

# Commissioning, Contracts and Connectivity – Is it really happening? Looking at the engagement between NHS and Third Sector in Manchester

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International Social Innovation Research Conference, September 2009

Please reference, as a Working Paper Sept 2009, ideas and discussions welcome; [m.bull@mmu.ac.uk](mailto:m.bull@mmu.ac.uk)

## **Abstract**

Our objectives in this working paper are twofold. Firstly, to put pen to paper and grapple with the issues and starting point for looking at the relationships between the NHS and TSOs. Secondly, to outline our recent award of a 12 month ESRC funded Business Engagement Opportunities Scheme that seeks to engage with the debate and add to the growing body of knowledge around the subject.

Health and social care are provided in developed economies by the state, the market, the household and voluntary agencies in combinations that vary across time and place. In England (and in the devolved administrations of the UK) governments have put mechanisms in place to ensure that more public services will be delivered by organisations from the Third Sector (including but not limited to social enterprises), especially for individuals and groups the public sector finds hardest to reach.

After decades of a national health service (post WWII) a more diverse set of current and potential providers to address social and health inequalities is among the objectives of the national programme *World Class Commissioning*. For many TSOs this agenda for change has profound implications that are both welcomed and feared. There are opportunities to develop new and relatively reliable funding streams and to escape dependency on donations and grants. Yet, as many see it, there are new threats to the values of individual organisations and to the distinctiveness of the sector. Becoming more entrepreneurial can be associated with being adaptable and responsive to opportunities and the 'market'; or it can seem to signal weakening of charitable, social and voluntary ethos.

NHS Manchester has developed a strategic plan of which a key priority is to reshape its local provider profile through market making and commissioning new service contracts from TSOs, especially social enterprises. It is clear that much learning is needed on both sides to make this achievable.

This working paper explores our thoughts and feelings at the start of a one-year project under the ESRC Business Engagement Opportunities scheme in which we are working with NHS Manchester and the local socially enterprising communities to increase learning that can lead towards stimulating more Third Sector Organisations to bid for NHS contracts.

In this working paper we are concerned with situating our work in the context of emerging debates about the Third Sector, public services, values, and social entrepreneurship. Public sector commissioners and TSOs often struggle to make sense of each others' world views and working assumptions. This paper offers a grounded reflection on the nexus of the commissioning agenda, offering a critical overview of claims and counter claims around increased expectations that organisations from the Third Sector (TSOs) will compete for contracts to deliver public services.

In doing this we put particular emphasis on contested notions of being 'businesslike' and 'entrepreneurial' for the Third Sector. Then we report how some of these tensions are being played out between NHS Manchester (responsible for commissioning and directing NHS funds into a wide range of services for communities across the city) and local Third Sector delivery and infrastructure organisations.

## ***Introduction***

Under the national programme entitled *World Class Commissioning* (Department of Health, 2007) more providers, and more kinds of provider, are encouraged to enter the health and social care market in England. There are “new opportunities for innovative providers from any sector to meet the needs of users” (Department of Health, 2006:4). An increasingly diverse provider market across the public sector is expected to: ensure value for money by improving quality while driving down costs (Gershon, 2004); to meet the public policy objective to support small businesses (HM Treasury, 2008); and harness the energies of Third Sector Organisations to tackle social challenges (Department of Health Third Sector Commissioning Task Force 2007). This is happening against a background of contested notions of a modernised public sector and a Third Sector encouraged (or constrained) to learn from the private sector and adopt a more entrepreneurial mindset and engage in the marketization of the reforms across the health sector.

In this working paper we outline our ESRC project at the beginning of the journey. Our study is focuses on the city of Manchester, UK and the practices and relationships in terms of trading activities between socially enterprising organisations and NHS Manchester.

We will explore the concerns and understandings of parties, and ways in which we hope to engage in the debate to unpack how world-views and opinions are forming and have formed in this debate from across the public and third sectors. We are tasked to grapple with a number of hard to define and socially constructed entities; ‘NHS’, ‘TSOs’, ‘social enterprises’ and the ‘market’ are all up for grabs.

We aim to offer a critical overview of claims and counter claims around increased expectations that organisations from the Third Sector (TSOs) need to compete for contracts to deliver public services. We scrutinise these debates through a lens of entrepreneurship, itself a term that is argued over and which some writers consider should be broadened to represent the creation of social as well as economic value (Chell, 2007).

