

Collaboration Support Resources

What does working in partnership mean?

Audience	Smaller organisations exploring whether collaboration is their best way of responding to a new business opportunity.
Purpose	To help smaller organisations understand: <input type="checkbox"/> Some of the most common structures or models for collaboration and partnership. <input type="checkbox"/> The advantages and disadvantages of different models, in order to help them plan.
Intended outcomes	Smaller organisations: <input type="checkbox"/> Have a better understanding of the kind of options available to them when entering into a collaborative venture. <input type="checkbox"/> Know what questions to ask, and what issues to be aware of, if other organisations propose forming a partnership.

This document is part of a series of Collaboration Support Resources designed for voluntary and community organisations.

For more information about the whole series, and to use the other resources, go to <http://www.voscur.org/collaborationresources>

What does working in partnership mean?

This briefing sets out the key practical issues to consider when your organisation is starting to work in partnership with another. It is for generic use, but is designed to be particularly useful for organisations that work in health. It covers three main areas:

1. Preparing for partnership – common issues
2. Models of partnership
3. Implications of partnership models

1. Preparing for partnership – common issues

There are a range of common issues and themes associated with all forms of partnership. These are divided into two categories: fundamental and practical.

Fundamental issues include:

- Beneficiaries
- Vision
- Individuals

Practical issues include:

- Finances
- Management
- Stakeholders
- Information

Fundamental issues

First amongst these are the needs of each organisation's beneficiaries. The purpose of partnerships is to add value – so that the partnership is more than the sum of its parts. There can often be a range of additional benefits to partnership working (such as streamlined administration or a more powerful campaigning voice), but the fundamental basis for successful partnerships is a vision for improvement.

It follows that successful partnerships (particularly more radical partnerships such as mergers) are the result of a strategic, deliberate and positive decision to improve a specific service or address a specific weakness.

To deal effectively with the issues that establishing partnerships can raise, it is important to recognise that the key agents of change are individual people, who will possess a range of aspirations, anxieties, concerns and ambitions for the future. Of particular note is the relationship between the chief executive or project manager and the chair. It is often helpful to arrange informal time together.

Only when these fundamental issues have been discussed and addressed is it advisable to proceed with a new partnership development.

Practical issues

Organisations need to be satisfied that they fully understand their partners. It is highly advisable to commission an independent consultant or body to undertake a thorough due diligence assessment of all involved organisations with specific focus on finances and governance.

Developing a new partnership is not a passive process. It requires dedicated investment of time and resources, specifically active management. Partnerships do not happen by accident or osmosis. They invariably take more time and resources than initially anticipated. They require the deployment of both management and leadership skills.

Partnerships involve not only the organisations looking to establish them, but their stakeholders too. It is vital that organisations identify and understand their own stakeholders and actively work to keep them informed of issues. Remember: information breeds confidence; silence breeds fear. Funders tend to approve of partnerships, so there is often little reason not to share progress with your stakeholders. It is wise to agree with your partners exactly what can be shared externally and review this through the process.

Organisations often possess a large amount of data and information relating to their clients and organisation. Bringing this information together and understanding the similarities and differences between IT, finance and performance/project systems is a common issue and key requirement for establishing successful partnerships.

