collaborate partnership – a one-to-one large/small partnership – is planning to put in a joint tender in another borough as a result of the successful relationship that has been created.

Disadvantages of large/small partnerships

- Anecdotal evidence suggests some large organisations see working with smaller agencies as a pragmatic response in those areas where commissioners are showing a strong preference for partnerships. They tend, therefore, to approach the partnership as an exercise in collecting brownie points, rather than with the characteristics identified in the ACVAR study;
- There are low barriers to exit for main contractors who decide to wind up the relationship with their partner and take on the whole of the contract themselves. A good legal agreement and the willingness of commissioners to enforce fairness through evaluation and contract management arrangements are the best protection against this. See worksheet 5 for an

example of the steps commissioners can take if they are committed to a Fair Trade approach to contract management;

- You have to live within the lead partner's cost framework. This may well be lower than the price you are currently receiving for your service, but it is unavoidable. Even the most enlightened lead partner is unlikely to agree to you being paid a higher hourly rate than they are – unless there are exceptional reasons, for example, if you are providing extremely specialised support services;
- Managing one partnership can be quite demanding. The management costs if you have a portfolio of partnerships with different lead agencies could be high.

Issues to consider

How do you know who is going to be bidding? It is not always easy to guess who is going to be putting in bids. It's even more difficult to find out for sure. To overcome this, some SP commissioners, for example, in Lancashire and Lambeth, have held '*meet the partners*' sessions. These give organisations that have expressed an interest in a particular contract an opportunity to talk with each other.

How do you choose? Trust is a key factor in successful partnerships. Inevitably, this will be partially a question of the people or organisation you feel you can work with in an open and equal way. Being nice, however, isn't everything – you want the organisation(s) with whom you collaborate to win the contract. An element of hard, rational calculation will be needed to assess (a) how strong their chances of success are and (b) whether the partnership between the two of you will be attractive to the commissioners.

What do you bring to the table? This might not be a strategy open to everyone. You need to take an objective look at what your Unique Selling Point (USP) is to potential partners, and how you are going to sell yourselves. Successful partnerships rely on a mutual exchange of benefits. How does what you bring to the table make it more likely that your partner(s) will win? Does the partnership make sense from an external perspective, particularly for SP commissioners?

Lobby for partnerships. Larger organisations rarely start out by thinking about which smaller partners they need to get on board. Their motivation in entering into sub-contracting partnerships often depends on the strength of the SP commissioners' expectations. To this extent, you're in the

commissioners' hands. It is, therefore, well worth lobbying them to be explicit about how they will look favourably on partnership bids, to define what they mean by partnership and to organise opportunities for potential partners to meet. See worksheet 5 for more ideas about influencing commissioners.

Exclusive or multiple partnerships? While the latter may seem more attractive because it increases your chance of success – and therefore survival – it may look like a lack of commitment to potential partners. Not all of them may be prepared to deal with you on that basis. In the example quoted earlier, SP commissioners made it very clear they were looking for a partnership element in bids. The approach might not have been so successful if bidders had not been under so much pressure to find partners.

Non-exclusive relationships. These also involve a trade-off, as the increased chance of success has to be offset against a lower degree of involvement in constructing the bid because of commercial confidentiality. Even the best intentioned prospective partner won't divulge the details of their pricing strategy to partners it knows are also sitting round a table with one or more of its competitors.

Personal relationships are critical. Successful large/small partnerships depend on personal relationships and trust. Both sides have to be prepared to approach the relationship as a partnership of equals despite the disparity in size. As a consequence, partnerships are highly vulnerable to changes in key personnel over time. A good legal agreement setting out how the relationship works and the understandings on which it is based, is essential for sustainability in the long term. See worksheet 6 for further information on legal issues.

Cultural differences. There can be big cultural differences between large and small organisations simply because of their size. These might include the speed of decision-making, attitudes to risk or the importance of hierarchies. Both sides need to make allowances to arrive at a successful working relationship.

Invest in the partnership. Simply hooking up with a large partner is not enough. You need to invest time and effort to ensure you have done everything possible to help your partner win. This will include a service model that convinces commissioners there will be a smooth flow of referrals, communication channels, etc. You also need to look at all the areas of the bid where your organisation's special competences can add value to your partner's offer. See worksheet 7 for further information about writing the bid.

Linking with the right large organisation can be a very attractive option, particularly if your organisation has something special to offer. It can deliver a high quality partnership. You do, however, need to think carefully about what sort of organisation you are looking to partner with, what sort of relationship you want and how you can make your organisation a good and attractive option for the other party.

Partnerships are far more likely to happen if the SP commissioning body has flagged up a preference for collaborative bids, and backed this up with actions. They are also more likely to succeed in the long term if SP adopts a Fair Trade approach to contract management. If you think this is the best option for your organisation, start lobbying your SP commissioners now.



Other resources

The ACVAR report *Collaborative Working Between Large and Small Voluntary Organisations* looks long, but the main body is only 20 pages and is a really good, useful document. See www.abs.aston.ac.uk/newweb/research/CVAR/ or www.ncvo-vol.org.uk for further details.

Also make sure you read the NCVO publication *Joint Working Agreements*. See ncvo-vol.org.uk for more details.

About Collaborate

Collaborate was a year-long project run by hact, funded by Communities and Local Government and delivered in partnership with Sitra and NHF, featuring six partnerships in Suffolk, Liverpool, Durham, Rotherham, Redbridge and Southend. The project aimed to demonstrate how diversity can be maintained and particularly how smaller SP providers could thrive within the emerging SP environment, by developing collaborative approaches to tendering and delivering services, between themselves and with larger organisations. Hact helped project partners in two ways:

- Through practical help and facilitation, working through some of the issues involved in developing collaborative models;
- Through financial support of the costs of building capacity of some of the smaller partnership members, as well as some of the legal and expert support costs.

In exchange, all the participating organisations contributed to an evaluation and facilitated learning process between the partnerships, so their insights could be shared with the wider sector.

About hact

Hact pioneers housing solutions to enable people on the margins to live independently in thriving communities. We use our expertise and resources

to identify emerging issues, test ideas, support multi-agency solutions and share learning that changes policy and practice.

About this resource kit

This resource kit has been produced as one of the ways of sharing the learning from the Collaborate project. It consists of eight worksheets, which provide information about strategic development, different collaborative approaches, how to influence procurement processes, developing collaborative bids and implementation issues (see list below).

Though focused on small providers, the learning has relevance for all in the SP sector. Hact doesn't intend to suggest that collaboration is the only option for small SP providers. Some may choose to leave the market. Others might persuade local commissioners to exempt them from the normal commissioning process.

For many providers, however, SP is a vital part of their income and leaving the market is not an option. Sooner or later, their service will be subject to reconfiguration and tendering, probably as part of a much larger contract. Some form of collaboration may represent their best chance of staying in the market – and possibly in existence. It may also, if the experience of some successful Collaborate partnerships is a guide, be a stimulus to developing better services and ensuring a diversity of provision for service users.

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Collaborate resource kit

Worksheets:

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