Stronger Together: building the foundations for system working in the third sector

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Key takeaways

1. The voluntary, community, faith and social enterprise sector (VCFSE) demonstrated its importance during the COVID-19 pandemic and continues to do so during the current cost of living crisis. However, the sector faces a number of 'wicked' issues which will need to be addressed if it is to fulfil its potential.
2. The VCFSE sector and partners in the public sector need to become more adept at working with complexity. To do so, the sector must become more democratic, accountable and inclusive.
3. The lines between the different functions of the VCFSE sector – supporting its infrastructure, ensuring its representation, and delivering impact – are too often blurred. More clarity is needed about how these different functions operate and intersect.
4. Addressing this challenge will require improvements to public sector commissioning practices, and providing democratic, representative structures which empower all parts of the VCSFE sector.
5. The VCSFE sector's role should be to act as a co-architect of system change. Achieving this will mean the public and voluntary sectors working more effectively together and enacting reforms which enable the sector to reach its potential.

1. Introduction

The way the voluntary, community, faith, and social enterprise sector (VCFSE) organises itself will become increasingly important as it aspires to work in a more integrated way with the public sector and communities to drive system change. In this piece, we argue that democratic forms of sector participation, representation and accountability are prerequisites for system working. They will unburden the sector from longstanding power imbalances that cultivate unhelpful behaviours and hold it back from its truly transformative potential. It will enable the sector to work more effectively as a system player and with the complexity inherit in social challenges to develop new social innovations and drive transformational change.

The public sector should advocate and incentivise types of VCFSE sector organising that are democratic and accountable, and challenge unhelpful or counterproductive approaches. By doing so it will unlock the full potential of the VCFSE sector as a valuable community asset.

2. Structure and function: the VCFSE sector and working with complexity

There remain a number of wicked social challenges that blight the lives of many, such as climate change, conflicts, and growing levels of inequality in health, wealth, and opportunity (Marmot, 2010; 2020). These challenges are complex in nature and require that we learn how to work with complexity to tackle them. The skillsets and mindsets required are profoundly different to those needed to deal with linear problems (RSA 2018).

Indeed, our mistakes of the past have been to apply linear cause and effect principles to complex problems. This myopic approach blinds us to the multitude of factors influencing outcomes in complex systems, and by tinkering only with one or two variables this leads to unexpected and often deleterious consequences. Add to this the uncompromising faith of governments around the world in free market economics as a means of resolving such problems has resulted in vast inequalities and entrenched societal problems affecting generations.

The VCFSE sector has long supported the most vulnerable and hardest hit by societal problems. Often working on the ground, with communities and wider stakeholders to provide relief, the sector's impact has never been more visible in modern times than during the COVID-19 pandemic and into the cost-of-living crisis now taking hold, pushing huge numbers of people into destitution.

The VCFSE sector is often most active in spaces of policy and market failure. The rapid proliferation of social enterprises (often referred to as the fourth or hybrid sector) is a welcomed addition to this diverse sector. These organisations apply sustainable business practices to tackle societal challenges, working alongside traditional charities and voluntary, community and faith groups.

So how then can the VCFSE sector play a critical role in the future tackling the inherently complex, wicked social problems of our time? We believe the answer lies in the way VCFSE organisations collaborate to harness resources, strengths, and work with the complexity of the challenges. This is essentially about the way the sector structures itself and the functions and behaviours that flow from this.

3. Enabling system working in the VCFSE sector

The public sector should commission for complexity

Despite the extraordinary contribution VCFSE organisations made throughout the pandemic and continue to make during the cost-of-living crisis, the challenge of acquiring investment to sustain such activity has never been more difficult. Diminishing grant funding opportunities are compounded by shrinking public sector funding pots, increased competition (including from the private sector who often undercut on costs) and spiralling operating costs. This can lead to unhelpful behaviours in the sector and system as a whole. It creates too much competition which leads to lack of openness, trust and collaboration.

If this wasn't challenging enough, the legacy of New Public Management (NPM) approaches continues to cast a long-lasting shadow over service commissioning. All too often, public sector commissioners block contract larger organisations to 'fix problems' on the basis of grossly simplified logic models, resulting in services that meet the specification but fail to deliver. Failing to give due regard to the complexity of a social problem leads to inadequate responses. However, commissioners often feel daunted by the prospect of opening what many believe is the 'Pandora's box' of complexity. It is more politically expedient to 'buy a solution' than admit there isn't necessarily one yet to be found.