2. Models of partnership

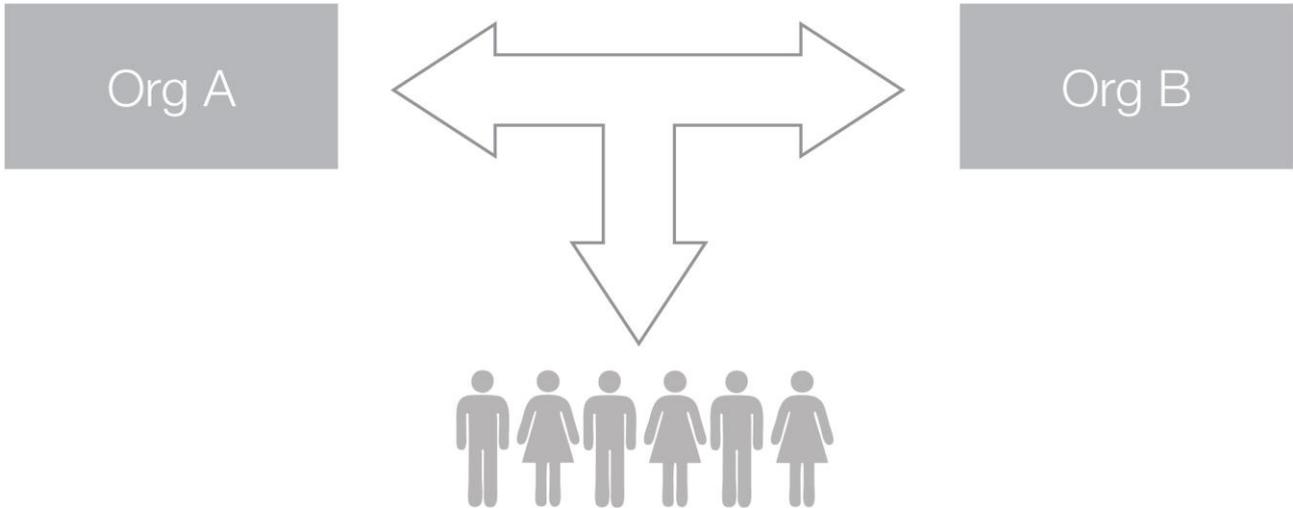
For the purposes of this briefing, there are five models of partnership, which form a spectrum. Models towards the left in the table below are simpler to undertake but offer fewer potential benefits. Those towards the right are more complex and riskier to set up but have the potential to make a greater impact:

(a)	(b)	(c)	(d)	(e)
← Less -- COMPLEXITY/RISK/IMPACT -- More →				
Alliance	Hub and spoke	Lead body/consortium	Joint venture (SPV)	Merger

Each model has its own advantages and disadvantages, which are outlined below. To some extent, these have been exaggerated for the purposes of highlighting the differences between different models and to provoke reflection on which may be most appropriate.

The focus of these resources is different kinds of partnerships, i.e. (b) to (d) in the table above. Alliances and mergers are discussed in this document to help set out the spectrum of collaborative options available, but aren't covered or developed in more detail in the related documents. If, having considered how best to respond to a new business opportunity, a collaboration, an alliance or a merger appear to be the most appropriate way forward, a number of separate resources are available on the [Voscur website](#).

a) Alliance



Description:	
An informal partnership, based on shared values and positive relationships, without contracts/legal agreements. This relationship is often underpinned by a formal agreement about the purpose of the alliance, although it is unlikely to be legally binding; this is referred to as a memorandum of understanding (sometimes called a concordat). On balance, alliances are more likely where organisations are grant recipients, as there is less need for a contractual relationship.	
Advantages	Disadvantages
Cheap and quick to establish.	Lacks formality and possibly therefore weight.
Very flexible and adaptable.	Based on relationships, so can deteriorate if they are damaged.
Preserves the operational independence of partners.	Partners may not be fully committed or may pursue their own organisation's interests.
Partners do not accept the liabilities or risks of each other.	Informal? Ambiguous? What is its purpose?

