Understanding Perceptions of the Third Sector

Research report

snook x scvo

Context

Building on

- The campaign #NeverMoreNeeded
- The momentum from the sector's role in the COVID pandemic
- A readiness across the sector to collaborate

SCVO believes now is the right time to challenge assumptions about the third sector.
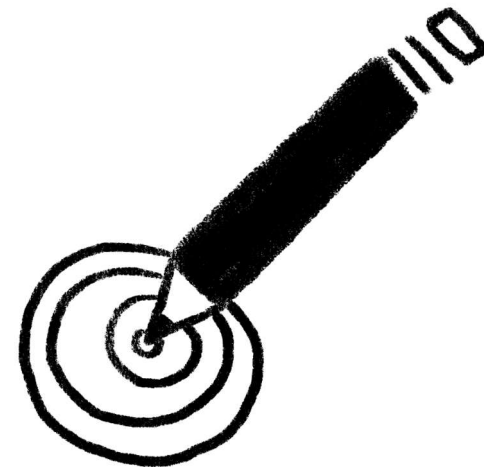
Objectives

This research set out to explore in-depth perceptions and misconceptions about the third sector.

It sought to understand the views of external stakeholder groups: the public sector and the business community.

It then produced insights and evidence for future strategic work.

Methodology

The research had three stages:

1. A survey, to recruit participants as well as to understand their interests in working across sectors.

2. Workshops and interviews with third sector organisations, to discuss their assumed perceptions of themselves, and to share their experiences working with external stakeholders.

3. Interviews with external stakeholders to discuss their perceptions of the third sector, and their experience working together.

Background research was also carried out to support the findings.

Research sample

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Third sector organisations

In the initial screener survey, 56 respondents replied and expressed that the main scope of their works are local (44.6%); national (39.3%); and regional (14.3%).

Interest of engagement, ranking high to low, is: local public sector, national public sector and business.

We conducted three workshops with 12 sector representatives, to discuss their experiences with the public sector and with the business community.

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Public sector

Among 35 survey respondents who were from national and local public sectors, their main engagements with the third sector are:

- co-designing of services (63.6%);
- funding the sector (60.6%);
- joint influencing of local government (51.5%);
- procuring products and services from the sector (48.5%).

We conducted two workshops and three one-to-one interviews, with a total of seven representatives.

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Business community and third sector funders

There were 10 survey respondents from the business community.

We carried out six one-to-one interviews. The participants included two representatives from the business community, and four individuals who represent interfacing organisations that provide funds, grants, and loans to the third sector.

We focused our research on interviews and workshops, which allowed us to gain deep insights with a smaller sample size.

Through these conversations we were able to identify the perceptions of the sector and the root cause of how they developed. Using this form of research gave participants the time and space to take a reflective look on their sector and begin to speculate on their perceptions.

# Key findings

Perceptions of the Third sector

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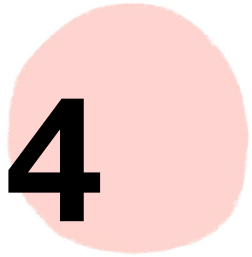
Perceived barriers

Perceptions of **less professional** and **transactional relationships** were shared by all participants.

Having **limited and unstable capacity** and **repetition and competition** in the sector were specifically highlighted by the public sector and the business community.

It is worth noting that these barriers were not reflected in the initial survey.

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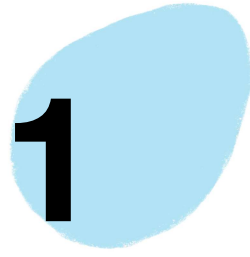
Root cause

There was strong recognition that most of the negative perceptions are a result of the current **short-term funding model** from the public sector. There is a clear link between short-term and reduced funding curtailing the third sector's capability to deliver components of collaborative work with the public sector.

2

Positive perceptions

The perceptions of the third sector being **flexible and responsive,** and **connected to communities,** were greatly appreciated by the public sector and the business community throughout our research.

These perceptions were amplified by their exemplary work during the COVID pandemic.

Perceived barrier 1

Less professional

"Many charitable organisations are stuck for funding and need to charge for services. Sometimes they're not the better option. … Not seen as 'professional' enough."

Public sector survey respondent

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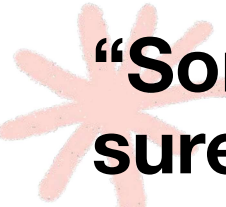# Why is the third sector perceived as less professional?

Less professional

1. Lack of measurable outcome

The public sector requires robust data to justify the spending to the taxpayers. The business community emphasises on Return on Investment (ROI) to measure profitability and growth.

When the value delivered by the third sector is not measurable, it can be considered more subjective.

In our research, the third sector expressed their uncertainty and unclarity as to how the impact should be measured, and to the types of evaluation they should put in place for their projects. For smaller third sector organisations, this becomes even more difficult with their limited resources.

"Sometimes we are not sure what evaluation means. […] We said we would evaluate at the end, but what we haven't often done is set a way to measure things as we go along."

Third sector participant

Less professional

2. Lower business literacy

The third sector utilises compassionate narrative and storytelling to evidence their impact on the communities and individuals.

The public sector and the business community prefer statistic numbers and hard facts when gauging success. This tension hinders the progress of collaboration and partnership.

Concerns were expressed that the third sector may not have good understanding and awareness of conflict of interest, policy and procedure, alignment of terms and conditions, and political sensitivity.
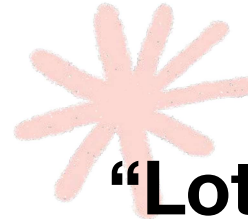
"Lots of dedicated people but not enough commercial awareness or good performance management."

Business community survey respondent

Perceived barrier 2

Transactional relationships

"A lot of the time the third sector organisations are engaging the local authorities with money. The relationship seems to be always about money."

