

# Cluster Development for the East Midlands Voluntary & Community Sector

## Executive Summary



**Building the future together**



## Introduction

When voluntary sector representatives began to consider a cluster development initiative, they needed the answers to some key questions. Cluster development had generally been used to support private industry. As a result, it used the language of competitiveness and wealth creation. Was the approach really suitable for voluntary and community groups? If it were possible to have cluster development for the voluntary sector, why would the sector want it? What would cluster development be *for*?

The cluster leadership group saw the need for an initial study exploring the potential of the cluster approach for the voluntary sector. Engage East Midlands and the

# Foreword

One of every six working age people in the East Midlands are involved in some kind of voluntary or community activity, and one in seven in unpaid voluntary work. Voluntary organisations contribute to the region's social, cultural, economic and environmental wellbeing.

Increasingly, the voluntary and community sector is being called upon to support the regeneration of communities and provide quality services for the public. Its contribution will be vital to tackling social exclusion and to creating a competitive, skilled-up economy.

Yet, historically, the strategic development of the sector has been neglected – perhaps due in part to the difficulty of finding a common vision for such an incredibly diverse sector. This is why last spring, recognising the need for a regional development strategy for the sector, Engage East Midlands<sup>1</sup> and the East Midlands Development Agency<sup>2</sup> (emda) began to discuss a cluster development initiative for the voluntary sector.

Cluster development is an economic strategy that encourages the development of “clusters” of related organisations and industries, in order to enhance their productivity. In England, the regional development agencies are supporting cluster development for a variety of industries in order to boost regional economic performance.

Because of the importance of voluntary and community groups to the region's quality of life and sustainable development, the East Midlands Development Agency supported the idea of a cluster approach for the sector. An embryonic cluster leadership group, bringing together regional voluntary sector bodies with key stakeholders, was formed in the spring of 2001 to take this forward. The report that follows is one of the first achievements of this group.

This is the first time in England that cluster development has been used with the voluntary and community sector – indeed, we believe it to be the first time in the world. That the East Midlands region is leading in this more strategic engagement with the voluntary sector is no accident. Rather, it is a reflection of the commitment in the region to achieving a genuine partnership amongst all stakeholders.

Alison Simpson, Director of Sustainable Communities  
East Midlands Development Agency

“We have to move away from the traditional view that there is a sector which deals with charity and social issues and that there is a sum of money that goes with that which is separate from the economy.”  
– participant, cluster study focus group

National Council for Voluntary Organisations (NCVO) were commissioned by the East Midlands Development Agency to do a baseline study of **Cluster Development for the East Midlands Voluntary and Community Sector**. This is the Executive Summary of the research report.

The aims of the study were to explore the potential for using the cluster development approach to support the sector's development; and, through an assessment of the sector's current situation and possible futures, to provide a starting point

1. Engage East Midlands is the regional voluntary sector forum for the East Midlands region. It seeks to enable the voluntary and community sector to make best use of its strengths and contribute as an equal partner to the development of the region.

2. The East Midlands Development Agency is one of England's nine regional development agencies, whose brief includes job creation, skills improvement, increasing competitiveness, and addressing economic exclusion.

for planning collective action in support of the sector's development.

The study had four main objectives:

- To explore the potential for and feasibility of applying the cluster development model to the voluntary sector;
- To provide an analysis of the current state of the sector in the region;
- To set out the aspirations; obstacles to development; and opportunities facing the sector;
- To develop recommendations for action in support of the sector's development.



## Methodology

To meet the objectives of the study, the research team drew on a variety of resources and used a combination of quantitative and

qualitative research methods. The project team:

- Brought in an expert on cluster development to lead a workshop on adapting the cluster model to the voluntary sector.
- Reviewed existing regional and national research on the sector, and analysed available data to develop a baseline picture of the East Midlands voluntary and community sector.
- Undertook 44 in-depth interviews and two focus groups to explore the strengths, weaknesses, opportunities and threats facing the sector, and the potential for developing collaborative solutions to shared challenges.
- By combining regional perspectives with data collected for Third Sector Foresight, NCVO's national strategic analysis, explored the issues likely to impact on the sector in future years.
- Facilitated a seminar on cluster development for 40 voluntary sector and stakeholder representatives. The seminar explored key actions that could form the basis of a development strategy for the sector.