We report how some of these tensions are being played out in current policy and practice intended to achieve ‘world class’ commissioning of health and social care. We highlight the city of Manchester, where there are persistent and severe health inequalities and where NHS Manchester (formerly the Primary Care Trust) has adopted a strategy to harness the capacity of local Third Sector Organisations to improve health outcomes.

This working paper brings together avenues of thought at the beginning of a (12 months) ESRC Business Engagement Opportunities scheme research project, entitled Engage – Stimulating Third Sector Organisations in the Health Sector Supply Chain. For the reader not familiar with the feelings involved in this type of work; it’s a little like the journey to Emerald City for Dorothy Gale in the Wizard of Oz. You know the

general direction you're going in – yet you've never been there before. You know the path but you've never trod this particular path before. And especially the case, you never know who you might meet, what you might learn or what adventures you might stumble over along the way.

### ***Manchester, so much to answer for.***

Like many cities of the UK, Manchester is a rich and vibrant place to live and work in. With a population of circa 458,000, Manchester today is a changing, yet historical city, whose citizens range from the wealthy to the very poor. The exploits to which owes much to the industrial revolution and its industrial heritage and legacy of the past. Milestone and Grimm (2009) capture the essence of the past;

“Manchester was built on the cotton industry and nicknamed ‘Cottonopolis’ to convey just how intensely central the textile industry was to the city’s economy and identity. The high rainfall and fast flowing rivers provided the energy to power the mills. Cotton imported was turned into textile products that made Manchester rich. The rapid growth of textile mills and warehouses turned Manchester into the archetype of the newly modern city. Driven by the ‘Manchester Men’ - the trailblazers of a new mercantile class – a class based on the principles of free trade rather than inherited aristocratic privilege. Their wealth was only made possible by the exploitation of working class mill workers. The horrors of the deprivation that the workers suffered provoked comment and outrage from a variety of sources – the most famous of these were the vivid descriptions of slum life in Engels’ *Condition of the Working Class in England*. Politicians, aspiring entrepreneurs, scientists and artists flocked to Manchester to try and make sense of the chaos, the degradation but also the awe inspiring technology and landscape”

During more recent times and the loss of manufacturing across the region, beginning in the late 1970s, Manchester has suffered more than most. Even an upturn in the service sector and the cultural industries, apparent in Manchester’s more affluent and vibrant parts of the city, the economic and education statistics speak for themselves.

	Manchester	England
Economic Activity	69.8%	78.6%
Economic Inactivity	30.2%	21.4%
Unemployment rate	36.2%	25.6%
GCSEs 5+	51.2%	60.4%
GCSEs none	4.8%	3.7%

Table 1: Manchester Economic Statistics <sup>1</sup>

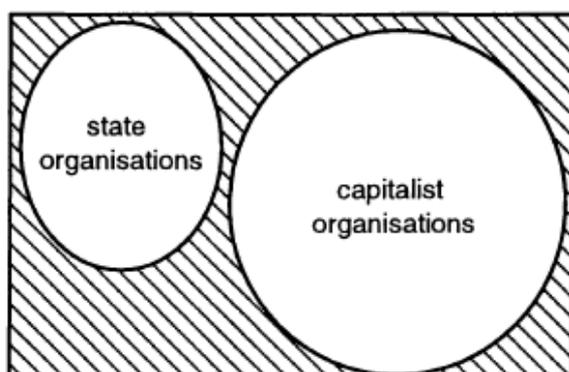
<sup>1</sup> Manchester Economic Factsheet January 2009, Manchester City Council.

With some 30 district areas in the 1% most deprived wards in England, coupled with the forementioned statistics, Manchester is high risk in terms of related health and social care issues that correlate in deprived wards to such social and economic conditions.

The Audit Commission Review of Health Inequalities in Greater Manchester set out the areas that need more attention by the PCTs and Local authorities, which included more engagement with the Third Sector in its delivery. The city of Manchester is beset by severe health inequalities and statutory services struggle to engage with the needs of people from the marginalised communities where health outcomes are poorest. According to recent research by Manchester Alliance for Community Care, people in most need especially BME communities don't seek help until it's too late (MACC, 2008). NHS Manchester (responsible for commissioning and directing NHS funds into a wide range of services for communities across the city) has adopted a *Commissioning Strategy* in which a key priority is to reshape its provider profile with new service contracts from TSOs.

