

**A brave new world for voluntary sector infrastructure?
Vouchers, markets and demand-led capacity building**

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Third Sector Research Centre

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**A brave new world for voluntary sector
infrastructure? Vouchers, markets and demand led
capacity building**

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Abstract

Frontline voluntary and community organisations are often argued to need capacity building support of various kinds, but, in a context of austerity, how should this be organised and funded? Policy makers and many funders are rethinking the ways in which such support might be delivered. There is increasing interest in ‘demand-led’ capacity building, where frontline organisations choose and purchase the support they require from a range of providers. In what seems to be a far cry from previous models of support during the ‘golden age’ of infrastructure investment, a market for capacity building looks like it is in the making. However we know very little about how this extending market is being constructed and how it works.

This paper is the outcome of a short piece of applied research on three ‘demand-led’ capacity building initiatives in practice: the BIG Assist programme, and local schemes in Sheffield and Worcestershire. It considers the challenges involved in designing the architecture for an emerging market in capacity building, and for working within it. Although the three schemes are clearly a departure from existing models of infrastructure support, the study concludes by questioning whether ‘demand-led capacity building’ is an appropriate label given the opaque but important role played by funders and programme operators in the capacity building process.

Keywords

Demand-led capacity building, voluntary sector, infrastructure, support, marketisation

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Executive Summary

During the past 10 to 15 years, policy and practice attention in the field of capacity building has tended to focus on the supply-side of voluntary sector infrastructure organisations. 'Demand-led' capacity building is a move away from this approach, where frontline organisations choose and purchase the support they require from a range of providers.

In the last two years three pilot demand-led schemes have been underway in different contexts in England – the BIG Assist programme run by NCVO, Worcestershire County Council's Changing Futures Fund, and the Sheffield FUSE support fund. Together the schemes offer the opportunity to pool experience and learning in the wider experimental emergence of a market for voluntary sector support services. This paper discusses the findings from a small-scale exploratory research project involving the three initiatives.

The research considers the key features, experience and learning from the schemes in order to explore current 'demand-led' capacity building in practice. The schemes have a number of similarities and differences, but overall the research identifies eight broad dimensions in the design and operation of demand-led capacity building:

1. *Background and rationale:* Sheffield FUSE and BIG Assist emerge explicitly in the light of national developments around capacity building and infrastructure. The Worcestershire scheme originates more in local developments, but with an eye to changing national debates on personalisation and local authority budgets and priorities.
2. *Set-up:* the initiatives share broad common features including approval of providers and customers; customers having choice of providers; diagnosis; formation of an agreed work programme and delivery of support; and customers being expected to offer feedback on services received. This amounts to the design of a more-or-less managed market for capacity building support.
3. *Selecting, describing and valuing themes/packages of support:* funders play a key role in determining what kinds of support they are prepared to fund in Worcestershire and BIG Assist, whereas Sheffield FUSE worked with a less prescriptive model. The schemes vary according to the value of available vouchers (from £750 to £7,000) and role of prices: Sheffield and Worcestershire opted for fixed price regimes, designed to reduce the effort required by customers in comparing providers.
4. *Attracting and approving providers:* in Worcestershire and BIG Assist the market was opened up to a wide range of voluntary and private sector providers, whereas in Sheffield the providers were drawn from a partnership of local voluntary sector infrastructure organisations. Providers had to be approved in all three schemes, with commonalities in threshold requirements and weighting afforded to track record and quality. A concern across all schemes is the apparently limited ability of many providers to market themselves effectively to potential voucher-holding customers.
5. *Attracting and approving customers:* the demand for vouchers has been lower or slower to materialise than anticipated in all three cases, which may be attributed to the need for some

level of pre-existing capacity required for engaging in a demand-led environment. All three schemes refer to the various ways in which customers lacked knowledge or capacity, including not being aware of their own support needs.

6. *Diagnosing support*: diagnosing support needs is a mandatory part of the process in BIG Assist; became so in Worcestershire as a key learning outcome from the scheme's early stages; but remained an optional online package in Sheffield.
7. *Delivering support*: disappointment was evident in all three schemes where customers seem to select familiar providers rather than shopping around to find the best offer. The schemes are reluctant to provide much support in selecting providers, since this is where the focus on choice and control for customers comes to the fore.
8. *Feedback mechanisms*: in all three schemes, customers are required to provide feedback on their chosen providers and work completed. In Worcestershire individual feedback is retained by the County Council, whereas BIG Assist is partly modelled on online public rating devices such as 'Trip Advisor'. It is too early to tell whether this kind of approach will replace quality marks and assessments, marketing, and informal word of mouth in the judgements frontline organisations make in choosing providers.

There are five key messages which seem to arise directly from the research:

- the schemes demonstrate that demand-led capacity building is for now a trial and error process of incremental experimentation; a 'work in progress';
- we note that assumptions about how quickly such schemes could be developed from launch to full operation have had to be adjusted;
- the capacity of both customers and suppliers to engage in a demand-led capacity building environment is itself variable and, seemingly for many, rather limited;
- diagnosis of support needs has a more important role in the process of demand-led capacity building than programme designers seem to have assumed;
- a related conclusion is that automated online processes cannot always substitute for human intervention to manage programmes.

To conclude, although these three schemes are clearly a departure from existing models of infrastructure support, we come to question whether 'demand-led capacity building' is an appropriate label, or whether it is a misnomer. In particular, we note the sometimes opaque role of funders and programme operators in the capacity building process. From the research undertaken here, demand-led capacity building involves in practice (and therefore arguably needs) more support, shaping and intervention than its advocates may have anticipated. This is partly because many would-be customers and providers do not appear to be ready or willing, or do not yet have the capacity to act as market participants. The language of markets, and choice and control, appears to have moved further ahead than the practice of the sector. For the large part the sector seems to remain not quite yet marketised, although efforts to make markets involving the third sector continue apace.

1. Introduction

In various ways voluntary organisations and community groups want, need or are thought to require external expertise of various kinds and at various times. This could be because they or their funders and other stakeholders want to improve their work, develop their services, improve performance, grow their organisation, address organisational weaknesses or vulnerabilities, or survive through crisis. Typically this is simply described in general terms as ‘support’, but this catch-all term often refers to organisational development, business support, and capacity building. At its heart capacity building in the literature tends to focus on developing skills, knowledge and confidence across a range of organisational and individual dimensions (Cairns, et al., 2005).

In the last 10 to 15 years in England, policy and practice attention in this field has tended to focus on dedicated support-providing organisations in the third sector. These are known variously as infrastructure, umbrella and intermediary bodies, and development agencies; in this paper we will primarily be referring to ‘infrastructure’ and ‘infrastructure organisations’. These organisations may play a generic role in fulfilling a broad range of functions and working with a wide range of ‘frontline’ voluntary and community organisations (FLOs). Sometimes they serve specialist constituencies or fulfil specific functions. ‘Infrastructure’ can be organised across multiple scales: international, national, regional, local and neighbourhood or community. It has been suggested that increased policy attention and resources in infrastructure, particularly during the ‘partnership’ years characteristic of the Labour governments from 1997 to 2010 (Lewis 2005), tended to focus investment on this ‘supply side’ of support providers (Big Lottery Fund 2011b). In this system, it was argued, the priorities of the ‘demand side’ of the capacity building and support equation, comprising the needs of ordinary frontline voluntary and community organisations, were being overlooked (Harker and Burkeman 2007). ‘Demand-led’ capacity building is then promoted as an alternative (Bubb and Michell 2009). It aims to recast the relationship between support providers and frontline organisations, putting the needs and priorities of the latter at the centre of capacity building. The underlying principle is that providing greater choice and control for front line organisations over access to support will lead to more effective and targeted interventions to develop their skills, knowledge and confidence. The development and promotion of demand-led capacity building represents a significant turning point in the way in which support for front line voluntary organisations (FLOs) is imagined and organised.