Third sector participant

# What leads to the perception of a relationship being transactional?

Transactional relationships

1. Limited knowledge of external stakeholders

Two key aspects were mentioned in our research:

Firstly, only some third sector organisations fully understand external stakeholders' business needs, and the government's strategic goals. Business community participants felt that some charity organisations don't do their due diligence and research their business goals before approaching them.

Secondly, there is confusion about how public bodies work. This hinders the third sector engaging with the right people, at the right time. In our workshop with third sector organisations, there was frustration around not knowing whom to speak with, or how to navigate the bureaucratic system.
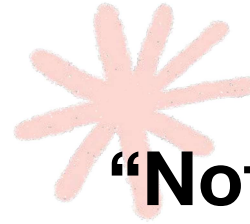
"Not asking the right questions due to the lack of research […] They come really cold, not knowing the nature of the work."

Business community participant

Transactional relationships

2. Limited strategic approach

The public sector and the business community believed that there was a gap between the work the third sector does, and their own strategic objectives.

It felt that third sector organisations don't present strategic offering to funders that would mutually benefit both parties. Instead, it is often a give-and-take: the third sector requires funding from either the public sector or the business community; whereas the funders see the third sector as a tick-box exercise to meet their Environmental, Social, and Governance (ESG) goals or meet their volunteering needs.

The impact of this has meant that relationships become more transactional, with conversations focusing on asks for funding.

"[It's about] building the relationship rather than giving the money … Provide something sustainable and give back to the community."

Business community participant

Perceived barrier 3

Limited and unstable capacity

"We are quite good as a sector to meet those needs, but absolutely shattered at the end of the year."

Third sector participant

Why is the third sector seen as running with limited and unstable capacity?

Limited and unstable capacity

1. High staff turnover

The public sector and the business community expressed that the challenges of working with the third sector sometimes comes down to high volume of short-term workers.

This hinders relationship-building when the key project worker leaves. It also raises concern about the consistency and continuity of service delivery, as well as about resilience and reliability of the organisation.

However, it is widely accepted across external stakeholders that this is due to the short-term funding for the third sector.

"The turnover of staff [...] that means your staff is constantly looking for jobs and moving on. [...] It's challenging for my sector to engage with the third sector."
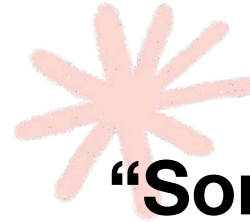
Public sector participant

Limited and unstable capacity

2. Limited resources for new business

The public sector is a complex structure for the third sector organisations to navigate, and to find the right person to connect with and establish the relationship.

This especially puts strains on small-to-medium-sized organisations, due to their limited resources.

Similarly, engagement with the business community could also be challenging. The tendering process could be long and resource-intensive to third sector organisations - but not always as rewarding as hoped. Although this could lead to future opportunities, not all third sector organisations have the luxury to invest in forming new relationships or exploring alternative avenues.

"Some partnerships are very resource-heavy and time-limited, and only a few national charities can do that."

Third sector participant

Perceived barrier 4

Repetition and competition

"Help them understand their landscape, even within miles, […] how they can come together to form partnership."

Public sector participant

Why does the third sector come across as repetitive and competitive?

Repetition and competition

1. Unclear third sector landscape

In our research, the public sector and the business community mentioned the difficulty of identifying the right third sector organisation to engage.

It felt to them that there are many overlapping value propositions in the sector that they may not be aware of. It is also a challenge to find the right or representative membership organisations to work with.

"When we are looking for a third sector partner to work with, sometimes it's difficult to know [who to contact] because there is sometimes duplication of titles or interests between organisations […] What's the distinction between the organisations?"

Public sector participant

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Repetition and competition

2. Competing for the same funding

Due to the limited available funding opportunities, there is a sense of competing for the same pot of money.

Participants from the public sector and the business community wondered whether third sector organisations could unite and form partnerships to provide better offerings to the community.

This could reduce competition, encourage collaboration, and make bigger impacts on the community.

"How funding is provided in a competitive way to the sector […] doesn't foster collaboration and can contribute to the divergence."

Public sector commissioner

Root cause

Short-term funding model

"It's a failure of the system […] smaller charities, particularly those who are picking up jobs used to be done by local authorities […] These organisations are trying their best to deliver what they can with really small resources."

Third sector funder

Root cause

A systemic challenge to public and third sectors

The participants, particularly those representing local authorities, spoke of a sandwich of pressures they faced.

Reduced funds had reduced their own capacity to deliver services. Meanwhile, demand for those services has increased across the board, due to the COVID pandemic and the cost-of-living crisis.

The third sector has been vital in filling that void in recent years. However, short-term or annual funding structures prevent third sector organisations from increasing their own capacity, and prohibit them from developing sustainable programmes.

"Many third sector organisations have to run on a shoestring budget, and this is compounded by the increased cost of running [operations] in 2022, meaning it will be even more of a challenge."

Business community participant

Positive perception 1

Flexible and responsive

"[The third sector] often provides a responsiveness and authentic community connection, that some public sector services would otherwise struggle to provide."

Local NHS participant

Flexible and responsive

Driven by commitment and dedication

The third sector's flexibility and responsiveness were continually highlighted in our research, especially during the COVID pandemic.

They were able to mobilise the resources, react to difficult situations, and to connect with communities that otherwise could not be reached.

"We do, as a sector, have a sense of 'can-do'. We have extra desire to achieve things."

Third sector participant

Positive perception 2

Connected to communities

"Over last two years during COVID, we have relied on the third sector to support the communities, as other services are occupied."

Local NHS participant

Connected to communities

Voice of the community

It is widely recognised that the third sector is often embedded within the local community. They have special expertise in working with the local community, and knowing the key contacts locally to deliver resources effectively.