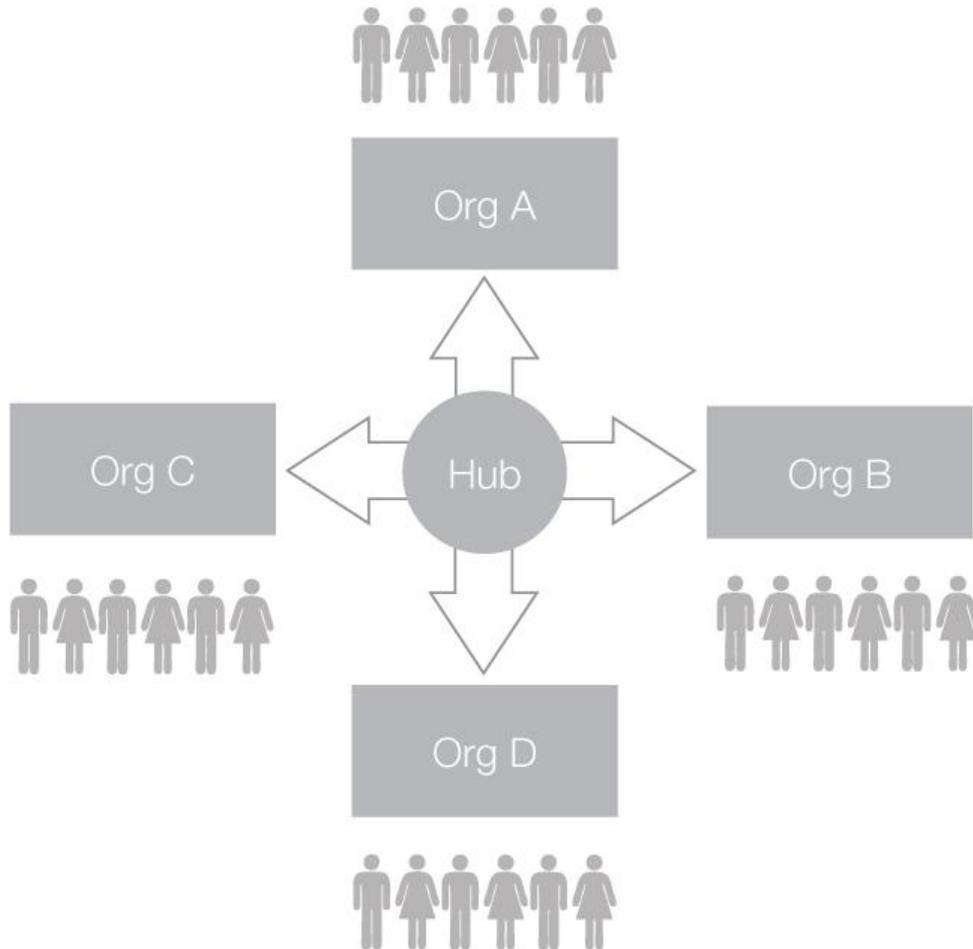
When might this model not be appropriate?

- If a contractual relationship is needed.
- If personalities are well entrenched, or if there is significant organisational change planned.
- Where resources need to be shared.
- If organisations could compete against each other in the future, or share different aims/objectives.
- If there is the risk of drift or lack of focus in the relationship.

Key relevant documents

- [Memorandum of Understanding](#) – a draft template that can be customised to underpin alliances.

b) Hub and spoke



Description:

A hub/spoke model can be thought of as a loose network of partners who can deliver collaboratively when they choose, but still contract independently as well. The hub is a separate, independent organisation which may or may not be a service deliverer under a main grant or contract. It will also often act as a support, resource and coordinating body for the “spoke” organisations – for example, shared back office and support services. The hub is usually a legal entity in its own right, sometimes with its membership or trustees drawn from the spokes – and this requires robust governance, accounting and financial management. This relationship is often underpinned solely by service contracts, which can be further enhanced using a joint working agreement.

A special purpose vehicle (SPV), by contrast, is created by its members/owners to deliver particular types of work and cannot act independently of those owners/members. In this scenario, the members are more likely to provide support to, rather than receive it from, the shared entity. See model (d) below.

Advantages	Disadvantages
Flexibility if both partners agree.	Contractual/service-based model of operation.
Autonomy maintained outside of HUB contract scope.	Cost of setting up separate organisation if the hub is a new entity.

Central services can be shared as appropriate.	Limited by length of contract/scope of service delivered.
Organisations can disengage as required – not permanent arrangements.	Joint working can be hard, as different spokes can compete.

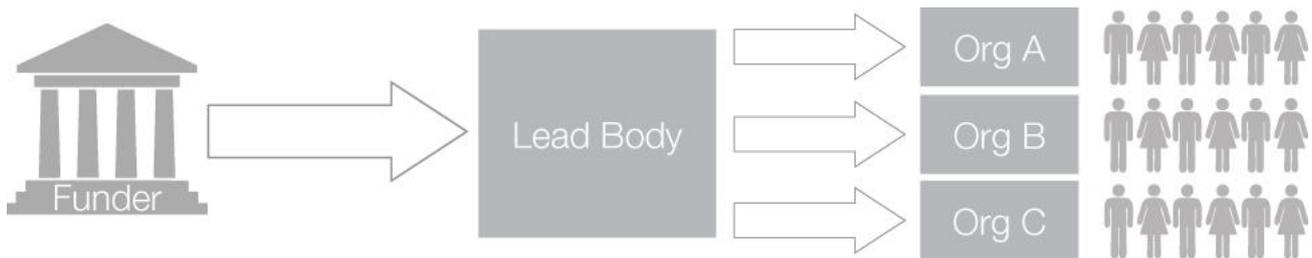
When might this model not be appropriate?