More training and support for commissioners and providers in the skillsets and mindsets necessary to work with complexity would help (Knight et al 2017). Ultimately, we will have more success tackling complex societal problems if commissioners advocate a well thought through stakeholder-led analysis of the complexity of the challenge, involve those impacted by the issue, and prefigure learning ahead of outputs before going out to a procurement exercise. It will lead to better, whole-system solutions that get to the root of the issue and importantly involve everyone in delivery. It will result in stronger collaboration, promote partnership tendering, and build stakeholder networks that pool strengths and capabilities and generate new insights about the system.

The VCFSE sector must embody what it advocates.

Many of us in the VCFSE sector have long believed that we should advocate only for the change that communities say they want and need to live a valued, dignified life: "Nothing about me, without me". We hope to reach a point in time soon when there are many more examples of collaborative approaches, including participatory budgeting, where citizens decide how public resources are spent, and citizen assemblies, where people come together to grapple with complex issues in a democratic way, to find consensus and a shared way forward.

VCFSE leaders often advocate the principles of participatory approaches, co-production, citizen-led design and other consultative and democratic methods with citizens and communities. Yet building a compelling, shared vision for the sector, one that truly represents the views and opinions of a broad spectrum of VCFSE players, is often far more elusive and problematic. This is one of the biggest challenges the sector faces. How can it build democratic and participatory forms of VCFSE sector engagement and representation and avoid the well documented pitfalls of chasing power and influence without a legitimate mandate? This challenge is not unique to the VCFSE sector of course, but we do believe this holds the sector back.

Build democratic forms of participation, representation and accountability

One could argue that this is another lasting legacy of NPM approaches, which actively promoted competition for limited resources and set off a chain reaction of counterproductive behaviours amongst VCFSE organisations. But roots also extend deeper into the history of the sector and the relationships and alliances that have been fought and won over time. Power (and resource) grabbing, and exerting power and influence over others has bestowed a competitive advantage for some in the VCFSE sector, irrespective of whether this is a good thing for the community or addresses their needs. The sector should work together to design new structures for enabling diverse views and opinions to be heard, understood, and respected. This ought to be a democratic structure with rules and processes which enable healthy, inclusive and constructive debates and reflection, with mechanisms for voting on issues and arriving at consensus.

Building democratic structures and processes for sector representation is a critical next step in helping the sector achieve more as a whole than its individual organisations can when acting alone and in competition.

We are confident this will come about in time, as leaders and followers become more confident speaking out about the lack of effective democratic representation and participation in the sector's decision making. The whispers of discord are growing into a chorus of concern. Real power and influence of course reside in each and every organisation playing their part in the sector, but their contributions need to be harnessed more effectively.

Creating democratic structures and processes will mobilise the collective energy for change that resides within the sector (Land et al 2013). These structures will promote positive behaviours such as trust, reciprocity, fairness, goodwill, and integrity. They are also a prerequisite for creating safe spaces to learn and grow together which are needed to develop the collective intelligence and tackle complex social challenges (Lowe & Plimmer 2019).

Create dividing lines between the distinct but complementary functions of the VCFSE sector

The VCFSE sector fulfils different roles and functions. These include: infrastructure support (providing strength to the sector); representation (giving its voice); and delivery (ensuring impact). These three functions are complementary and should be independent of one another but are often not. Without clear separation things can become conflicted and territorial and the sector can, at its worst, operate in self-destructive cycles.

Infrastructure support assists individual VCFSE organisations who are looking to operate effectively, grow and develop and is often a lifeline for nascent organisations. This is a different function to providing representation for the VCFSE sector which is a sector wide endeavour that should be determined democratically with processes and rules collectively agreed upon to ensure fairness. The majority of VCFSE organisations deliver services to address specific needs of citizens and community groups by providing support networks, foodbanks, or advice services, for example.

They also have a remit distinct from providing infrastructure support to the sector, or representing it. All too often the boundaries between these different roles and functions are blurred which creates conflicts of interest and tension amongst sector players. This serves no one well, least of all the citizens and communities the sector serves. The sector must resolve this longstanding issue by creating clear blue water between such functions if it wants to be taken seriously by wider stakeholders. Our citizens and communities will be the greatest beneficiaries of such a move.

The public sector should incentivise behaviours necessary for system working in the VCFSE sector

The public sector has an important role to play helping the VCFSE sector become the best version of itself so it can step up to the challenges ahead. Of course, strengthening the sector and its voice could in turn be seen as creating a critical challenge to the work of the public sector, particularly to locally elected politicians. This is a tension to be aware of. However, we believe the public sector has more to gain than to lose. It can and should advocate and support the democratic structures and processes that are needed to enable the sector to flourish with shared purpose and in greater harmony.