Participants from the public sector even expressed that some communities prefer working with the third sector - compared to local authorities.

The participants reflected that, in order to make the community work sustainable, there is a need to allow the community to have a voice: often, the third sector organisations are that voice.

"These are the organisations that are in touch with the real people. Because a lot of the public sectors now are so far away from the local people. […] We are not connected as much to local communities as the third sector are."

Public sector participant

Recommendations

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Building on our findings, we explored three areas that could challenge the perceptions of the third sector and address the root cause.

Each area is phrased as a question to inspire and provoke discussion.

Inspiration 1

How might we reframe perceptions of the third sector, so that those play on the sector's strengths and articulate its impact?
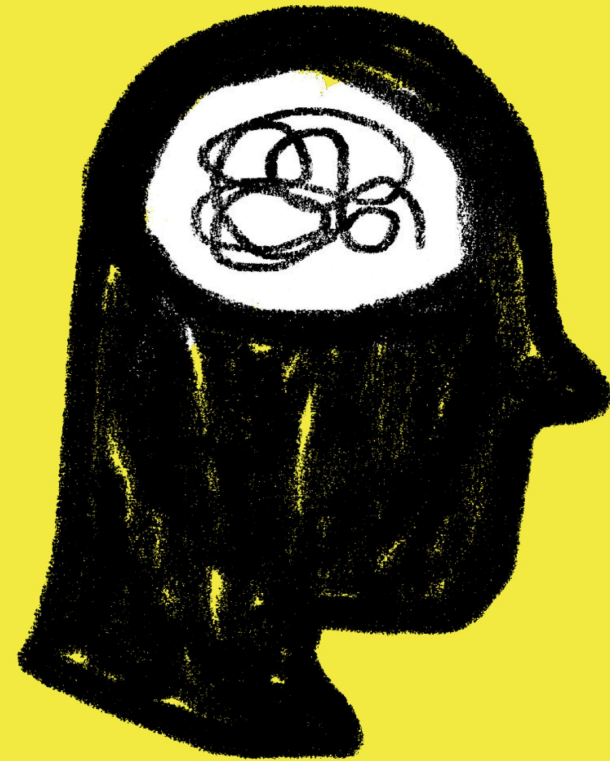
Inspiration 2

How might we highlight the third sector's impact so that we incentivise public and private sector collaboration and investment?

Inspiration 3

How might we better support the third sector to understand the needs of the public and private sectors?

Comms

Tailor success stories to different audience needs

Pro-bono Economics* highlighted that, although the public speaks highly about the this sector's role to the community, only half of the policymakers see the same.

Our research showed that, the public sector and the business community have a different view of demonstrating success through measurement lens.

One possible route to consider would be to test, with different audiences, less emotive campaign messaging, that focuses on what one business community participants called 'the bottom line'.

"The response to Covid-19 was an example of what can be achieved when there is a simplified application process, resources are pooled, and much of the funding is unrestricted. The third sector's flexibility allowed us to get money to where it was needed."

Grant making participant

Comms

Showcase strategic alignment with sectors

Despite the perception, the third sector's output often aligns with, and somewhat infoms, frameworks such as the National Performance Framework and business' ESG goals.

An assumption therefore could be drawn that, if external stakeholders were more aware that the third sector can help them reach their strategic goals, it could evolve their perceived transactional relationship to something more collaborative.

Would it be possible to develop campaign material that highlights instances where this is happening already?

"We would definitely benefit from raised awareness of the value and types of high quality delivered by third sector, through meaningful engagement with professional stakeholders."

Third sector survey respondent

Open for business

If external stakeholders were made aware that the third sector can help them reach their strategic goals, could this evolve their perceived transactional relationship - to something more collaborative?

Testing creatives which speak directly to that assumption may be a route to incentivise greater engagement with the business community.

"I help organisations reach their strategic objectives whilst improving my community's mental health."

#openforbusiness

Comms & **Support**

Co-create best practice for the sector

A concept which evolved in our research was the idea of co-creating a playbook: a suite of assets which would support the third sector. This could build on existing resources such as SCVO Info Service and Evaluation Support Scotland.

During the research, we identified there was a desire for templates which would assist the third sector in their evaluation of impact, data management, strategic planning, succession planning, project management, marketing, and guidance around equality, diversity and inclusion. This could be developed in collaboration with the third sector and external stakeholders.

In addition to templates - workshops, webinars and forums could be developed, to build an interactive relationship and foster a culture of transparency and collaboration.

The proposed playbook could also mitigate the misconception about the third sector being less professional, and could help alleviate the resource constraints that the third sector faces.

"I'm always keen for us to be part of forums to be able to communicate through sector bodies, in order to reach out to more community-based organisations."

Public sector commissioner

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Co-create best practice for the sector

A great example of a co-created resource is the *Illustrated Freelancer's guide.* Commissioned by Creative Scotland, the idea was to develop a guide written in collaboration with the audience.

Beyond brilliant visual design, the content of the guide was determined by the needs of its audience. Building on the range of resources available from SCVO's website, and further developing the practical support, in collaboration with member organisations and external stakeholders - could bring about an effective tool, reducing the perceived knowledge gap between sectors.