- When partners need to build stronger alliances than just contractual relations.
- Where funds are limited and to prevent the development of a new or competitive organisation.
- Where the contract is for a short period of time, but the partnership needs to be long term.
- Where competition could hinder future service improvements.

Key relevant documents

- [Joint Working Agreement](#) – an example document that can be adapted to establish a legal underpinning to a hub and spoke arrangement.
- [Guide to Contract Law](#) – an information sheet setting out potential challenges and opportunities in working with contracts.

c) Lead body/consortium



Description:	
The services delivered may be funded by a grant or under a contract for services where the lead body is the main contractor (accountable body) and a service deliverer. Delivery partners need to be aware of the conditions of the main funding agreement or contract that they must assist or enable the lead body to comply with. There are potential liabilities for all parties if the conditions of the grant or contract are not complied with. The lead body is always a legal entity in its own right and this requires robust governance, accounting, etc. This relationship is always underpinned by a contract between the lead body and commissioning organisation and almost always underpinned by a subcontract from the lead body to the delivery partners.	
Advantages	Disadvantages
Can be a 'halfway house' towards eventual merger.	The relationship is more complex as it is primarily contractual.
The identity of each joining organisation is preserved.	Additional requirements concerning governance, branding, accounting.
Provides substantial scope for sharing common services.	Some costs associated with contract management/performance/oversight.
Organisations' risk is limited to the extent of contractual exposure.	Legal agreements needed to ensure organisation and relationship functions.

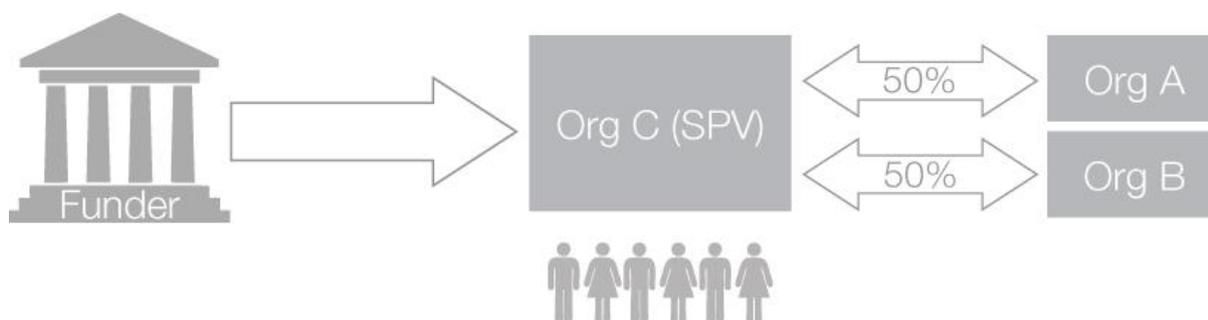
When might this model not be appropriate?

- Where there is a need for simplicity and streamlined relationships.
- Where there is a significant mismatch between partner organisations.
- Where further efficiencies could be achieved through even stronger partnerships.

Key relevant documents

- [Lead Body and Partners’ Agreement](#) – an example template that can be customised to establish a lead body and clarify the roles of the other delivery partners.
- [Joint working or collaboration agreement](#) – an example template that can be customised for a collaborative project or joint venture plus a worked example.

d) Joint venture/special purpose vehicle (SPV) consortium



Description: Organisations establish a new legal entity, which they jointly (and often equally) own and control. The entity undertakes specified roles. This relationship is often underpinned legally by the governing document of the joint venture.	
Advantages	Disadvantages
The entity can serve a wide range of purposes.	The legal entity can develop its own mission/identity beyond its original remit (but has no track record so needs to check that it won't fail quality or experience checks in commissioning).
Long-term arrangement increases likelihood of joint working between partners on shared services.	Additional requirements concerning governance, leadership, branding, accounting.
Solidity to the relationship as a result of the new legal entity and contracts.	More costly and time consuming to establish.
Distinctive and explicit risk-sharing arrangements.	The relationship is more complex as it is one of ownership.

When might this model not be appropriate?