## The cluster development model

What is a cluster? A **cluster** can be defined as:

A group of industries and organisations that are linked together in buying and selling relationships, or who share the same infrastructure, customers or skills base *and whose linkages enhance competitive advantage*.<sup>3</sup>

Some clusters are world famous: the film cluster in Hollywood, the leather and fashion cluster in Italy, and the information technology cluster in Silicon Valley are well known for their success. The existence of such clusters demonstrates that an individual organisation's success is determined in part by the environment in which it operates.

In a successful cluster, long-term relationships and the exchange of know-how amongst organisations create an environment conducive to success. There is a synergy amongst organisations, and they are aligned to meet each other's needs. For example, training organisations produce the skilled people needed by end-product or service-delivery organisations; support agencies deliver services tailored to the needs of the industry; financing organisations understand and cater to the particular financial conditions of the cluster.

As a result, each organisation in a successful cluster has easier access to appropriate skills, expertise and supporting services. Good practice and innovations spread quickly. And new initiatives have a better chance of success.

**Cluster development** is an intervention aimed at creating the conditions of a successful cluster. That is, it aims to enable the members of a potential cluster to create and carry out a strategy for their own collective development.

While a potential cluster exhibits concentrations of related organisations and some linkages amongst them, it lacks the degree of active, ongoing collaboration and cross-fertilisation of a successful cluster.

Cluster development begins, therefore, by enabling cluster members to identify where there is the potential to take strategic, collaborative actions to overcome shared problems and take advantage of opportunities. It allows cluster members to analyse their shared environment – including their relationships with each other – and work towards improving it.

By its very nature, cluster development can only succeed if it is a participatory process, led and driven forward by cluster members themselves. Cluster development seeks to enable leaders within the sector to identify and deliver on actions that will take forward the cluster's common goals.



## The voluntary sector and cluster development

An examination of the cluster development approach helped to clarify its suitability for the voluntary sector in terms of aims. The end goal of cluster development is enhancing productivity and performance – the ends to which that increased productivity is put, whether profit or service to others, are not prescribed.

The cluster development approach can be used by the voluntary and community sector with very few modifications. When applied to the voluntary sector in the East Midlands, we could define a cluster as

**A group of voluntary and community organisations and enterprises that share the same infrastructure, clients or skills base and whose linkages enhance their ability to develop and contribute to the quality of life in the East Midlands.**



*“There is a recognition that we are in a win-win situation which is very powerful. Some organisations will remain insular and will fail, but there is a recognition that we are part of a wider picture.” – cluster focus group participant*



workforce is working in organisations with ten or less staff, and almost half on a part-time basis.

The research team identified **barriers to the development of the sector** in four primary areas:

- Strategic capacity;
- Human resources;

- Supporting organisations & services; and
- Funding.

**Strategic capacity.** Many organisations within the sector – and the sector as whole – lack the ability to plan for and take action to further their future development. This is due to endemic short-termism; lack of management and leadership skills; low investment in research and development; and cultural barriers.

**Human resources.** The sector faces challenges in the recruitment and retention of paid staff and the recruitment and support of volunteers. It has skills gaps and training needs in a number of key areas. Key development needs for the sector are in the areas of strategic, managerial, and communications-related skills.

**Supporting organisations & services.** The extent and quality of infrastructure varies across the region; and different types of support agencies are not well linked. In some cases provision of support services is poorly matched to needs. There is concern within the sector about both the proliferation of infrastructure, and gaps in support to new or smaller and rural voluntary and community groups.

**Funding.** The sector faces a variety of challenges in the area of finance, including grant dependence, particularly for smaller organisations; low support for start-ups and innovation; and the possible negative impacts from reliance on short-term project funding. Income diversification, including income generation through trading, could provide organisations with more autonomy. However, the sector lacks expertise in this area.