In addition to this, the process of developing the playbook could in itself lead to greater engagement between the sectors.
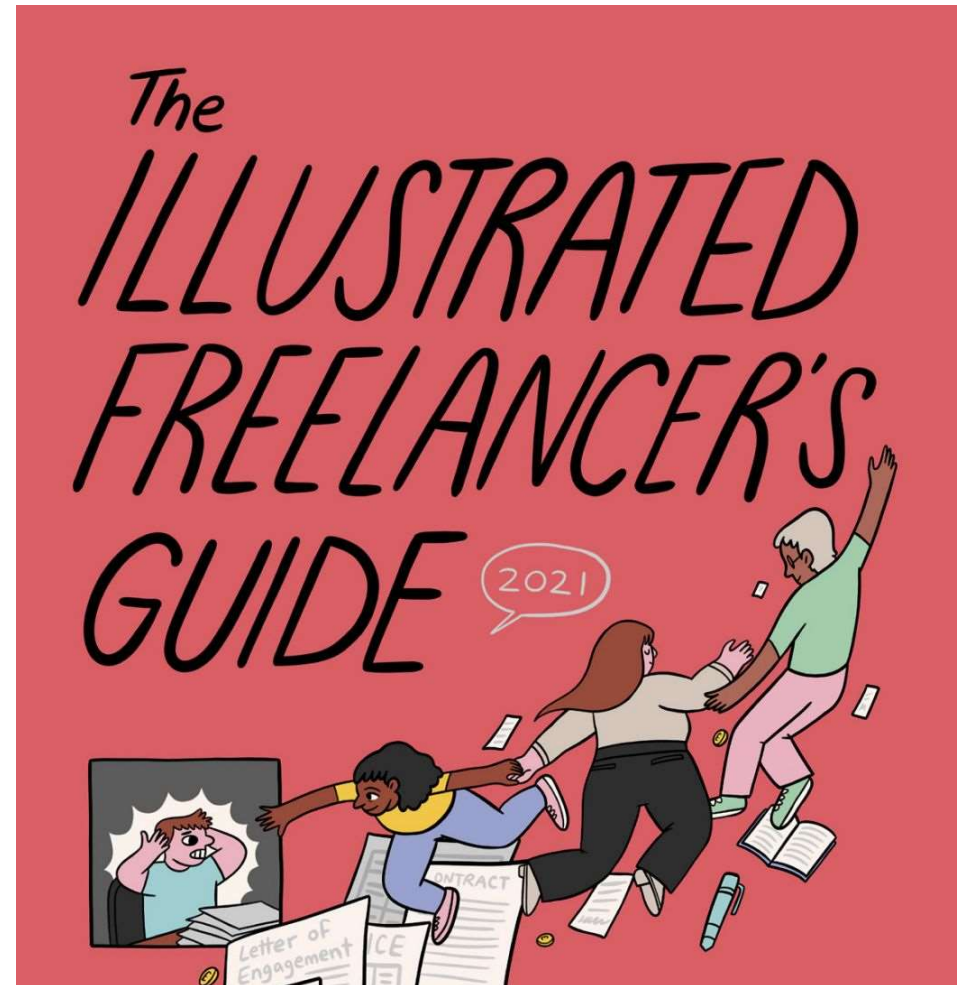
Support

Gather strategic plans across sectors

In our research, we uncovered a pain point across the public sector and the business community, where they perceive a gap in knowledge: one that would link together their strategic objectives with the third sector's work.

A potential solution could be awareness-raising by SCVO on - either how to articulate the work the voluntary sector is already doing (see *Showcase strategic alignments with sectors*), or to gather examples of where an organisation's strategy could be achieved by engagement with the third sector.

Support

Promoting existing directories and third sector landscape mapping resources

An activity that has potential benefits for all respective stakeholders is mapping the third sector in Scotland, geographically and by type. This can give a clear picture for commissioners and funders, and overcome the barrier of an unclear landscape within the third sector.

In addition to this, it can allow third sector organisations to be in a position to make informed strategic decisions, identify where they may be able to collaborate with other partners, or pinpoint where they could pivot to meet areas of unmet need in their own region.

A lot of work has been done in this area, such as MILO ad SCVO maps. It could be beneficial to promote the resources to stakeholders and ensure the data presented there meets their needs.

Case Study

"Front of the queue for funding"

Balfour Beatty's recent round of funding is an example how strategy and funding opportunities could align.

They have received the largest sustainability-linked loan, under the terms of which the group has to deliver annual measurable performance improvement in three key areas: carbon emissions, social value generation, and an independent ESG rating score, determined by an independent partner which underpins their own sustainability strategy.

Another recent example involved Scottish Widows investing in Link Group, 'the second largest Registered Social Landlord' in Scotland. Lloyds bank, who financed the investment, noted *"Sustainability-based funding is becoming increasingly prevalent in the social and affordable housing sector, with mutually beneficial outcomes for all parties involved. Investors and lenders are keen to evidence support to a sector with strong Environmental Social and Governance (ESG) credentials which, in turn, helps them deliver on their own sustainability objectives".*

Any third sector organisation which is able to articulate how it might enable a private organisation to achieve goals like these and display this impact would be "front of the queue for funding" as one respondent put it.

Appendix

Further reading

Sustainability linked loans and ESG goals

Balfour Beatty (2021), Balfour Beatty reaches agreement on the largest sustainable linked loan in the UK construction sector, accessed March 2022,
<https://www.balfourbeatty.com/news/balfour-beatty-reaches-agreement-on-the-largest-sustainable-linked-loan-in-the-uk-construction-sector/>

Lloyds Banking Group (2022), Sustainability linked financing: the importance of a plan and being aligned with your investors, accessed March 2022,
<https://www.lloydsbankinggroup.com/insights/sustainability-linked-financing.html>

The Chancery Lane Project (2021), Sustainability Linked Loans, accessed March 2022,
<https://chancerylaneproject.org/climate-clauses/sustainability-linked-loans/>

Other key sector reports

Pro-Bono Economics (2022), A Shared Interest: The relationships between policymakers and charities,
<https://www.probonoeconomics.com/a-shared-interest-policymakers-and-civil-society>

The Law Family Commission on Civil Society (2021), Summary of responses: unleashing the potential of civil society,
<https://civilsocietycommission.org/publication/summary-responses-unleashing-the-potential-of-civil-society/>

'Playbook' inspiration

Creative Scotland (2021), The Illustrated Freelancer's Guide,
<https://www.creativescotland.com/resources/professional-resources/guidance-and-toolkits/the-illustrated-freelancers-guide>

Third sector survey results 1

The scope of the charities which responded to our survey were split between national and local organisations

Question:
How would you describe the main scope of where your organisation works?