It could be argued that there has been rather a lot more talk about demand-led capacity building than action. However, in the last two years three different pilot schemes have been underway in England, operating in different contexts, developed largely independently of each other, with somewhat different programme designs. Firstly, since April 2012 Worcestershire County Council has been running a three year funded voluntary sector support scheme called the ‘*Changing Futures Fund*’. Secondly, in Sheffield a partnership of local third sector infrastructure organisations gained funding from the Cabinet Office’s Transforming Local Infrastructure (TLI) programme, in which a pilot voucher scheme – *Sheffield FUSE Support Fund* – was to be established to run from late 2012 through to Autumn 2013. And thirdly, in the summer of 2012 the National Council for Voluntary Organisations (NCVO) was awarded a contract by the Big Lottery Fund (BLF) to establish and

manage the three year £6m *'BIG Assist'* programme of support to voluntary sector infrastructure organisations, featuring a dedicated voucher scheme as a core component of the programme.

We are aware of discussions along similar lines elsewhere in the UK, and also of previous demand-led schemes, including the Charities Aid Foundation grants programme (Cornforth, et al., 2008) and the Cabinet Office Modernisation Fund (Grant Thornton 2010). However, the three schemes in question seem to have advanced furthest along the current momentum behind the development of a demand-led model. In this paper, therefore, we consider key features, and experience and learning from the three pilot schemes in order to take a closer look at current demand-led capacity building in practice. We discuss the findings of exploratory qualitative and desk research involving the three initiatives. We offer a space for reflection across the three schemes, rather than a fully-fledged comparative evaluation. Indeed in our conclusions we note some of the continuing gaps in our knowledge of the changing field. We refrain from listing recommendations in favour of discussing interesting themes for further consideration.

Together the three schemes offer the opportunity to pool experience and learning from current initiatives in the wider experimental emergence of a market for voluntary sector support services (Macmillan, 2013: 393). It is important to note that the development of a market, and wider awareness that a market is in formation, is typically accompanied by shifting terminology. Capacity building and support services are no less affected by this, and we note the emergence of market-related terms such as 'providers' and 'suppliers' for infrastructure organisations and others offering support to frontline organisations, and 'customers' for users and recipients of capacity building and support services. The very idea of a field involving a 'supply side' and a 'demand side' has been a step in this direction. For many the language is politically sensitive, being further evidence, it is suggested by some, of the 'colonisation' of the voluntary sector by the market (Eikenberry, 2009). Rather than engage in tortured attempts to preserve a particular form of language to describe our changing subject matter, we use the language of customers, suppliers and providers, prices and markets, as these tend to be the preferred terms of our research participants. This is for convenience rather than implying any endorsement of the market-oriented agenda signalled by changing terminology.

The structure of the paper is as follows. In the next section we provide some remarks on the policy and practice context in which the three pilot schemes are operating, followed by a brief description of the methodology underpinning the exploratory research undertaken here. In section four we discuss the main findings from research. We explore in turn eight main dimensions of demand-led capacity building in practice. We conclude the paper by discussing in section five the main themes overall and drawing out what we see as the key learning points and main implications from the three initiatives for practitioners, policy makers and researchers.

2. Demand-led capacity building in context

The field of capacity building and infrastructure is experiencing a significant unsettlement as existing public funding streams are withdrawn or re-directed, and new models of organising voluntary sector support and capacity building are in development (Macmillan 2013). Overall this involves a partial and gradual move away from a supply side approach which, it is argued, tends to privilege the work of

existing or incumbent voluntary sector infrastructure organisations, towards the promotion of more of a 'demand-led' approach in which the priorities of front line organisations are brought to the fore (Big Lottery Fund, 2012).

Understanding why this shift is occurring involves a brief exploration of a policy and funding landscape for third sector infrastructure which had developed over the previous decade. Demand-led capacity building emerges as a purported new direction or a solution to two perceived problems: firstly it is a response to a sustained critique of the model underlying earlier programmes, and secondly that the significantly reduced and constrained resources now available for capacity building in the sector call for something different, as the existing model cannot be sustained. In a recent paper on capacity building for the Big Lottery Fund, Diana Leat argues that we need a 'new map' for an environment which requires everyone to do more with less (Leat, 2011: 17). Demand-led capacity building appears to be one element of this new map.

The existing model of third sector infrastructure had grown through significant investment by central government, through the envisaged 10-year *ChangeUp* strategy (Home Office 2004) delivered by Capacitybuilders, and by the Big Lottery Fund, through two rounds of grants to infrastructure organisations from its 'Building and Sustaining Infrastructure Support' (BASIS) programme. Ten years on from the launch of *ChangeUp* the context looks entirely different, with a changing political agenda and language signalled by the Conservative-led Coalition government from 2010, pursuing a deficit reduction strategy with major implications for the budgets of central government departments, local authorities and other public bodies. Local authorities are making impossibly hard decisions about spending priorities, and third sector infrastructure is not often a priority compared with frontline services. Many areas have therefore cut budgets significantly, and some have put infrastructure services out to competitive tender.

The programmes associated with the 'golden age of capacity building funding' (IVAR 2013: 15) have been the subject of significant debate (National Audit Office, 2009, Rochester, 2013), to the extent that it is hard now to find many people prepared to offer a defence. Critical reflections on these programmes tend to involve a number of interlinked arguments: firstly, that they were dominated by existing providers when the field extends well beyond this to encompass private sector consultancy, public bodies and some funders; secondly, that as a result the interests and voices of FLOs tended to be rather subordinate; thirdly, that it was difficult to demonstrate the difference made by and value for money of supply side investments; and finally, that the resources are simply no longer available to sustain the developed array of different forms of voluntary sector infrastructure.

Since the closure of Capacitybuilders in March 2011, and thus the effective demise of the *ChangeUp* strategy three years earlier than originally planned, there have been two main policy developments in the field of infrastructure and capacity building:

- Firstly, the Coalition government made £30m available over 18 months through its 'Transforming Local Infrastructure' (TLI) programme, administered on behalf of the Office for Civil Society (OCS) by the Big Fund, BLF's non-lottery funding operation. Organised on a competitive area basis, and explicitly described as a last, short term, major investment by

central government in local infrastructure, TLI was designed to bring about significant transformation of infrastructure support, to make it more effective, efficient and less dependent on government funding (Big Lottery Fund, 2011a: 4). TLI was launched in July 2011, and 74 awards were eventually made in early 2012 to local partnerships of infrastructure organisations to fund transformational activities through to Autumn 2013.

- Secondly, the Big Lottery Fund has been rethinking its own approach to capacity building and infrastructure, through the development of its 'Building Capabilities for Impact and Legacy' framework (Big Lottery Fund 2011b, 2012, Macmillan, 2013). Ultimately this involves a complementary investment to TLI of up to £20m, but the proposals are clearly focused on the support needs associated with the Big Lottery Fund's existing applicants and its developing strategic priorities and programmes. There will be no 'BASIS-3' round of investment in infrastructure. Instead the Big Lottery Fund is interested in developing the idea of 'demand-led capacity building', where resources are directed to frontline voluntary and community organisations through vouchers and development grants to pay for the support they require alongside a number of supply side initiatives, including the £6m BIG Assist programme to help infrastructure organisations develop their business models in the new environment.

The overall effect of these policy and practice developments is the piecemeal and experimental emergence of more of a mixed economy and market approach to capacity building and infrastructure. However, we know very little about this process in detail, or about demand-led capacity building in practice. In the remainder of this paper we explore three recent demand-led capacity building initiatives. In the next section we outline briefly the research methodology. This is followed in section 4 by an in-depth discussion of eight key dimensions of demand-led capacity building.