### ***Context: Social Enterprise, the Third Sector, Civil Society and the state***

Health and social care are provided in developed economies by the state, the market, the household and voluntary agencies - in combinations that vary across time and place. No single term is used to capture that part of the economy beyond the public and private sectors. It is variously called the 'voluntary and community sector', the 'social economy', the 'Third Sector' and the more inclusive 'civil society', each of which has different nuances and different supporters. Building on the representations of Gui (1991) and Mertens (1999), Diagrams 1 and 2, distinguish civil society from third sector, the latter created as a formal organisation with overlapping characteristics from state and capitalist organisations. The former neither part nor overlapped, more informal than an organisational form.



**Figure 1 – The third sector, a residual group.**

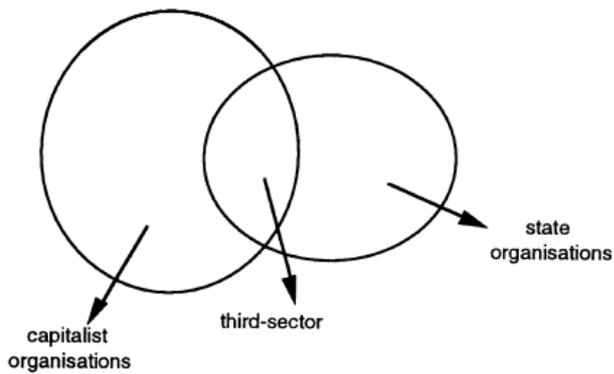


Figure 2 – The third sector, at the intersection of two sets.

Both sourced (Fig.2 adapted) from Mertens (1999)

Mertens (1999) draws a capture 'all other' activities approach in Figure 1. Whilst in Figure 2 segmented as organisations, part of the social economy to that of the informal, community and family systems involved in civil society.

State agencies in the United Kingdom currently favour the 'Third Sector', perhaps on account of its verbal echo of the Third Way politics of New Labour (Haugh and Kitson, 2007). The 'Third Sector' (broadly defined as formal organisations that are not part of the public or private sectors – namely; social enterprises, community and voluntary organisations and co-operatives) under contract to the state.

The Conservative opposition regards the term as demeaning to the sector and proposes re-branding it as the First Sector and opening up the delivery of a wider range of services (Conservative Party, 2008). For the sake of brevity (and consistency with current policy documents) we adopt the term Third Sector in this paper. Third Sector Organisations (TSOs) are: formal or institutionalised; separate from government; non-profit-distributing; and self-governing. Moreover they typically involve some degree of voluntary participation although many are professional organisations with paid staff (Billis and Glennerster 1998). TSOs include charities and community groups as well as social enterprises that share many characteristics with for-profit SMEs (Shaw and Carter 2007; Di Domenico, et al. 2009).

For convenience, we use the term social enterprise in an *activity* sense, thus drawing the trading relationship with the NHS, as '*doing*' a socially enterprising activity – we therefore use the terms third sector and social enterprise interchangeably to mean much the same thing. This may well get separated back out again as the research develops but with figures from the Finance Hub reporting that earned income from trading accounts for nearly half of the total income of the voluntary and community sector, outstripping all income from grants, gifts and donations (Brown 2006) its hard to separate in the context we are applying for this project. Brown states:

"Earning income from trading goods and services on the open market (often referred to as 'social enterprise') is increasingly

being pursued by VCOs. Such income can be a valuable source of unrestricted, independent income and a real contribution to supporting organisational independence and growth" (Brown 2006:ix).

Social enterprises offer an alternative model to mainstream business including motives to create and sustain social values, and different legal structures and governance (Bull and Crompton, 2006; Social Enterprise London, 2007). According to Pearce (2003) the difference between a social enterprise and for-profit business lies in the primary purpose of a social enterprise as social with commercial activity as a means to achieve that purpose. TSOs (including social enterprises) are a diverse set of providers whose potential the government perceives to be as yet under used (Department of Health Third Sector Commissioning Task Force, 2007; Audit Commission, 2007) – but fundamental to the delivery and reform involved in the delivery of public services in the future.