The boundaries of clusters are defined by the relationships amongst organisations, not by political or sectoral boundaries. Clusters can be national (or even international), regional, local, or confined to a single city. Moreover, a large, broader cluster may contain multiple smaller, more narrowly defined clusters – **microclusters**.

**The East Midlands Voluntary and Community Sector Cluster** potentially includes all voluntary and community organisations and their supporting agencies in the East Midlands. While the range of organisational forms and activities of voluntary and community groups in the East Midlands is considerable, they share common barriers and opportunities, and a common voluntary sector environment.

Nevertheless, there are also a number of sub-sectoral concentrations – by beneficiary, by function, by area of work, by identity, and by geography – that suggest potential microclusters. The research identified several possible types of voluntary-community microclusters in the East Midlands: geographic or area-based; activity-based or functional; beneficiary, interest or industry-based; black and ethnic minority; and rural.



### The Voluntary and Community Sector in the East Midlands

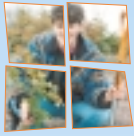
With an estimated 20-36 000 organisations, and an income of £500-990 million, the East Midlands voluntary and community sector has reached a critical mass. It is responsible for employing a workforce of almost 28 000 staff – one in 70 East Midlands workers – in addition to an estimated 327 000 volunteers.

Behind these figures we find considerable variation. Most of the sector’s income tends to be concentrated in a small minority of organisations, with less than one per cent of general charities sharing 54 per cent of income. The Lottery and local authorities are the most popular income sources for the region, and yet the sector does not do as well with grants as the national average. Almost half of the regional voluntary sector



*“...we see the most dreadful wastage there because organisations set up and a few years down the line collapse due to lack of support.” – cluster study interviewee*





## East Midlands Voluntary and Community Sector Foresight

An examination of the sector's aspirations and possible futures through a **Third Sector Foresight** analysis identified six main drivers of change for the sector: demographics; economy and resources; social values; technology; the natural environment; and government policy. Amongst the trends that will impact on the East Midlands sector are

- An ageing population and a changing cultural and ethnic mix;
- A decrease or phasing out of several existing sources of finance for the sector;



*"I think the voluntary sector has to be confident and say we are not going to become merely agents for service provision, but pursue our own line."* – cluster study interviewee



## The Potential for Cluster Development

While sector representatives report considerable collaboration and networking, it is clear that this must be deepened and extended in order for the voluntary and community cluster to realise its potential.

The sector has networks both across the region and in most interest/activity areas. Moreover, sector representatives report important informal networks. However, participation in networks is uneven and information is still failing to reach the grassroots.

Interviewees reported that information sharing and partnership working tends to involve infrastructure

organisations and larger voluntary groups. Smaller groups, rural groups, and black and ethnic minority groups can be isolated. Furthermore, some collaboration takes place only because it is required, or it is of poor quality: in particular, joint working with statutory agencies needs improvement.

To inform efforts to deepen the cluster's collaboration, the research team examined

the barriers and enablers to the cluster working together. Barriers included

- Competition for funding and over territory/roles;
- Lack of mandate and resources for joint working;
- Lack of understanding of the voluntary and community sector by supporting agencies; and
- A short-term, "go-it-alone" culture.

Voluntary and community representatives identified several measures that would allow closer collaboration within the cluster:

- Forums/other mechanisms for face-to-face networking to build trust and working relationships;
- "Broker" organisations to facilitate organisations' working together; and
- Building awareness of the opportunities and benefits in joint working.

Voluntary and community representatives identified a number of areas where collaborative action could benefit the cluster:

- Marketing and lobbying;
- Capacity-building and skills sharing;
- Fundraising and income generation;
- Improving resource use, including purchasing and volunteer recruitment;
- Service delivery.

- Changing social values impacting on the nature of voluntary activity and philanthropy;
- The need to consider using ICT to promote and facilitate user involvement;
- Public concern over environmental change, which may re-energise civil society;
- A more instrumentalist role for the sector in delivery of public services, but perceived threats to the sector's advocacy and voice functions.