3. Methodology

(a) Background

This paper is the outcome of a short piece of applied research on three 'demand-led' capacity building initiatives. It is part of a broader programme of research at TSRC on the changing field of capacity building and infrastructure - '*Making markets in third sector infrastructure*' – which has been charting the debates around, and gradual construction of, a market for infrastructure and support services.

The research reported here arose out of an opportunity to use a small amount of end of programme funding from the Sheffield FUSE Transforming Local Infrastructure project in order to draw out the learning from its pilot voucher scheme, in dialogue and comparison with the Worcestershire Changing Futures Fund and the Big Assist programme. Although the Sheffield scheme had come to an end in September 2013, the other two schemes were still in operation and have generated significant interest. All three have been the focus of independent evaluation or review (Big Assist in July 2013, Sheffield FUSE in August 2013, and Worcestershire Changing Futures Fund in September 2013). The overall aim of the project was to reflect on some of the key issues involved in the design and practice of demand-led capacity building schemes in the third sector.

(b) Research preparation and data collection

The research proceeded as follows. An independent evaluation of Sheffield FUSE was carried out in July 2013 (Kara, 2013). Following this, contact was made with programme leads in Worcestershire County Council and NCVO to discuss the research and invite participation in the project. Resources would allow each programme lead to be interviewed, alongside just one other perspective: from a provider in Worcestershire and from the independent evaluators in the Big Assist programme. To aid comparison Caron Walton, the Sheffield FUSE programme manager, prepared a short reflective account of the Sheffield voucher scheme to be shared with research participants. Interviews took the form of in-depth semi-structured conversations – on average lasting for an hour and three-quarters - based around a broad topic guide sent to each participant in advance of the interview. The interviews covered, among other things, the background to each scheme, how each works in practice, selection and approval of providers, who the ‘customers’ are, the role of diagnosis, the ‘customer’ experience, and overall learning from each programme. Each interview was recorded and fully transcribed. Table 1 below indicates the data collection process and the sources of data underpinning the research.

Table 1: sources of data

Sheffield FUSE	Worcestershire Changing Futures Fund	Big Assist
Review of documentary material, including the independent evaluations (Hankins 2013, Kara 2013, Khor et al. 2013) and programme websites: http://www.fusesheffield.org.uk/ http://www.worcestershire.gov.uk/cms/voluntary-and-community-sector/vcs-changing-futures-fund.aspx http://www.bigassist.org.uk/		
Preparation and circulation of FUSE voucher scheme reflection, Sept 2013 by Caron Walton, the Sheffield FUSE programme manager.	In-depth interviews (Oct 2013) with: <ul style="list-style-type: none"> ● Suzy James, Worcestershire County Council ● Richard Quallington and Mark Herriott, Community First 	In-depth interviews (Sept 2013) with: <ul style="list-style-type: none"> ● Nicola North, NCVO ● Zoe Khor, Office for Public Management

(c) Analysis

From the interviews and an initial reading of the transcripts, six broad themes were identified: (1) background and rationale to the scheme; (2) process – how it works; (3) providers – who they are and how they were selected; (4) customers – who they are; (5) diagnosis - of needs and priorities for support; and (6) customer experience and feedback processes.

Transcripts were coded according to these themes to create six thematic documents. We each annotated the documents with comments, questions and comparisons between the three schemes. The aim here was to jointly draw out key areas of similarity, contrast and points of interest from the three demand-led capacity building schemes. Interview analysis was supplemented by a desk review of relevant programme documentation and evaluation material.

4. Demand-led capacity building in practice: eight dimensions

Based on the research undertaken across the three schemes, we have identified eight key dimensions in the design and operation of demand-led capacity building:

- a. background and rationale
- b. set-up
- c. selecting, describing and valuing themes/packages of support
- d. attracting and approving providers
- e. attracting and approving customers
- f. diagnosing support needs and priorities
- g. delivering support
- h. feedback mechanisms.

In this section we look in turn at each of these dimensions.

(a) Background and rationale

In April 2012 Worcestershire County Council launched a new voluntary sector support scheme, the *Worcestershire Changing Futures Fund*, designed to strengthen and develop the VCS in Worcestershire. The scheme is planned to run for three years until March 2015, with a total budget of £750K. The website describes the fund as providing “*Guidance and support to new, developing or more established VCS groups across the county. It connects groups with experts who guide organisations through what can often be really complex issues; for example organising financial systems, budgeting, procurement and marketing*” (Worcestershire County Council, 2013).

Meanwhile, in Sheffield, a partnership of 11 local third sector infrastructure organisations, led by Voluntary Action Sheffield, gained funding from the national TLI programme. The Sheffield project – “*Transforming Sheffield’s Infrastructure*” – was awarded just under £400K for a programme of work to be delivered by August 2013, aiming, according to the bid: “*To transform the infrastructure for Sheffield’s front line civil society organisations into a cohesive, customer-driven offer of support which meets needs, is quality assured and is sustainable within a market funded business model*” (Voluntary Action Sheffield, 2012: 6). The budget included just over £100K to run the *Sheffield FUSE Support Fund*, a pilot voucher scheme for infrastructure support, in which eligible frontline organisations could purchase the support they need via an online portal. The pilot would “*assist [Civil Society Organisations and Local Infrastructure Organisations] in making the transition towards a more market-based funding model. Vouchers will also provide transitional support for services losing funding*”. (Voluntary Action Sheffield 2012: 7).

At around the same time during 2012, the Big Lottery Fund was running a procurement exercise for its three year £6m ‘Assist’ investment in support for voluntary sector infrastructure organisations. With a voucher scheme as a core feature, the programme is designed to equip infrastructure organisations to function in a more market-oriented environment. In July 2012 it was announced that the National Council for Voluntary Organisations (NCVO) had been awarded the contract for the programme, to be launched as ‘BIG Assist’ in October 2012. According to the programme website, BIG Assist is “a

targeted support programme to help voluntary sector infrastructure organisations be more efficient, effective and sustainable - it's all about building the future for infrastructure” (NCVO, 2013).

In a matter of months during 2012, therefore, three demand-led capacity building schemes were developed, with similar features in outline, but in different contexts. In Worcestershire we find a County Council funded, designed and coordinated scheme targeting support at local frontline voluntary organisations and community groups. In Sheffield we find a pilot initiative, again targeted at local frontline voluntary and community organisations, developed by infrastructure organisations from within the voluntary and community sector itself, albeit with financial support from external sources. And finally with BIG Assist we find a much larger national programme of support, delivered by NCVO in response to a specification set by the Big Lottery Fund, this time targeting support to improve and strengthen local infrastructure support providers. Our research with these three schemes found some contextual differences in the background to their development, but some similarities in the rationales suggested for their introduction, based on the need to organise the delivery of infrastructure support in different ways.

In Worcestershire the Changing Futures Fund appears to be the outcome of a locally focussed, and somewhat politically sensitive, process of review of local authority engagement with the VCS going back a number of years. Although the research could not cover this in depth, it would seem that relationships between the local authority and VCS infrastructure bodies have been characterised by relatively low trust, alongside concerns about fragmented voices and complex infrastructure arrangements in a two-tier local authority area, unspoken agendas and strong rivalries. Support to the local sector - as 'business support', as a system of collective voice and representation, and via brokerage and marketing services for volunteering – had been delivered by a consortium of local VCS infrastructure organisations across the county through a consolidated strategic grant from the County Council over the period 2008 to 2011. Amidst claims that delivery and partnership processes in this programme of work were not as successful or value for money as they could have been, the Changing Futures Fund appears to have been established very much *in order to be different* to the pre-existing model.