- Where there is a need for simplicity/streamlined relationships.
- If organisations are not clear about the purpose of the joint venture.
- Where there is a need for speedy delivery.
- If partners are not fully trusting of each other or have conflicting priorities.

Key relevant documents

- Model CIO constitution and company articles are available from the Charity Commission and model articles from the Charity Law Association and the CIC Regulator (for a community interest company).
- [Prospectus](#) – a template document to set out the governance structures and responsibilities of respective partners.
- [Consortium Members' Collaboration Agreement](#) – an example legal document that can be used by consortium members to establish roles and responsibilities for SPVs and constituent members.

e) Merger



Description:

Organisations agree a basis on which to merge – either creating a new entity (with relative equality between the joining parties) or enlarging an existing entity. The latter is more usually referred to as a ‘takeover’. This relationship is not underpinned by a separate document once the merger is complete, but it is usual for documents concerning the process to be agreed as part of the merger itself. There are some further legal requirements concerning TUPE that all interested parties should take specific advice on. It is vital to undertake proper due diligence assessments of each organisation, which should be done independently if possible.

Advantages

Largest scope for efficiencies of overlapping services and improved practices.

Simpler governance, leadership and accounting processes.

Radical opportunity to restart and relaunch an organisation.

Simpler for clients/service users/funders to understand where organisations previously overlapped.

Disadvantages

Largest scope for risk if the process fails, potentially damaging all organisations involved.

Long period of time investment and potential high level of resources needed.

Organisations can enter a prolonged period of inward focus.

Loss of history/identity of partner organisations.

When might this model not be appropriate?

- When organisations feel that they are forced into merging – the “shotgun wedding” merger.
- When money-saving is the single driving factor.
- If organisations wish to preserve their own histories and identities.
- If a speedy resolution is required to avert a crisis.

Key relevant documents

- Protocols and due diligence documents – documents setting out requirements, process and information needed in order to undertake due diligence work. These are:

- [Strategic Partners Information Form](#)
- [Due Diligence Report Template](#)

3. Implications of partnership models

a) Alliance

Partners need to be sure that they fully understand their partner and that they are not exposed to reputational risk through association. Partners also need to be assured that more formal partnership models are not appropriate at this particular time.

b) Hub and spoke

There are often fewer expectations upon the spokes than in subsequent models, although it is likely that spokes will have to commit to achieving minimum quality standards. There is also often an expectation that spokes will share information and expertise, and so it is important for potential spokes to be aware of this at the outset. Finally, clear procedures are needed to deal with conflicts of interest where individuals are involved in both the hub and the spoke.

c) Lead body/consortium

The agreements between the different partners are likely to provide that the partners are liable to the commissioning body or main grant aid body for delivery failures or poor performance or for losses suffered by the lead body due to the fault of a partner. Organisations need to be clear about the level of risk that they are exposed to. Very clear guidelines and protocols need to be established about tendering where member bodies may wish to tender independently for certain contracts. This is what a [Consortium Members' Collaboration Agreement](#) would be used for.

d) Special purpose vehicle

The relationship between the member organisations and the SPV needs to be explicit to prevent misunderstandings at a later date. Both the SPV and the partner bodies need to have adequate insurance policies in place to cover the type of work being done, as usually the member organisations will be subcontracted as deliverers by the SPV. Jointly created and adopted systems have to be in place to enable timely recording and performance-reporting from the partners to the SPV as contract manager, so there needs to be clarity regarding what has to be recorded/reported and how. Partners need to give commitments to joint "steering group" meetings to monitor progress and problem-solve. These need to be attended consistently by the same staff, or good communications need to be maintained if different staff attend each time.

e) Merger

The implications for merger consider all of the above issues and several specific matters. The most significant and problematic aspects concern pension liabilities; terminating or renegotiating contracts, such as photocopier or telephone system leases, where there may be significant penalties; and compatibility of objects as stated in the parties' constitutions.

These are the most common causes of mergers not proceeding. Specific legal advice is often required to ensure all partner organisations are fully informed of how best to proceed. Mergers also often result in reductions of duplication, which can include staff. As a result, organisations considering a merger need to ensure they have taken formal legal advice concerning HR issues, including TUPE. It should also be recognised that a merger means the loss of an organisation's unique history, and time should be given towards recognising previous successes.