In some countries (eg Germany and the Netherlands) the third sector has traditionally played a large part the welfare state. Third sector involvement is not entirely new in the UK. TSOs were pioneers of social welfare in the nineteenth and twentieth centuries (Osborne et al., 2008). The 1990 NHS and Community Care Act made voluntary organisations significant in the provision of services for disabled adults and older people in England. New Labour, elected in 1997, declared its intentions to boost the Third Sector's role in public services. The HM Treasury Cross Cutting Review (HM Treasury, 2002) called upon all government departments to work more effectively with the third sector. Since then reforms have been put in place to make public contracts more accessible to third sector organisations. Solutions are in the form of guidance and training to address lack of expertise and produce more 'commission ready' TSOs, with skills to promote and sell their services (SCEDU 2008). The infrastructure body National Council for Voluntary Organisations (NCVO) reports that government contracts with the sector across the UK amounted to £7.8bn in 2006/7, representing a steep rise from £3.8bn in 2000/2001 (NCVO, 2009). A market mapping exercise for the Department of Health estimated that 35,000 VCSOs provide health and/or social care in England and that a further 1,600 are potential providers (Department of Health Third Sector Commissioning Task Force, 2007). It was claimed four years ago that the increased role of the Third Sector in public services was a revolution as far reaching as the privatisation of nationalised industries under Margaret Thatcher (Mathiason, 2005, quoted in Davies, 2006). This may be an exaggeration that signals a profound sense of change. Across the whole public sector the proportion of spending going to the third sector, although rising, is in the region of only 2% (Public Administration Select Committee, 2008). Nevertheless, the increased emphasis on TSOs as service providers in a competitive market for contracts with state agencies has resulted in significant changes for commissioners and TSOs.

## ***New Public Management***

Competition and market orientation in public services were among the principles broadly labelled New Public Management that were adopted in the UK by Conservative Governments of the 1980s and early 1990s. New Public Management (NPM) is not a single, coherent theory but a term used to denote a cluster ideas and practices that seek to use private sector and business approaches in the public sector. A new 'entrepreneurial' paradigm to replace out-dated, rule bound bureaucracy was proposed by the influential American advocates of government transformation Osborne and Gaebler (1992). Power (1999: 43) defines NPM as "a desire to replace the presumed inefficiency of hierarchical bureaucracy with the presumed efficiency of markets". NPM promoted a vision of a public sector that emulated the entrepreneurial practices and values of business (Denhardt and Denhardt, 2000).

New Public Management is no longer new. Indeed, some analysts consider that it has limited relevance to 21<sup>st</sup> century public services (Haynes 2003) and that with a few exceptions worldwide its reforms have stalled or been put into reverse (Dunleavy et al., 2006). Many are concerned with the impact on democracy and citizenship; stating that the market based model, with the emphasis on entrepreneurialism and satisfying individual clients' self-interests, is incompatible with democratic accountability, where the market fails to recognise and value fairness and justice to the democracy of society (Eikenberry and Kluver 2004). Furthermore the goal of market efficiency is according to Keller (2007) nothing more than social Darwinism and that morality is weakened by the hand of the market, which threatens the ethical base of civil society (Bull et al 2008). NPM is also considered a threat to the independence of the third sector, where organisations that are heavily contract dependant on the state may have issues of mission drift, full cost recovery and organisational development and re-investment of surpluses issues (Murdock 2007). Eikenberry and Kluver (2004), state;

"Both resource-dependency theory and institutional theory help to explain why this is occurring. Resource-dependency theory assumes that organizations require resources to survive, and so must interact with others who control these resources. In this sense, organizations depend on their environments. . . This theory is useful for understanding the relationship nonprofit organizations have with their public and private funders. Changes in these relationships have influenced the need for nonprofit organizations to use market strategies (such as, commercial revenue generation) to deal with resource constraints.

One of the main assumptions of institutional theory is that "organizations are best understood as embedded within communities, political systems, industries, or coordinative fields of organizations" (Feeney 1997, 490). Within the institutional environment, there are "rules and requirements to which individual organizations must conform if they are to receive support and legitimacy" (Scott and Meyer, cited in Jaffee 2001, 228). Thus, "organizations are driven to incorporate the practices

and procedures defined by prevailing rationalized concepts of organizational work and institutionalized society" (Meyer and Rowan, cited in Jaffee 2001, 228). This implies that to understand the internal attitudes and behaviors of nonprofit organizations, one must understand the external environment and its pressures on an organization. This explains why, given the pressures of government and donor demands, nonprofit organizations have taken on the methods and values of the market (such as, compete for contracts or practice social entrepreneurship)." (2004:133)