Core strategic funding for a business support function was to be curtailed, but the political will to reinvest in support to strengthen the VCS was retained, in recognition of the sector's importance in helping to achieve the council's corporate aims in more cost-effective ways. Hence a review of Worcestershire's infrastructure funding carried out by the County Council from late 2010 and through 2011 also took account of wider pressures and constraints on local government funding, awareness of future spending cuts arising from the new Coalition government's deficit reduction strategy and comprehensive spending review, but also the emerging national agenda around localism, personalisation, choice and control. The process of developing the scheme in Worcestershire involved consultations with frontline VCOs, existing infrastructure organisations, but also with local authority commissioners concerned that frontline organisations would be 'fit for purpose' in delivering services:

“it was very much around, okay, well we're moving into a more commercial world, the council itself was moving in a more commercial direction, and therefore anything that was going to be invested into the next three years had got to be in sync with the council's direction of travel. And also if I am going to secure the political will to reinvest and to

support the sector it's really got to be something that will match the council's direction of travel...and be in sympathy with that".

From this, the County Council argued that frontline organisations wanted more choice over the support they receive, which was linked to the wider debate about personalisation:

"What came through very clearly from frontline organisations was they wanted choice. We were moving into and we are now very much in the era of personalised services and moving distinctly and quickly towards that on a wider scale with services...That's what they were saying they wanted; they wanted to have an element of control about what kind of support they got and where they got it from".

Finally the model in the Changing Futures Fund was justified in terms of risk management in two ways: firstly through directly approving and ensuring the quality of support provision for frontline VCOs on an ongoing basis; and secondly by distributing support funds on a piecemeal basis through vouchers for specified support packages – therefore involving a truly demand-led expenditure profile where any unspent resources could easily be redirected to other priorities.

Whereas the background to the Worcestershire scheme has a strong local flavour, both the Sheffield FUSE and BIG Assist schemes emerge more explicitly in the light of national developments around capacity building and infrastructure. This is not least because they draw from national programmes and sources of funding, and thus are speaking to wider contextual debates about infrastructure.

The Sheffield FUSE scheme represents the result of a reading, by Voluntary Action Sheffield and other infrastructure organisations in Sheffield, of the requirements and promoted outcomes in the national TLI programme. There is a sense of proposing to do something different in order to transform the infrastructure support offer made to Sheffield's VCS, and an eagerness to demonstrate an understanding of the changing context towards one involving reduced resources for capacity building and a more market-oriented approach. The TLI bid from Sheffield is following what it sees as key policy winds, but then attempting to win resources to try to gain some control over the process locally. Sheffield FUSE became a controlled pilot voucher scheme designed to help local infrastructure partners learn from and adapt to a more competitive environment whilst simultaneously endeavouring to improve the quality and responsiveness of infrastructure support.

The BIG Assist programme, as a directly funded investment by the Big Lottery Fund, is more firmly established in the development of its own thinking through the 'Building Capabilities for Impact and Legacy' framework (Macmillan, 2013). However, it is not working in isolation. The Office for Civil Society (OCS) in the Cabinet Office has also been enthusiastically promoting demand-led capacity building (Office for Civil Society, 2010), and there is some evident mirroring in process between OCS and the Big Lottery Fund. The latter's 'Building Capabilities' agenda follows the spirit and tenor of central government's own interest, as the debate around capacity building and infrastructure moves away from what appears now to be regarded as a resource-intensive supply side system developed under the previous Labour administration.

Rather than being seen to promote a purely market model for capacity building, the emphasis is on a 'mixed economy' of services, and the Big Lottery Fund is at pains to note that it will occasionally

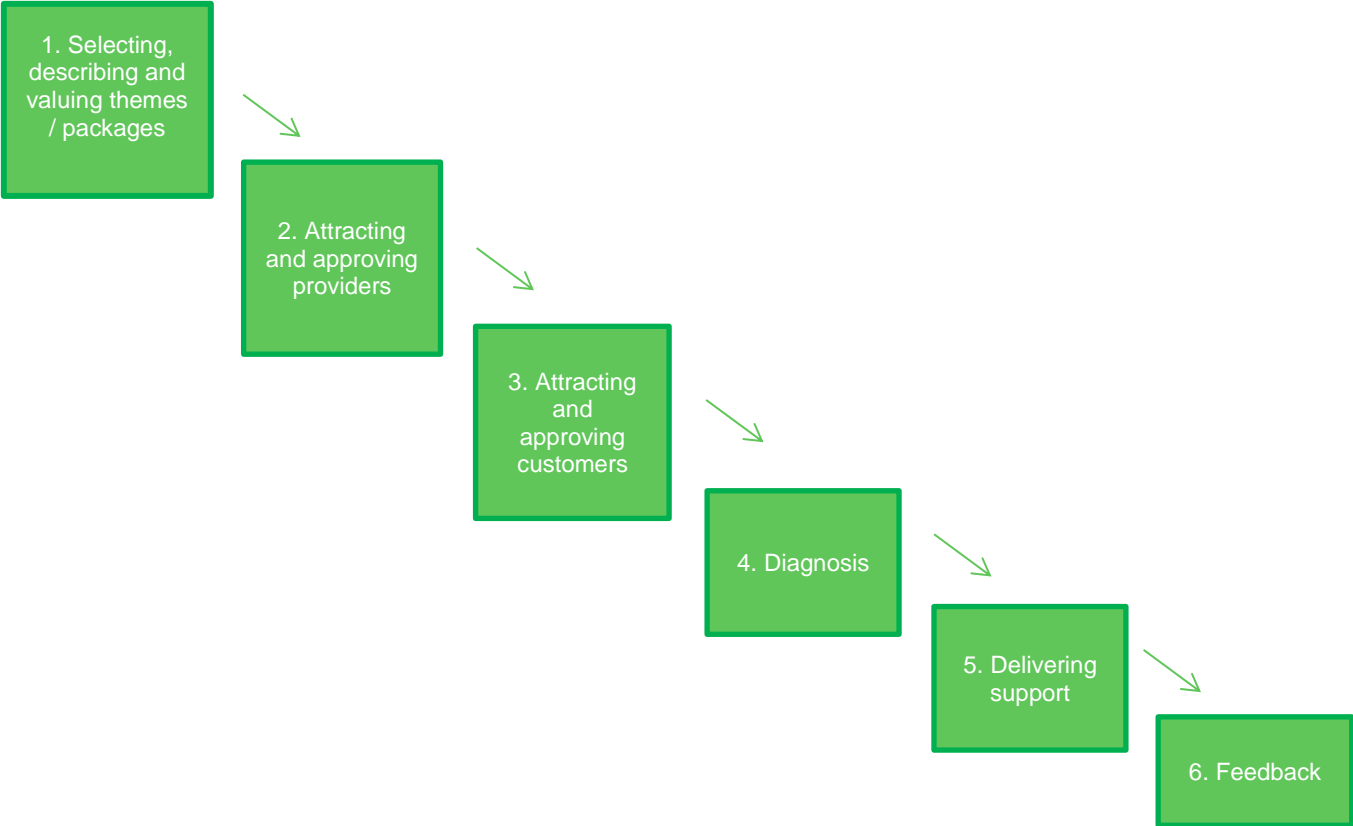
invest in some targeted 'supply side' interventions. The BIG Assist programme is a hybrid in this case: a supply side intervention, delivered by a national infrastructure organisation through a block grant, in order to develop and coordinate the architecture for a demand-led system of capacity building. Local infrastructure organisations are the target constituency for support, but an interesting by-product of the model is that they will also learn directly about demand-led capacity building by being put through it as customers.