International
1.8%

Regional
14.3%

Local
44.6%

National
39.3%

45
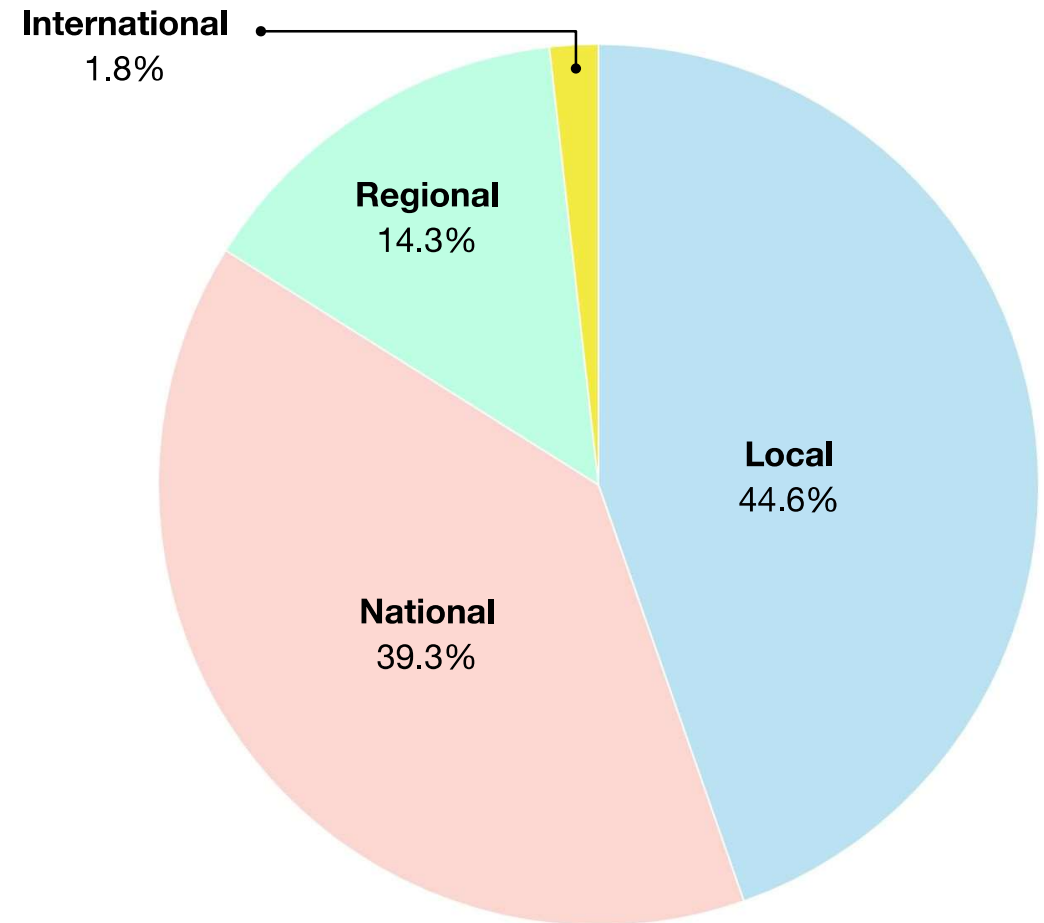
Third sector survey results 2

Our initial screener revealed the public sector remains the key stakeholder for greater engagement for the charity sector, however the local public sector was considered the most important

Question:
Please rank in order of importance which stakeholder you would like to develop greater relationships with.

Sector	Overall score*	Overall rank
Local Public Sector	122	1
National Public Sector	100	2
Business sector	96	3

*Score is a weighted calculation. Items ranked first are valued higher than the following ranks, the score is a sum of all weighted rank counts

Third sector survey results 3

There is a strong feeling amongst charity leaders that the third sector is seen as 'less professional' and a 'cheap' alternative.