Others take the view that in the context of UK public service modernisation NPM is not so much in decline as changing towards a less ideological and more technocratic face (Martin, 2000; Dean 2006; Newman 2001). New Labour, in common with its Conservative predecessors, has seen market mechanisms and a mixed economy of service provision as sources of innovation, efficiency and improvement (Martin, 2002; Entwistle and Martin, 2005). Social enterprise is clearly synonymous with NPM rhetoric, especially as vehicles for efficiency savings and contract management and may even run the risk of being seen as the 'acceptable face of outsourcing' or the 'trojan horse' for privatisation of public services (Murdock 2007). Yet, conversely, involving the third sector in service delivery contributes to opening up the supply side to new providers and accessing innovative ideas to meet increasing demand for personalised services with limited resources (Audit Commission 2007). The Third Sector is seen as having particular strengths in tackling the most entrenched social, environmental and health challenges (HM Treasury 2002; Department of Health Third Sector Commissioning Task Force, 2007). Eikenberry and Kluver (2004), hold the view that should public managers pay due attention to long term values, as opposed to short termism; contracts awarded to the lowest bidder, then change may benefit society to a much larger degree than anticipated.

### ***Entrepreneurship: institutional, policy and social***

Entrepreneurship can be narrowly defined as the creation of new organizations. Contemporary definitions of entrepreneurship however tend to centre on pursuit of opportunity and effecting change. Entrepreneurs pursue opportunities regardless of the resources they currently control (Stevenson and Jarillo, 1990). The entrepreneur, unlike other economic actors, always has to think about what action to take as s/he is doing something fundamentally new (Swedberg 2000). Many scholars of entrepreneurship also argue that networking is a fundamental part of entrepreneurial behaviour.

"mobilizing resources to pursue opportunities requires entrepreneurial contacts, knowledge and confidence. Mobilizing resources also involves asking others to raise money, labor and effort for a venture with an uncertain future.

Entrepreneurship is thus inherently a networking activity" (Dubini and Aldrich 1991: 305 quoted in Chell and Baines 2000)

Definitions of entrepreneurship have tended to focus on economic outcomes, but entrepreneurship and entrepreneurs are important not only as founders of businesses

but as agents of change (Chell 2007; Sundin and Tillmar 2008; Petchey et al. 2008). Entrepreneurship can take place outside markets, for example in the public sector (Sundin and Tillmar 2008) and even in non market economies such as the Soviet Union (Rehn and Taalas 2004). Policy entrepreneurs - a term coined by Kingdon (1995) - help to open 'policy windows', by investing time and resources into registering a specific issue on the policy agenda or promoting a particular solution to it (Petchey et al., 2008).

Stevenson and Jarillo's classical framework of entrepreneurial process has been applied to explain initiatives by local government in the fast changing environment of competitive bidding for EU funds (Zerbinati and Souitaris, 2005). Risk taking and proactivity have been proposed as key dimensions of entrepreneurial orientation in public organisations which must respond to frequent policy changes and pressure for quick results (Kearney et al. 2009). Social entrepreneurship has become a high profile policy agenda in health, social care and regeneration. The 'creation of something of value' to a community or a cause is the link between theories about the Third Sector and entrepreneurship (Chell, 2007). Key themes within social entrepreneurship - as with for-profit entrepreneurship - are opportunity recognition, value creation, innovation, and networking (Chell, 2007; Shaw and Carter, 2007)

We now turn to explore current debates and concerns about third sector contracting for health and social care services in the light of entrepreneurship. Entrepreneurship of course is by no means characteristic of all for-profit enterprises or of all third sector organisations that engage in commercial activity. The Third sector, as already indicated, is large and diverse - a "loose and baggy monster" (Kendall and Knapp (2002). As a heuristic device for talking about the various dimensions of these arguments therefore we draw upon a typology of generic third sector outcomes (Harris et al., 2002). Harris et al propose four outcomes across the sector: service delivery (i.e. meeting identified and accepted needs); communitarian (i.e. addressing needs through communal activity such as volunteering); expanding frontiers (i.e. moving into new areas to mitigate needs); changing systems (i.e. developing ideas or advocating for new needs). The latter two of these outcomes resonate with the entrepreneurial qualities of opportunity recognition, change and innovation.