We have seen here that the development of demand-led capacity building in practice appears to arise in the context of a perceived or argued need to do something different from the existing 'supply-side' model. In the next section, we examine in more detail the processes involved in each of the three schemes under review.

(b) Set-up

Figure 1 illustrates six steps in a typical process design of a more-or-less managed market for capacity building support from the three case studies. The three initiatives share broad common features including approval of providers and customers; customers having choice of providers; customer diagnosis; formation of an agreed work programme and delivery of support; and customers being expected to offer feedback on services received. We follow the stages in this model in our discussion of the three schemes.

Figure 1 - Common structure of the models



Nonetheless, the models apply different approaches to these practices, as summarised in Table 2 and discussed further below.

Table 2 - Key differences in each model's structure

Feature	Sheffield FUSE	Worcestershire Changing Futures Fund	NCVO Big Assist
Attract and approve providers	<ul style="list-style-type: none"> ● Sheffield FUSE TLI partners only – infrastructure organisations ● Apply to offer any service on the menu ● Manual application form ● Two panels held (October and March) ● Assessment panel comprises local authority, front line, academic, other TLI representatives ● Scoring weighted towards organisation and individual track records in the sector and for the service provided including qualifications ● Quality is based on processes and high customer service ● Approved – provider details uploaded onto the web portal ● Reapplication opportunity 	<ul style="list-style-type: none"> ● Individuals from VCS and private sector ● Located anywhere in England (currently 80% from the county) ● Apply to deliver up to four service packages ● Manual application form ● Quarterly panels ● Assessment panel comprises representatives from the Council and an independent VCS representative from outside Worcestershire ● No scoring or weighting – basic criteria ● Quality is based on individuals' focus on areas of expertise ● Approved – name included on the approved provider framework circulated to potential fund users 	<ul style="list-style-type: none"> ● Individuals and organisations VCS and private sector ● Located anywhere in England ● Application to deliver any service themes ● Online application ● Quality is based on processes and high customer care ● Internal check ● External assessment by two assessors ● Approved – uploaded to the marketplace ● Sample of both approved and rejected applications submitted to an independent panel comprising VCS and private sector representatives for moderation ● Reapplication opportunity
Select and describe themes/packages	<ul style="list-style-type: none"> ● Themed service categories developed by FUSE partners ● Front line organisations involved in determining the language and service descriptions through surveys ● The maximum contribution to the cost of services is £750 ● Customers contribute either 10,20,30,or 50% of the cost according to their turnover ● There is a fixed charge of £50 per hour 	<ul style="list-style-type: none"> ● Packages developed from feedback from individual workshops held with front line organisations, commissioners and infrastructure organisations ● Customers select a maximum of three packages ● There is a maximum of three days per package providers are required to adhere to ● The maximum cost per day is £400 ● The customer is not required to contribute towards the cost 	<ul style="list-style-type: none"> ● Themed service categories developed in response to the BIG Lottery Fund tender ● The value of a voucher is between £2,000 and £7,000

Feature	Sheffield FUSE	Worcestershire Changing Futures Fund	NCVO Big Assist
Attract, approve and diagnose customers	<ul style="list-style-type: none"> ● Eligible Sheffield based front line organisations according to TLI criteria ● Apply online – basic eligibility criteria and three questions ● Team assessment (change/crisis criteria) ● Online self-help diagnostic – not mandatory 	<ul style="list-style-type: none"> ● Eligible Worcestershire based front line organisations ● Undergo a mandatory diagnostic assessment to identify support package/s ● Diagnostic undertaken by an independent expert 	<ul style="list-style-type: none"> ● Four questions on eligibility criteria ● Online self-assessment (one to two hours) ● Diagnostic review undertaken by a consultant within the team (45-90 minutes) ● Consultant produces a report which is agreed by the customer ● Recommendations are submitted to the Big Lottery Fund for approval. Summary reports and full reports for moderation made available online ● One month turnaround from submission ● The process does not necessarily lead to a voucher, the report may advise mentoring or peer support
Bring customers and providers together	<ul style="list-style-type: none"> ● Customer select services and provider/s on the portal ● Customer contacts the providers offline ● Negotiations and work undertaken offline ● Selection of provider and undertaking the work to be completed within 15 working days 	<ul style="list-style-type: none"> ● Customer selects provider/s from the approved providers list ● Customer contacts provider/s offline and requests a work plan for each package applying for ● Providers develop work plan ● Customer submits work plan with application to Worcestershire County Council ● If application is approved work is undertaken by the provider within three months, with extensions where necessary 	<ul style="list-style-type: none"> ● Customers have their own online dashboard with providers filtered according to their identified needs ● Customers contact providers online with negotiations occurring offline ● Providers submit proposals for the customer online subsequent to offline negotiations ● Selection of provider encouraged to take place within three months with the work to be completed within six months ● Alerts are displayed on the dashboard when the deadline for completion is approaching, and automated email reminders are sent

Feature	Sheffield FUSE	Worcestershire Changing Futures Fund	NCVO Big Assist
Request feedback	<ul style="list-style-type: none"> ● Customer submits signed FUSE form incorporating service level agreement and work completion declaration ● Provider invoices FUSE ● Provider invoices customer for remainder ● Customer feedback requested by team but not compulsory for payment to be released to the provider ● Feedback published on the portal ● Complaints dealt with by the provider 	<ul style="list-style-type: none"> ● Feedback from the customer at the diagnostic and post-delivery stage is mandatory ● Feedback is submitted to Worcestershire County Council ● Provider invoices the local authority 	<ul style="list-style-type: none"> ● Feedback from the customer on the provider's service is mandatory – rated out of 5 (5 being high and 1 being low) ● Provider is prompted through automatic emails to invoice BIG Assist

(c) Selecting, describing and valuing themes / packages of support

In terms of designing a model's offer, similarities across the three include grouping capacity building services into categories or packages, for example 'business planning', 'marketing' or 'financial sustainability'. Approaches vary in determining the categories. FUSE partners combined their own knowledge with a survey of FLOs to determine the appropriate language. Worcestershire County Council consulted infrastructure providers and FLOs through individual workshops, and consulted with commissioners. NCVO applied its own experience and responded to the tender proposal set out by the Big Lottery Fund. Thus in Worcestershire and with BIG Assist the funders play a key role in the development of categories of support, indicating what kinds of support they are prepared to fund.

The models vary according to the parameters applied to the selection of packages/services, the value of vouchers and the role of prices:

Selection of packages and services ranged from FUSE offering individual services to FLOs, to BIG Assist proposing five broad groupings of support categories, divided into sub-topics, and Worcestershire's Changing Futures Fund offering a more prescriptive set of nine packages of provision. Although FUSE presented individual services, these were categorised for ease of identification. However, it is apparent that some services are not easily contained within categories, depending on their purpose. For example, FUSE found that providing a service around the development of customer relationship management systems warranted inclusion in both IT Services and marketing categories. One issue identified around compartmentalising support into specific services is the removal of the organisational context in which support needs arise. Functional services, for example legal services, tend to be readily packaged compared to more holistic offers such as business and strategic planning. Although training is a method of delivery, FUSE established a separate service category to incorporate training for those FLOs working with service users with specific needs. Issues around compartmentalising support are explored further in the discussion on providers in section 4(d) below.

The *vouchers* in each scheme enable the purchase of different amounts of support. This is known in terms of cost and time in Sheffield and Worcestershire, because the value of each voucher is known and fixed price models are in operation, but in BIG Assist only the value of the voucher is known. In general the demand-led models are perceived to offer relatively intensive provider support on priority topics.