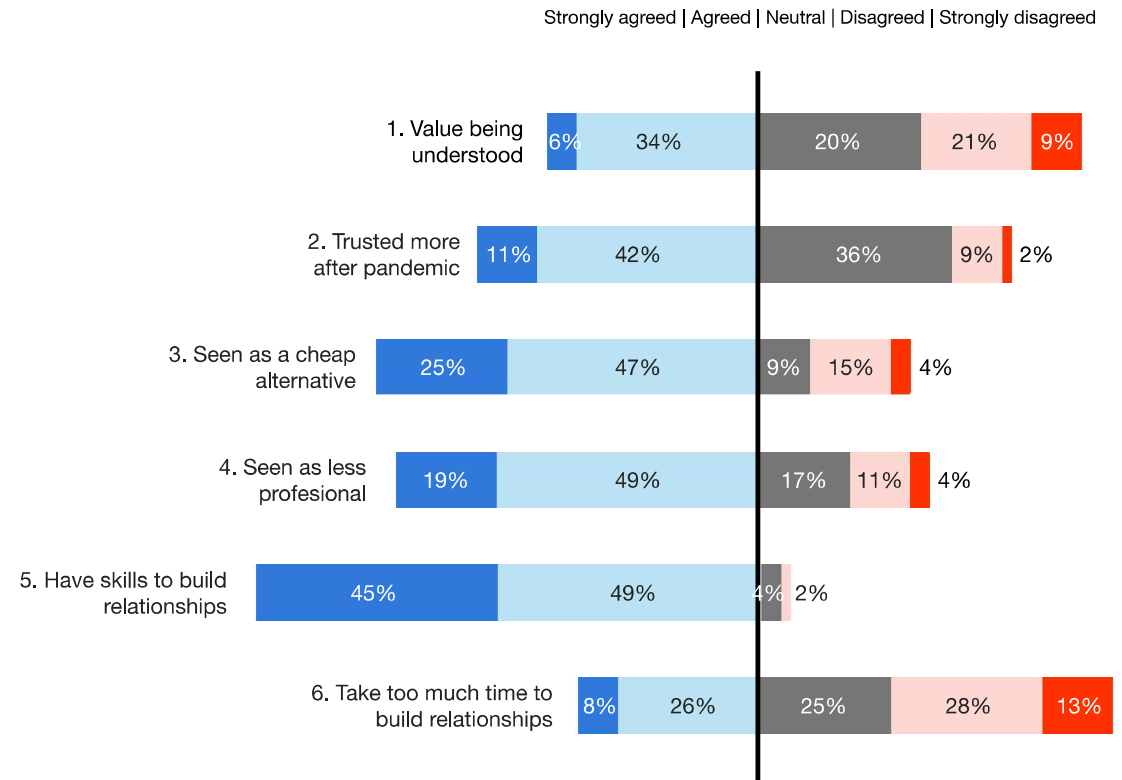Questions:
For this question, where we refer to stakeholders, we are referring to either the public (national or local) sector or private bodies, such as businesses. Using the scale below, please share how much you agree or disagree with the following statements

Statements:
1. Stakeholders understand the value of the third sector
2. Stakeholders trust our organisation more since the pandemic
3. Stakeholders see us as a cheap alternative to the public and private sectors
4. Stakeholders think the sector is less professional than the public and private sectors
5. My organisation has the skills and experience to develop relationships with stakeholders
6. Developing relationships with stakeholders takes too much time

Strongly agreed | Agreed | Neutral | Disagreed | Strongly disagreed

Statement	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed
1. Value being understood	6%	34%	20%	21%	9%
2. Trusted more after pandemic	11%	42%	36%	9%	2%
3. Seen as a cheap alternative	25%	47%	9%	15%	4%
4. Seen as less profesional	19%	49%	17%	11%	4%
5. Have skills to build relationships	45%	49%	4%	2%	
6. Take too much time to build relationships	8%	26%	25%	28%	13%

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Public sector survey results 1

Despite the perception that charities are viewed as less professional coming through as a strong insight from our workshops, this was strongly opposed when conducting quantitative research.
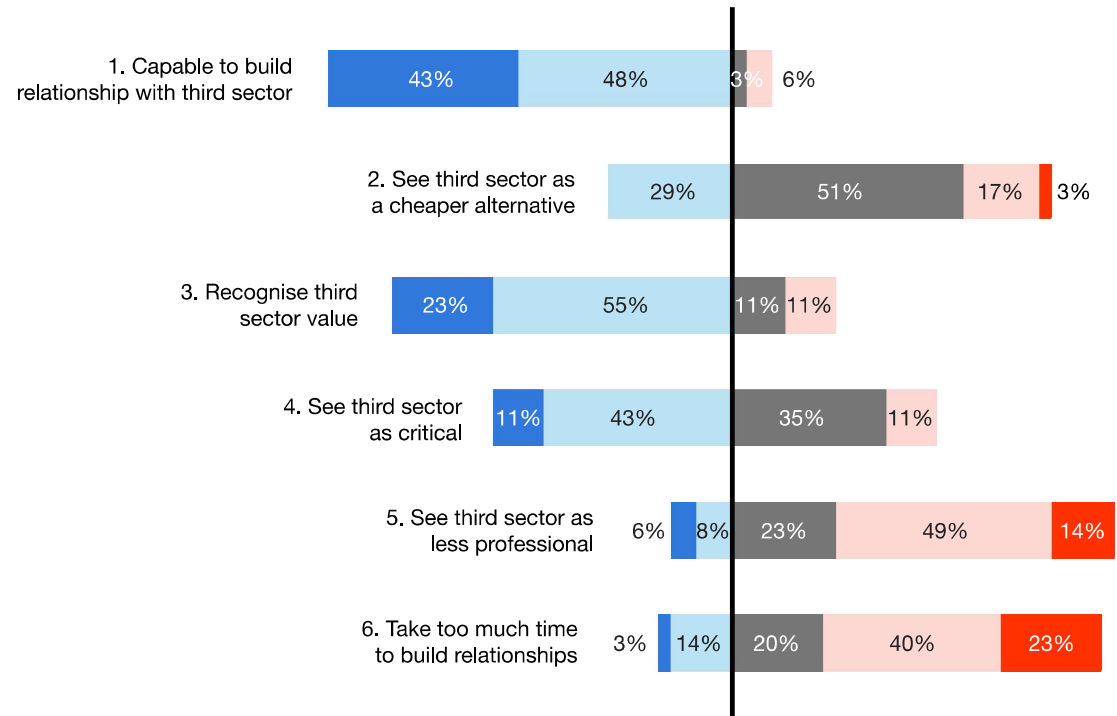
Question:
For this question, we are looking to explore perceptions of the the the public sector and of the third sector. Using the scale below, please share how much you agree or disagree with the following statements.