### ***Being an entrepreneurial supplier in the world of world class commissioning***

NHS Manchester (responsible for commissioning and directing NHS funds into a wide range of services for communities across the city) has adopted a *Commissioning Strategy* in which a key priority is to reshape its provider profile with new service contracts from TSOs. UK Government policy seeks to establish social enterprise as a way forward, yet it is clear that much learning is needed on both sides to make this achievable. In our research that follows we draw on national reports and commentary on expanding the health supplier market to TSOs as well as a series of reports on the subject recently undertaken by local Third Sector infrastructure organisations. It is also informed by preliminary discussion with NHS Manchester, Third Sector

infrastructure organisations in Manchester, and intermediaries that we have undertaken in preparation for the 12 month project *Engage: Stimulating Third Sector Organisations in the Health Sector Supply Chain*. *Engage* is funded under the ESRC Business Engagement Opportunities scheme to support a set of activities (placements, seminars and impact generation) around the challenges of commissioning services to address social and health inequalities. It is a collaboration between Manchester Metropolitan University (Sue Baines and Mike Bull) and NHS Manchester, working closely with local Third Sector Organisations (TSOs).

For many TSOs world class commissioning (and the agenda for change towards Third Sector suppliers to the public sector more generally) has profound implications that are both welcomed and feared. Some see the opening up of public sector contracts as a chance to improve services as well as to develop new and relatively reliable funding streams and escape dependency on donations and grants (Alcock et al. 2004; Blackmore 2006).

Yet entering the world of contracts may be no more an independent solution, as these are restricted funds, meeting 'market' needs, as opposed to organisational missions *per se*. Murdock (2007) quotes Seddon (2007) in suggesting that charities that rely on the state for more than 70% of their income should cease to be charities as they are de facto state agencies (2007:14). There are issues of scale, increases in bureaucracy and resources in capability terms to deliver quality services on tight and below full cost contracts (Eikenberry and Kluver 2004). Planning and organisational sustainability are also issues, where (at best) three year contracts leave organisations with the similar feasts and famine of grants –for example, Murdoch (2007), quotes only 12% of charities getting full cost recovery (Stand and Deliver 2007).

However, third sector leaders, according to the professional association for third sector chief executives should never underestimate the importance of opportunism (ACEVO, 2007). Commissioners perceive that commission ready TSOs are flexible and willing to change (Packwood n.d) Not all, however, concur that this agenda from central government should be wholeheartedly embraced. There are concerns within the sector that in competing for contracts for services specified by state agencies, a sector built on community, trust and togetherness is being challenged by trends towards "business-like" practices (Bull, 2008). Moreover, there is a perceived danger that incentivising TSOs to grow in order to win contracts will lead to weakening of distinctive identity and the values associated with communitarian activity and volunteering (Coyle, 2007) as well as eroding their purpose. Thus, the move to associate with TSOs as beacons of social capital is seen to begin to change and bleed the third sector into more mainstream businesses; neutralised to providing services (prioritising management) – as opposed to being funded to strengthen societies (instead of prioritising social capital) (Eikenberry and Kluver 2004).

Barriers to more productive two-way relationship between the public sector and the third sector include a series of assertions and assumptions across the sectors. Many TSOs, for example, are perceived by commissioners as still living in a grant culture

while commissioners, according to advocates of the Third Sector, struggle to discard long-standing habits of grant funding when dealing with TSOs in competitive procurement processes (ACEVO 2007; Public Administration Select Committee, 2008). Third Sector groups are proud of their ability to respond quickly to unmet need and they bemoan what they see as commissioners' aversion to risk and reluctance to move out of their own comfort zones (Packwood n.d). Commissioners perceive TSOs as not businesslike enough and too prone to assert they do good while reluctant to specify the value they bring to services (Chapman et al., 2007). For TSOs it is difficult to demonstrate value in ways commissioners understand (Munoz, 2009). TSOs see commissioning processes as bureaucratic, and think that commissioners have little awareness of the Third Sector market and prefer to work with big players (GMCVO 2008; MACC, 2008). Public sector agencies in turn complain that TSOs write tenders based on what they want to deliver, rather than what the commissioner wants to buy (Packwood n.d). The need for consortia to deliver contracts beyond the capacity of single TSOs is not sufficiently recognised in the Third Sector according to commissioners while consortia and prime contractor arrangements are seen by TSOs to lead to tokenism and being marginalised, and commissioners don't recognise difficulty of forming consortia (Together Works, 2008; Munoz, 2009).