FUSE offered FLOs up to £750 subsidy towards the cost of individual services provided by the accredited providers. The rationale for capping at this level was to ensure the scheme met its TLI programme outcome of 150 support recipients within time and funding parameters. Depending on their annual turnover, FLOs contributed between 10 and 50 percent of the total cost of services (plus VAT). BIG Assist and Changing Futures Fund cover 100 percent of costs. The logic behind FUSE's decision for a contribution by FLOs was to engender a fee-paying philosophy amongst frontline organisations. Placing any sort of monetary value on infrastructure support (notional or actual) is a step towards a fee-paying culture. The sliding scale of subsidy may have tested out FLO's recognition of the value of support provided or may have tested out FLO's recognition of the value of a subsidy when other funding is not available. Further research could explore whether applying a subsidy affected take up.

For those customers accessing a voucher, further research could examine whether services were selected according to their value and need or the level of subsidy available.

The Worcestershire scheme offers vouchers worth up to three days support for each of up to three work packages in the prescribed list, for each voucher holder per year – therefore involving a maximum of nine days support worth £3600 per year. The decision-making here indicates the flexible trial and error approach to programme design, within an overall budget:

“We had to start somewhere and it was like one day, two days, ten days? Three days was decided upon purely because per package three days of one-to-one support from an expert, we knew was actually quite a lot of support, and in terms of cost, the costing envelope, you know, trying to break it down to £400 a day, you know, this would actually correlate into X number of days support over the framework, and just really within the funding envelope, breaking it down and working it backwards”

Whether this is viewed as sufficient or generous depends on what the actual needs and proposed work involves. For example a business planning process is likely to be an intensive process over time. Customers are eligible to return in later years for further support if needed, although this would be determined in the light of an assessment of the previous work undertaken. Here the County Council takes quite an interventionist approach to assessing and approving work-plans and discussing the appropriateness of support with both providers and customer:

“we’re encouraging providers or will be encouraging providers to get much more prescriptive in their work plans about what components of that package they’re actually going to be working on with those days, and that will then enable us to make a much easier decision a second time around if they want the package again.”

The value of the voucher in the BIG Assist scheme ranges between £2,000 and £7,000 – as with FUSE there are targets to achieve within the programme’s timescale. In all three schemes providers only know the value of a recipient’s voucher when they are contacted by the customer.

The *role of prices* in a demand-led environment is likely to become significant in how the market for capacity building operates, but we know very little about how providers set and adjust prices, and what negotiations around prices or levels of work take place between frontline organisations and providers. It is not known what negotiations around prices or levels of work took place between the funder and operator of the BIG Assist scheme. As funders and operators, the Sheffield FUSE and the Worcestershire Changing Futures Fund schemes opted for fixed price regimes across all areas of work, with roughly equivalent rates (£50/hour in Sheffield, £400/day in Worcestershire). In Sheffield a fixed price regime was chosen to create a level playing field amongst providers, and similar reasoning was involved in the Worcestershire decision, although more with the experience of customers in mind:

“Fixed price was borne out of really an aspiration to try and make this as accessible as possible to small organisations and to start ups, so really to reduce the level of effort it would require on them to make a choice...So if we applied a flat rate then at least there was never going to be a situation whereby providers would be undercutting each other, and then the organisation having to make a choice and decision. So we thought, right, okay, flat rate and then people will choose based on who they like rather than people undercutting each other”

The concern here is to make sure that small and new organisations are not disadvantaged in approaching the programme, but there is perhaps an underlying perception from some operators that an open market environment may be very demanding for frontline organisations. Removing price competition aims to reduce the effort involved in shopping, which can then focus on quality and preference. Nonetheless it removes the premise of a free market for customers. Arguably it also removes a key element of market-based competition between providers, and may stimulate non-price competition. However, it is unclear overall to what extent and in what ways providers were offering additional support over and above the value of the voucher. In contrast to Sheffield and Worcestershire, the BIG Assist programme does not specify prices, reasoning that this would interfere with the market:

“We don’t offer any information or guidance on who pays what how much....I mean again in terms of it being this free open marketplace...we’ve talked this through with the suppliers in terms of the information that they get once they become approved, is that ‘we’re not going to tell you how much you have to charge, but what you need to bear in mind is that there will be competition’ ...”.

It may be presumed that where providers’ fees have been restricted, customers judge value on time and expertise rather than price. However, it is not clear if, and to what extent, providers may go beyond the threshold (in terms of the agreed project scope in BIG Assist or agreed work plan in the Worcestershire scheme) in offering additional support to the customer. Further research could explore how variable approaches to pricing, whether fixed or open, has impacted on the take up and operation of demand-led schemes.

(d) Attracting and approving providers

The three schemes involved broadly similar ways of attracting and approving providers. However, there are some important differences, and the types of providers delivering services and their motivations for joining the schemes vary across the programmes.

The number of registered providers within the individual schemes, at the time of the research, is seven, 54 and 180 respectively. This reflects the scale and geographical scope of each programme. FUSE is city-wide (comprising infrastructure organisations from across Sheffield), Worcestershire countywide (with 82 percent of providers from within the locality) and BIG Assist covers England as a whole. FUSE providers are taken from the wider partnership of infrastructure organisations delivering the TLI programme in Sheffield. Worcestershire suppliers originate from the VCS and private sectors and are listed and approved as individuals rather than organisations, even if they are employed by an organisation. Those supplying within BIG Assist operate in the private sector and VCS and range from sole traders and companies to charities and infrastructure organisations. A large number of charity trading arms registered with BIG Assist. Their rationale may be that this programme is viewed as favouring a commercial orientation, and access to a wider market.

The partners in Sheffield FUSE were responsible for developing the model and delivering services to meet TLI programme outcomes. Some FUSE suppliers viewed the voucher model as not only a way of sustaining their own organisations but also a way of assisting those FLOs who receive their support to maintain sustainability (Kara 2013: 22). The BIG Assist evaluation found that some suppliers

felt that by supporting customers (infrastructure organisations), they were indirectly assisting a broader range of customers (FLOs). Some BIG Assist providers saw the programme “as the means by which they could access funding for infrastructure support work, particularly in the context of cuts where there was less funding available for this kind of work” (Khor, et al., 2013: 12). For Worcestershire 18 percent of providers were located outside of the county. This could suggest that the Changing Futures Fund may be perceived by suppliers that were not already operating in the county as an opportunity to broaden their markets.

There were commonalities across the programmes in the way providers were approved, based on minimum threshold requirements. These comprised: demonstrating a track record delivering support to the target customer base (corroborated by relevant references); possessing appropriate insurances; and proving financial stability. Individual qualifications for specific services are a requirement, as is some independent demonstration of quality.

Divergence within the approval process arises in the application and assessment practices. Both Worcestershire and FUSE implement a manual application process. Potential providers submit a completed application form for review by an assessment panel. Prospective providers for BIG Assist complete an online application. In all three schemes a panel assesses and approves applications. The FUSE accreditation process was devised overall by FUSE partners using criteria from a range of existing public sector tendering frameworks and funding eligibility criteria, but the panel was independent and included a prospective customer. Interestingly, some of the partners had to reapply because they did not satisfy the minimum threshold. In Worcestershire applications were initially assessed by the programme coordinator and an independent assessor from outside of the County, and then by the programme coordinator and other members of the programme steering group. Applications to BIG Assist are checked first by the programme team, to ensure all areas are completed and uploaded and initial scoring against criteria, and then by two independent external assessors. If the external assessors disagree, submissions are deferred to an independent panel. The panel also moderates a sample of approved and rejected applications.

Investigation of programmes’ assessment criteria found commonalities arise in the weight afforded to track record and quality:

FUSE and BIG Assist both use a scoring system for applications. FUSE weighs relevant organisations’ track record and individuals’ competencies above other aspects. BIG Assist uses scoring as a guide for the assessors. Both Worcestershire and BIG Assist regard highly a validated track record. This was felt to create a model that would broaden the range of providers – one participant commented “*we wanted to be inclusive and not exclusive*”. Some programme operators have rejected submissions where applicants used references for work undertaken through a previous employment or other organisation. This may be problematic for an individual who may have only recently become self-employed after delivering similar work through their previous occupation. This may well negate freelance consultants supplying references from customers they service through subcontracting arrangements with organisations.