The East Midlands sector has a number of aspirations for the future, but those in the sector are not confident about achieving some of these. The key aspirations are

- Promotion of public trust in the sector;
- Level playing field with for-profits;
- More favourable tax treatment;
- Improved consultation by government;
- Longer-term funding and simpler grant-making procedures;
- Real involvement in the design and commissioning of public services.

The sector faces a number of challenges as resources become more constrained and the expectations of stakeholders rise. In seeking to address these challenges, the sector needs to look at how it collaborates to achieve supra-organisational goals.



*“I think it’s very much sharing knowledge, experiences, trying to keep people from reinventing the wheel in each of their little corners, and therefore gaining at the end of the day by perhaps not wasting resources or repeating projects.”* – cluster study interviewee



## Conclusions and Recommendations

A cluster development initiative for the East Midlands voluntary and community sector will need to take into account that

- Barriers to development are linked, so solutions must be as well;
- Cluster development needs to develop organically and incrementally;
- Initial actions should focus on early wins and non-contentious areas;

- The initiative must recognise the diversity within the sector;
- The initiative must build on existing linkages and collaboration.

Taking forward cluster development for the voluntary and community sector will require actions in three areas:

- **Regional level actions;**
- **Microcluster development; and**
- **Supporting the rollout of the cluster initiative to the sector.**

### 1. Regional level actions

Leadership and forward thinking	<p>Establish branded initiative to encourage development of leadership skills and forward thinking</p> <p>Establish initiatives to give access to latest thinking on voluntary sector development</p> <p>Develop voluntary sector champions</p>
Access to expertise	<p>Encourage resource pooling to purchase expertise</p>
Human resources	<p>Market sector as a career</p> <p>Develop voluntary sector career paths</p> <p>Explore regional recruitment agency/admin bank</p> <p>Explore regional approach to support on personnel matters</p> <p>Creation of a regional “trustee bank”</p> <p>Pilot new approaches to volunteering</p> <p>Emda to promote volunteering to its own staff</p>
New approaches to resources	<p>Encourage collaborative approaches to funding</p> <p>Explore potential for a voluntary sector credit union</p> <p>Develop income generation toolkit</p> <p>Explore potential for bulk purchasing of services &amp; products</p>
Improving partnership working	<p>Market sector to partners</p> <p>Use ICT to generate horizontal links</p>

## 2. Microcluster development

Pilot Microclusters for each microcluster type and evaluate their success

Geographical microcluster  
Activity based microcluster  
Interest/issue based microcluster  
Black and ethnic minority microcluster  
Rural cluster supported by ICT – a “virtual microcluster”

## 3. Supporting the rollout of the cluster development initiative

Actions to support participation in the regional cluster and microclusters

Establish regional-level support to coordinate and market the cluster initiative and to pilot microclusters  
Using secondments/consultants, form bank of expertise for cluster/microclusters  
Establish regional capacity-building support for ICT in the voluntary sector  
Provide microcluster leaders with support in the form of staff or funds  
Raise understanding of cluster development in existing infrastructure bodies  
Support the evaluation and development of infrastructure agencies' services  
Explore linkages with emda's Business Champions  
Carry out studies to further explore recommended regional actions  
Identify and meet resource requirements through new/realigned resources  
Develop evaluative processes to track development of the sector



*“You can't look back and say that's how it used to be...You have to accept that there is a constant movement and basically we can be wherever we want to be. We have the vision.”*

– cluster focus group participant



### Next steps

This report is intended to provide a starting point upon which the voluntary and community sector can build in planning actions to support its development. Activities to enable voluntary and community groups to participate in cluster and microcluster development will be taking place across the region.

If you or your organisation would like to get involved in the East Midlands Voluntary and Community Sector Cluster, or you would like more information on cluster development, please contact **Krista Blair, Policy and Research, Engage East Midlands, 0115 934 8471, [engage@engage-em.org.uk](mailto:engage@engage-em.org.uk)**

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A copy of the text from this report is available in large print from Engage East Midlands.