Statements:
1. My organisation has the skills and experience to develop relationships with the third sector
2. The third sector is a cheaper alternative to public or private sectors
3. The public sector recognises the value of the third sector
4. The third sector is often critical of the public sector
5. Organisations in the third sector are often not run professionally
6. Developing relationships with the third sector takes too much time

Strongly agreed | Agreed | Neutral | Disagreed | Strongly disagreed

1. Capable to build relationship with third sector: 43% | 48% | 3% | 6%

2. See third sector as a cheaper alternative: 29% | 51% | 17% | 3%

3. Recognise third sector value: 23% | 55% | 11% | 11%

4. See third sector as critical: 11% | 43% | 35% | 11%

5. See third sector as less professional: 6% | 8% | 23% | 49% | 14%

6. Take too much time to build relationships: 3% | 14% | 20% | 40% | 23%

Public sector survey results 2

Joint influencing represented where the public sector would like to see greater collaboration, more specifically national government. Grant funding of third sector organisations also represented a key area for further engagement.

Question:
Where would you like to see greater engagement with the third sector?

A market to procure products and services — 45%
Employability — 39%
The joint influencing of national government — 70%
The joint influencing of local government — 64%
Grant/funding of third sector organisations — 58%
Other — 27%
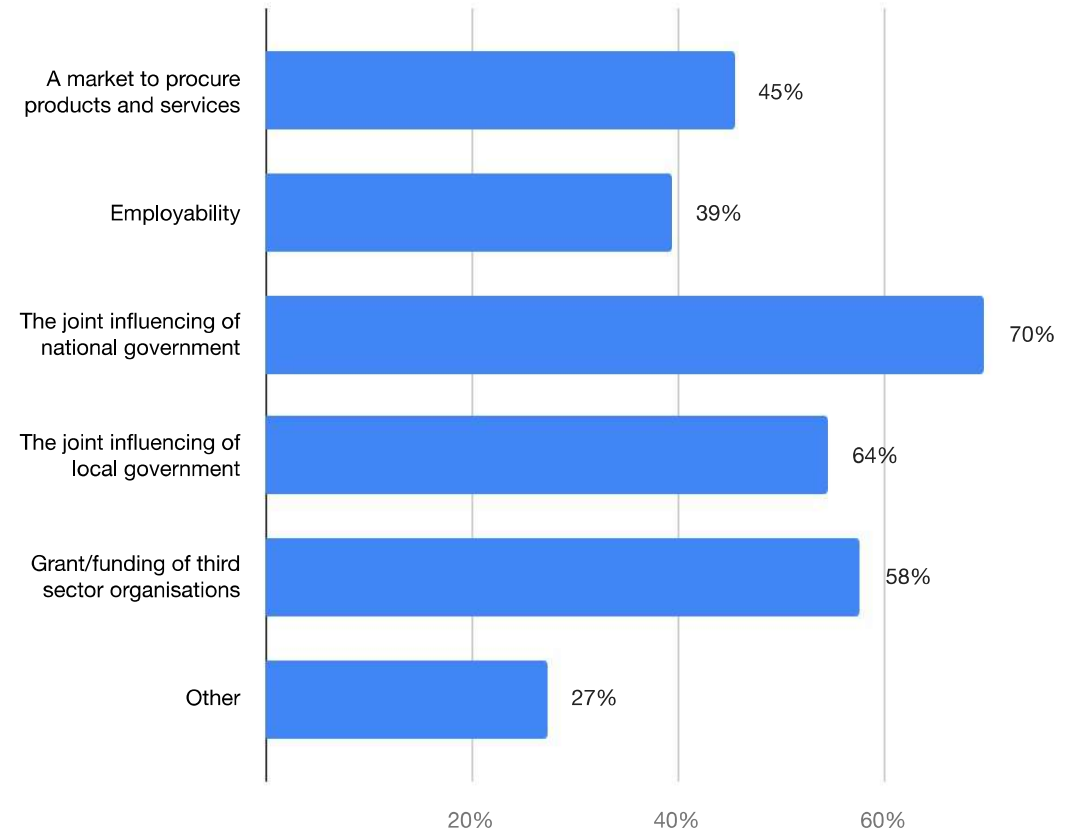
Business community survey results 1