FUSE does rate standard quality assurance systems in the assessment; nevertheless, the programme regards more highly the way quality is actually described to be implemented in service

delivery. BIG Assist holds a similar position on evidence of quality implementation. Both Worcestershire and BIG Assist recognise that sole traders are unlikely to possess externally accredited quality assurance systems. Worcestershire emphasises that its recognition of quality is placed on an individual's key competencies and expertise reinforced by a track record. It would be interesting to know how quality is judged by programme operators (are they looking for effective delivery of services to achieve outcomes, or customer satisfaction or both?) and how this compares to a customer's perception of quality.

Emphasis on evidencing a proven track record and key competencies serves the purpose of guaranteeing that services are delivered by capable providers. Potentially, this also aids the purpose of ensuring suppliers focus on their key specialisms thus safeguarding quality delivery. Conversely, it could be argued that these assessments (track record, testimonials, qualifications etc.) relate to the function rather than the provider. An issue recognised across all programmes was that some providers see the schemes as an opportunity to benefit as greatly as possible by offering a broad range of services, even where they might be stretching their expertise: one participant referred to this as the 'Jack of all trades'.

For some infrastructure organisations, the shift from marketing themselves as organisations with significant presence as holistic general providers has been particularly difficult. These organisations have generated a customer base through long-term relationships delivering an array of support throughout the lifecycle of a frontline organisation. Beyond functional services, they have offered a strategic voice, a gateway to the public sector and policy influence, networks and peer and volunteering support. One participant proposed that some of these key facets of provision may be lost in a demand-led environment. In the Worcestershire programme, providers are limited to delivering a maximum of four packages of support, forcing them to be selective about their offers. As mentioned already, compartmentalising provision has proved to be a difficult process for some providers. One participant commented that the restrictions create "unnatural" relationships between provider and customer. The compartmentalisation of support has potentially negatively impacted on suppliers, programme operators and customers alike where clear parameters for packages of support are hard to define. There has been an indication of overlap of services/packages operating within the models subscribing to pre-set themes. Whilst one participant suggested that providers must be more prescriptive about their proposition to avoid duplicating another provider's offer for the same customer, another participant commented that:

"you can't easily compartmentalise the support... we have to work with the other three providers to work out where things need to be passed on; also in developing a plan of support. So actually that costs us quite a bit before we get paid anything".

It is apparent that provider engagement within the marketplace is somewhat lacking. Where providers in the beginning may have perceived this model as a business opportunity, some have been wary of losing customers to competitors. In some cases, providers have selected alternative funding streams or contracts through which to provide support to customers to try to minimise their customers' exposure to competitors. This may have resulted in some customers not being put forward for certain programmes by providers. One of the issues for FUSE providers was not necessarily competition but

displacement of existing funding and fees from paying customers. For example, support to small start-up organisations was fully funded through the local authority. This precluded these organisations from accessing FUSE vouchers to pay for support. Some providers who were already earning income from paying customers did not want to risk offering subsidies through FUSE vouchers, as once FUSE ends, the customers may not return to paying full fees.

A common issue across all programmes is many providers' inability to market themselves effectively. Some programme operators are consequently providing support for suppliers to engage in the market – in effect this represents capacity building for the providers of capacity building support. One participant commented that the “quality of some of the suppliers' self-descriptions that were available on the website weren't that great... they weren't marketing themselves effectively”. A question arises about whether providers are more reliant on their customer networks or word of mouth.

None of the three models have restrictions on the number of providers; rather some have restrictions on the types of providers. Although FUSE suppliers originated from the initial FUSE partners, new partners could join the partnership (provided they met the eligibility criteria for a Sheffield-based infrastructure organisation) and subsequently apply to become providers on the programme. The largest programme, BIG Assist, is a competitive marketplace and exhibits a high number of providers even subsequent to filtering the suppliers under themed support categories.

However, competition and low quality marketing activity may not necessarily be responsible for lack of engagement. In some programmes those providers with a significant customer base and networks have benefited from becoming providers. Providers across the board have actively brought their customers to programmes. A small number of providers across the programmes have been found to be getting much of the work and the majority of providers are not being selected by customers. This may be inevitable when the throughput of customers is slow and the number of suppliers outweighs the number of customers. Over time this may moderate as customer experience and awareness increases. It may be pertinent for programme operators to reflect on, and adjust the ratio of, suppliers split across themes to manage saturation, and balance customer choice. This would 'manage' the market to ensure that providers each receive an equitable number of customers and to deliver accessible choice to customers. Nevertheless, would this not restrict the 'open' market and detract from the purpose of a demand-led model?

In terms of adapting to the model and new ways of working, the focus on specific functional services and additional attention on individuals as providers, may contribute to the downgrading of the organisational context in which support is provided. This may promote and begin to embed a sole trader or consultancy model. This type of model is unlikely to sustain an organisation in the long term. A low volume of customers, programme operators' fixed pricing policies, inability to gain full cost recovery, restrictions to selling specific services rather than whole packages of support, reduced customer retention and high running costs are some of the challenges to infrastructure organisations operating as suppliers through these schemes. There is some evidence of internal restructuring amongst providers. Demand-led models involve greater risk so organisations may look to mitigate this by sharing or offloading it to staff either as freelancers or as part of hybrid model/trading arm (with

performance related pay) - a hollowing out of infrastructure organisations involving entrepreneurial responsibilities of internal staff.

For some providers collaboration with competitors has proved fruitful. Some providers have brought other potential suppliers to programmes to develop opportunities for signposting, sharing customers and ensuring the right interventions for customers. Further research could explore the nature of these changing relationships within a demand-led model.

A key question is whether a provider approval process acts as a drawbridge restricting entry to the new market and if this creates a limitation on this being an open market/demand-led system to ensure value for money for funders. Or is this a way of establishing credibility with the customer base and assurance of delivering their perceived outcomes?

(e) Attracting and approving customers

Discussions about customers focus on who they are and how many or how quickly they come forward to engage with the schemes. These questions are linked to an assessment of their existing capacity and knowledge to participate in a demand-led environment.

As we have seen, the customers in Sheffield FUSE and the Worcestershire Changing Futures Fund are frontline civil society organisations, whilst in BIG Assist the target group is infrastructure support organisations themselves. Overall, 151 frontline organisations engaged through the Sheffield Fuse Support Fund during its operation between December 2012 and August 2013. Most of these were quite small organisations – 53% had annual incomes of less than £100K, and 36% less than £50K (Kara, 2013: 14). During the first 18 months of the Worcestershire Changing Futures Fund to October 2013, 141 frontline organisations had been awarded 249 packages of support, and most of these organisations were said to be very small community groups or organisational start-ups: 81% had annual incomes of less than £100K, and 74% less than £50K. Up to September 2013, 188 infrastructure organisations had been through a diagnostic review process in the BIG Assist programme and over £500K worth of vouchers had been allocated, although this is a snapshot in a moving picture. Although figures for size are not available most of the voucher holders were local infrastructure organisations such as Councils for Voluntary Service. Efforts were being made to ensure that other eligible infrastructure organisations, such as Volunteer Centres, Rural Community Councils and equalities infrastructure organisations also gained access to the programme.