It is no longer sufficient for public sector leaders to stand on podiums waxing lyrical about how we're all in this together, or that system working and collaboration are the future, if they don't also play an active role shaping these very things. After all, the structure of things determines their function and the behaviours at work. The worst thing would be for the public sector to turn a blind eye or claim that this is for the VCFSE sector to resolve independently. We ought to help to build each other up and, together, think like a system (RSA 2018).

4. Becoming the best version of itself: three wicked issues in the VCFSE sector and what can be done to address them

1.Improved commissioning practices

Commissioning processes do not currently encourage VCFSE partnership or collaborative working. Winning tenders are often grossly simplified block contracts that have not adequately responded to the complexity of the challenge at hand. Local commissioning frameworks which incentivise learning and partnerships and nurture complexity working will deliver helpful behaviours in the sector and, importantly, solutions that get to the root of the challenge.

Public sector organisations should use the pulleys and levers at their disposal such as contracting, commissioning, and procurement to incentivise behaviours necessary for system working, and call out practices and behaviours which are counterproductive and erode trust.

2. More democracy

The lack of democratic participation and representation in the VCFSE sector means that the diversity of views and opinions of sector players is regularly crowded out by those who have historically held power. This needs to change. All VCFSE organisations ought to have the right to be heard, understood, and respected, just as the sector advocates for citizens and community groups it supports.

A democratic congress or council in local areas is one way to resolve this. The sector would vote in elected representatives for defined tenures, through a fair and impartial process who then advocate agreed priorities decided through healthy debate and consensus building. Elected VCFSE representatives from each local authority VCFSE congress would then come together regionally with elected city region mayors to discuss key matters.

3. Maintaining healthy boundaries

Maintaining distinction between the three VCFSE functions described above (infrastructure support, representation and delivery) and creating democratic structures and processes to manage these conflicts is a critical next step in ensuring fairness and transparency in the sector.

The public sector ought to play its role in this regard, championing democratic accountability, calling out conflicts of interest and supporting the development of fair and transparent sector governance arrangements. The three broad functions can be visualised as a triple helix structure. This proposed framework separates the three complementary yet independent functions. This creates healthy boundaries which will prevent conflicts of interest and enable the sector to align its efforts more effectively to liberate the best it has to offer.
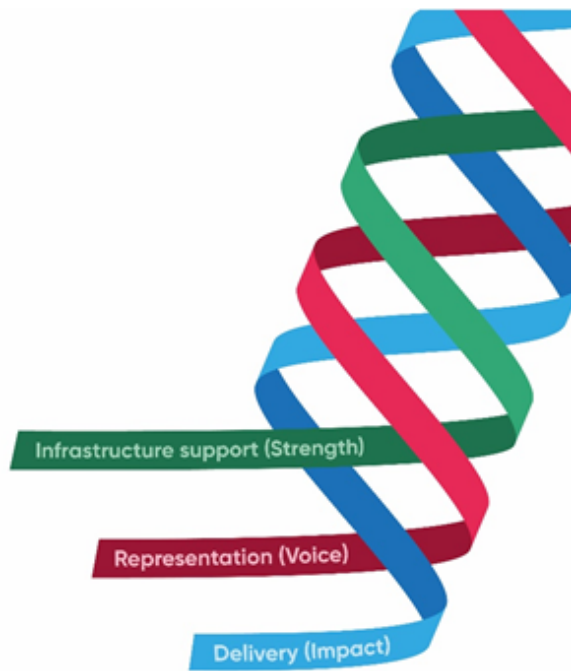

Figure 1: The three VCFSE functions of infrastructure support (strength), representation (voice) and delivery (impact) visualised as a triple helix structure. Image by Ben Clark Design

5. Conclusion

The VCFSE sector's contribution will rightly be of growing importance in the future: not only in terms of ameliorating suffering, but also as a co-architect of system change. To realise the latter, it must go on its own learning journey – alongside others operating within the system – and embody the change it wants to see in the world. Above all we need a level playing field in the VCFSE sector, democratic structures for lively debates and consensus building, and clear boundaries between the different VCFSE functions.

If we are prepared to do the difficult work now, the sector will rise up through distributive power. It can walk the walk – which is the most powerful form of advocacy for change in society. The trust and the goodwill cultivated will nourish and energise the sector as it pushes forward with transformational change on a scale not seen before, but so urgently needed now.

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