Strongly agreed | Agreed | Neutral | Disagreed | Strongly disagreed

The response was evenly distributed between those who saw the charity sector as professional and unprofessional. In addition to this, there was a stronger disagreement (40%) that the sector recognises the value of the third sector.
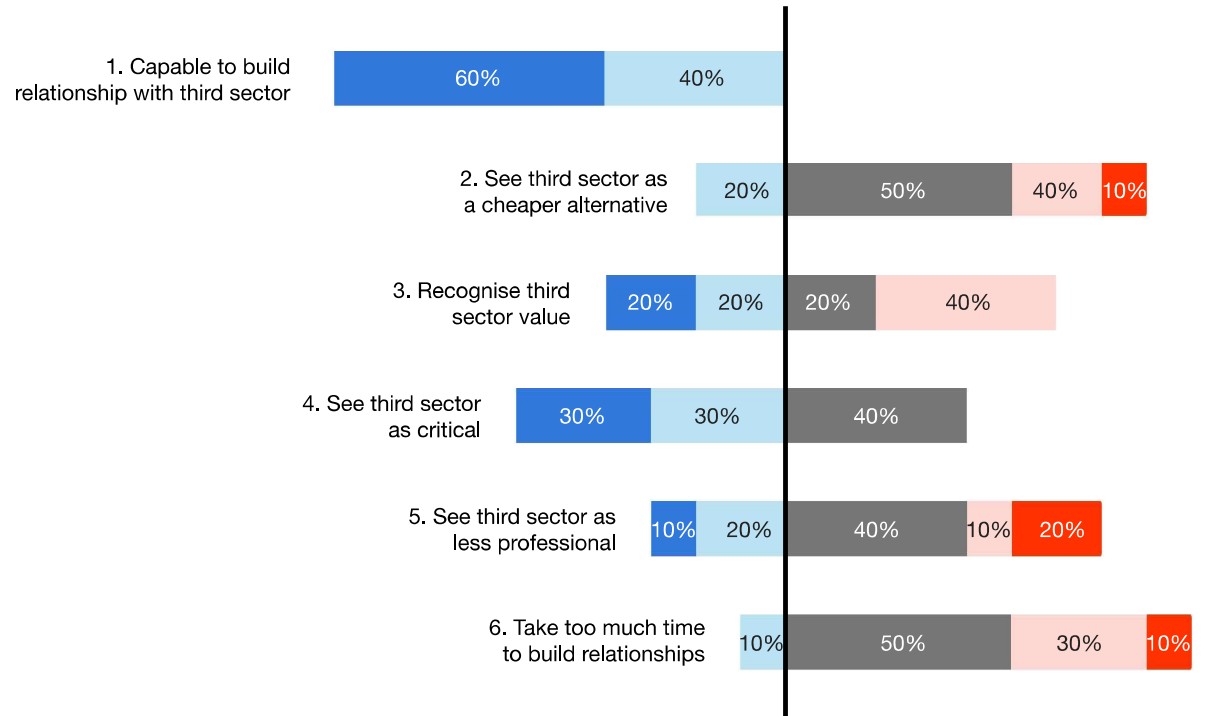
Question:
For this question, we are looking to explore perceptions of the the business community and of the third sector. Using the scale below, please share how much you agree or disagree with the following statements.
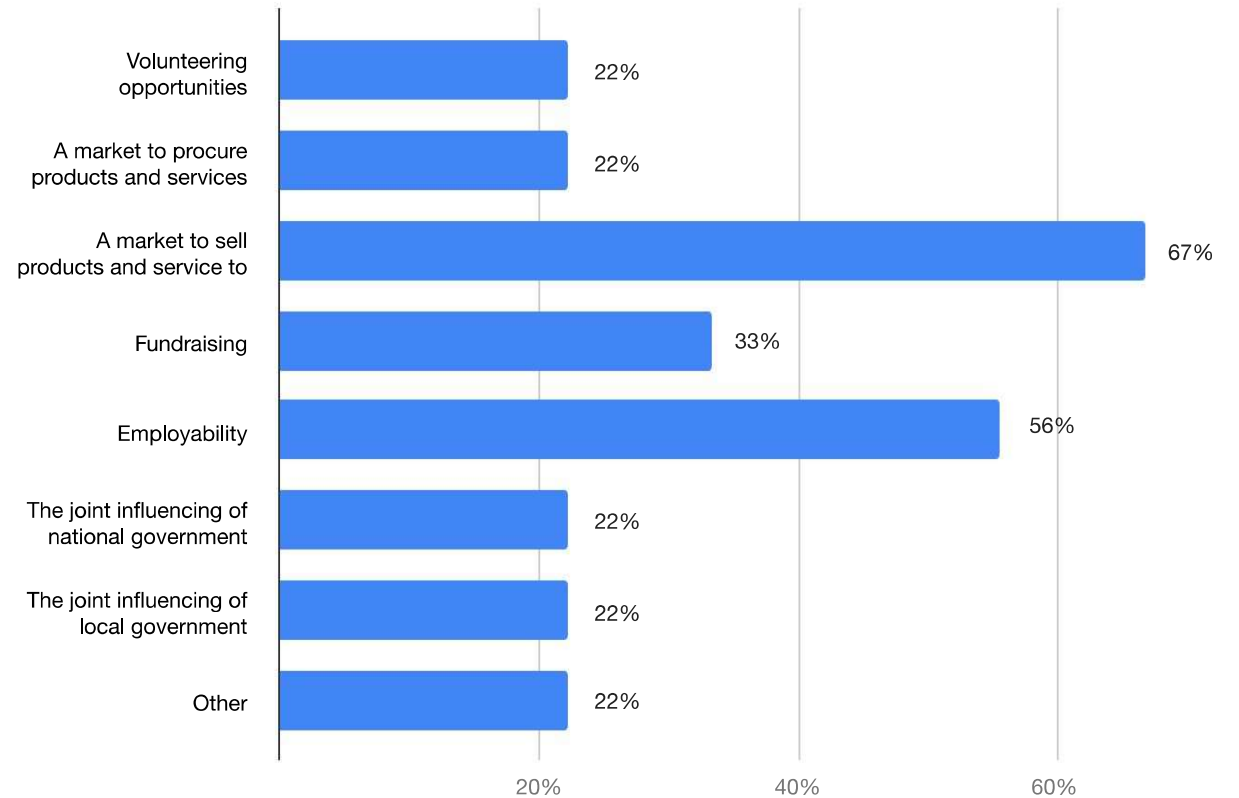
Statements:
1. My organisation has the skills and experience to develop relationships with the third sector
2. The third sector is a cheaper alternative to public or private sectors
3. The business sector recognises the value of the third sector
4. The third sector is often critical of the business sector
5. Organisations in the third sector are often not run professionally
6. Developing relationships with the third sector takes too much time

1. Capable to build relationship with third sector: 60% | 40%
2. See third sector as a cheaper alternative: 20% | 50% | 40% | 10%
3. Recognise third sector value: 20% | 20% | 20% | 40%
4. See third sector as critical: 30% | 30% | 40%
5. See third sector as less professional: 10% | 20% | 40% | 10% | 20%
6. Take too much time to build relationships: 10% | 50% | 30% | 10%

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Business community survey results 2

For the business community, the areas where they would like to see greater engagement with the third sector were as 'a market to sell products' and services to' and 'employability'.

Question:
Please select answers from the following that best describe areas where you would like to see greater engagement with the third sector.

Category	Value
Volunteering opportunities	22%
A market to procure products and services	22%
A market to sell products and service to	67%
Fundraising	33%
Employability	56%
The joint influencing of national government	22%
The joint influencing of local government	22%
Other	22%

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Thank you

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