Becoming more entrepreneurial, in short, can be associated with being adaptable and responsive to changing demands and new opportunities; or it can seem to signal weakening of the social and voluntary ethos associated with communitarian outcomes. Many of the arguments and tensions indicated in this section - moving on from 'grant culture', demonstrating value to funders, the problems of commissioning processes and size of contracts - suggest the 'service delivery' outcomes of the typology of Third Sector outcomes indicated above. Working through these requires being business-like but not necessarily entrepreneurial. The more entrepreneurial themes of expanding frontiers and changing systems are hinted at however in discussions of (respectively) consortia building and ability to respond to unmet need.

### ***Engage – Stimulating Third Sector Organisations in the Health Sector Supply Chain***

An outline of our ESRC funded project situates the discussion within this paper in Manchester. Drawing on the themes discussed and a literature review currently underway. The project involves seminars, focus groups and a key theme of the project is knowledge transfer. To that end the project involves a three way placement between NHS, MMU and TS that will be brought together to focus thinking around a theme or themes (yet to be decided). The events comprise of;

- Scoping seminar with TSOs from Greater Manchester;
- Focus groups orientated towards informal groups from the BME communities that might not necessarily engage with the project through the other channels of engagement;

- Focus groups orientated towards organisations currently trading, bidding or thinking of trading with NHS Manchester;
- Focus groups orientated towards NHS staff;
- Re-scoping and reflection seminar with TSOs from Greater Manchester;
- Final showcase event to disseminate the findings of the research to the TS community in Greater Manchester (and whomever else might be interested).

As well as these events TSOs will be encouraged to use the management analysis tool Balance ([www.socialenterprisebalance.org](http://www.socialenterprisebalance.org)) in order to capture baseline data of the management practices of TSOs in Greater Manchester looking at the trading agenda. During the lifetime of the project a new section on trading for public sector contracts will be developed in association with the NHS and Manchester TS and added to Balance tool to support the development of the third sector in Manchester and potentially beyond.

Balance (Bull and Crompton 2006; Bull 2007; Bull et al 2009) is an on-line diagnostic management analysis tool for strategic managers (CEOs, Boards, managers) of socially enterprising organisations (charities, voluntary organisations, co-operatives and social enterprises). Balance was developed in 2005 with ESF regional funding. Key questions Balance seeks to map out are how sophisticated management practices are by unpacking;

*'Where do you think time and effort goes in your organisation?'*

*'How established (formal) have practices become in your organisation?'*

and *'Where is time spent or neglected across your organisation?'*

The objective of Balance is for strategic managers to discuss their 'in the moment' feelings for where their organisation is at, along a five point scale from *'We currently do nothing about this issue'* up to *'We are sophisticated in our systems and processes'* across the following sections: Stakeholder Perspective; Internal Activities; 'Multi-Bottom Line'; Learning' and 'Visioning'.

Upon completion of the diagnostic an instant graphical snapshot indicates on a histogram (bar) chart, the levels of focus across the five sections and then across each of the issues within each section. A report is also provided as a resource to support development across each of the issues within the tool. The resource text is written to specifically address each level of aptitude, so the more sophisticated the organisational practices the more complex the advice.

Balance also has a benchmarking assessment against the database of approximately 300 prior assessments from socially enterprising organisations, predominantly from the UK. Balance is therefore useful as an approach for organisations to demonstrate their transparency of management practices to their stakeholders as part of social accounting and auditing.

## Conclusions

This working paper has been based on the preparation stage of the Business Engagement Opportunities project. In it we have been concerned not with concluding and offering answers but with situating our work in the context of emerging debates about the Third Sector, public services, values, and entrepreneurship. We have tentatively mapped a series of claims and counter claims from Third Sector and Public Sector organisations onto a typology of Third Sector outcomes, against a background of notions from the wider literature on entrepreneurship. These are likely to resonate for TSOs confronting the challenges of commissioning opportunities, and for commissioners seeking to expand the supplier market to access the contribution of TSOs.

Public sector commissioners and TSOs often struggle to make sense of each others' world views and working assumptions. This cannot be easily overcome but ways of improving dialogue are proposed. This paper offers a grounded reflection on the nexus of public sector contracts, third sector values, and entrepreneurship. During the next 12 months we hope to develop some of these themes and collect empirical data that will add substance to some of these claims. Commissioning, contracts and connectivity – is it really happening? - is a question we are wrestling with rather than something we have answers for, it appears from the literature we are not alone.

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