Given the difficulties in defining and explaining the notion of 'infrastructure', BIG Assist has a rather more challenging problem in drawing and maintaining eligibility boundaries compared with the other two schemes. This involves establishing a clear set of eligibility criteria to exclude organisations which do not primarily provide services and support to other organisations, but also seeking to encourage engagement from the target market. The challenge here is to overcome a perception that BIG Assist is just another funding pot for (infrastructure) organisations to apply to in order to deliver services to their own frontline members and users, and also to convince them that their support needs should be addressed in a changing environment:

“many infrastructure organisations thought that they could access money to help frontline organisations, or would like to be able to access funding to do this - we are having to emphasise that this isn't a traditional grant programme; we are having to say “it's for you;

it's for support to help you as an organisation to help ensure you are still here in six months' time in order to continue to support the frontline organisations...This programme allows you the space to take an introspective look at your own organisation and the support to take the steps to change.”

Across the three schemes, vouchers are primarily being directed to support around fundraising, income generation, financial sustainability, and business planning over other categories such as marketing and understanding outcomes.

In all three cases actual demand for vouchers has been lower or slower to materialise than hoped or anticipated. This has led to some debate in the three schemes around why this might be the case, and what the implications may be. This reaches the heart of a debate about demand-led capacity building contrasted with supply-side approaches. What if, in the latter, demand was somewhat artificially generated in order to fully utilise the (increased) funds available? What if, as these resources decline, demand begins to disappear as well?

In Sheffield demand for the vouchers was slow to materialise at first, but then it picked up as the financial year end approached, and remained relatively steady through to the deadline for applications in July 2013. A similar timeline appears to have affected demand at the start of the BIG Assist programme, alongside a broader assessment of the position of potential customers:

“We have seen a steady stream of customers but it has not been a mad rush...we thought there would be a sudden influx but this did not happen. The customer side of the scheme was launched in December and in retrospect this may not have been a great time because of it being the Christmas holiday and also because of the uncertainty during March or April at the end of the financial year. People were waiting to find out about grants and other funding applications. There was a period of uncertainty and change, therefore, I don't think organisations were in a position to be able to genuinely reflect on where they were or where they would be in five or six months' time. I also think that many organisations are struggling. We are asking them to take out time to reflect on their organisations and this is not going to be a priority for them. I also think that actually quite a lot of organisations are struggling. We are asking them to take out quite a lot of their time. I think for some organisations this is not going to be a priority for them. You can take a horse to water but you can't make it drink...”

There is an under-spend against forecasts after 18 months of the Worcestershire Changing Futures Fund. Reasons suggested in the interviews for low or slow demand include: lack of actual need for the kinds or levels of support offered through the Changing Futures Fund (hence a question whether FLOs need other forms of basic advice and support); insufficient or lack of financial support for proactive marketing of the programme and infrastructure support generally, particularly beyond the usual networks of FLOs; whether FLOs are deterred from applying because of the complex processes and timescales involved; and finally whether FLOs are not sufficiently considering their support needs, either because they see this as a luxury, or until or unless they reach crisis point, as indicated here:

“promoting and marketing a model like this is really challenging because organisations don't recognise they have a support need until they're almost in crisis point. Therefore what we're trying to do is to engage them in accessing support way before they actually recognise they have support needs. And inevitably that's an almost impossible scenario”.

looking ahead, however, low demand may have important ramifications for future investment in supporting and strengthening the sector in Worcestershire. With an ever tightening budget, the County Council may take the view that the fund, as a barometer of demand, has not been needed as much as originally thought, and therefore does not require further investment

Low demand could be explained in terms of the level of pre-existing capacity required for the kinds of engagement expected in a demand-led programme. Capacity building can typically require a level of existing capacity. In a market-oriented environment, target organisations are being expected to become and act as customers, and negotiate changing relationships with providers who, in contrast to previous forms of 'supply-side' support, are structurally held at some distance in order to facilitate choice and competition between providers. Newly ascribed customers may have little experience or in some cases appetite for these new roles. As one Worcestershire respondent noted, the Changing Futures Fund is designed to be somewhat commercial, but many target beneficiaries do not seem to have a commercial approach to picking and working with suppliers.

Across the three demand-led schemes respondents referred to various ways in which some customers lacked knowledge or capacity, including not being aware or reflective about their organisational support needs, for example looking at immediate presenting symptoms rather than underlying causes of difficulties, or choosing unsuitable packages of support. We discuss these points further below on the role of 'diagnosis.' Beneficiary organisations need to have some capacity to be able to work intensively with support providers, particularly where programmes are focused on assisting the implementation of significant change, as in the BIG Assist programme:

“Not all customers would be able to do anything with a voucher. A lot of organisations would not have the capacity for someone to come in and deliver consultancy to them for one day per week. They would not be able to undertake that, therefore, it would not achieve anything. In addition, as part of the whole review process, we look at whether the support that organisations might get from the programme is going to have any impact. Is the organisation in a position to be able to change? That is what the support is there for. It is not for an organisation to undertake the consultancy and then stay as they are. It is about actually providing some support to be able to help organisations become more effective and more sustainable; therefore they need to be able to change”

In this quotation, we see a move from considering a beneficiary organisation's *capacity* to engage with a programme to considering its *willingness* to engage, or its 'readiness' to change, alongside its ability to change. This becomes more important insofar as the support programme has explicit change objectives and outcomes, and introduces additional programme selection criteria beyond mere eligibility tests. It raises the question of who the programme is really for.

We have already noted some doubts about suppliers' readiness for new market-oriented ways of working in the previous section, and we take up the issue of 'organisational readiness' again in the next section. Here, however, it is worth noting that this also introduces the priorities and concerns of other stakeholders into the demand-led capacity building equation. Policy-makers, programme designers, funders and commissioners of services from voluntary organisations can also play an important role in shaping the parameters and operation of a demand-led programme.

They may have a role in shaping the kinds of support against which vouchers may be spent. For example, in Worcestershire, County Council service commissioners were involved, with others, in shaping the priorities of the Changing Futures Fund in line with commissioning intentions and the Council's corporate aims. Key issues raised by commissioners include the ability to run contracted services, contract reporting and understanding outcomes:

“this model was then developed in collaboration with the key stakeholders and looking at what the identified needs were from both sides, from both the VSC organisations but also from our commissioners...we spoke to frontline organisations, we spoke to commissioners and identified clearly what support needs we required them to have, if you like, what support they needed to need, and what they were saying that they were asking for and wanting...Because if we were going to reinvest then fundamentally the requirement was that ultimately we have got to support organisations in their development so that they were fit for purpose to help us to achieve our corporate aims”.

They may also have a role, as in both the Worcestershire County Council and BIG Assist schemes, in actually approving organisations to receive vouchers for support.

In these ways, funders, commissioners and programme designers act as ‘shadow customers’ for some demand-led capacity building schemes; they are providing resources in order, quite legitimately, to purchase the kinds of support and outcomes they have an interest in seeing. This is quite an important point to make in what would otherwise be considered as a mere shift in the terms of relationships between frontline organisations (or target beneficiary organisations) and providers, with the role of funders rendered invisible or opaque.

(f) Diagnosing support needs and priorities

A diagnostic process for exploring and understanding the support priorities of target organisations arises in Worcestershire (for FLOs) and BIG Assist (for infrastructure organisations) but not in FUSE. FUSE is the lowest resourced programme of the three and this is reflected in the development of a cheaper online needs self-assessment tool. Worcestershire and BIG Assist both offer specific diagnostic assessments. Despite these differences, diagnosis is the main area in which iterative learning takes place in all three cases.

Initially in Worcestershire a diagnostic check was a half-day package alongside others for which a voucher could be used. But low take up by FLOs and evidence of inappropriate package selection suggested the need to provide more up-front diagnostic support to organisations. Hence in Worcestershire the diagnosis is now mandatory, free to FLOs and delivered separately from a voucher. The process comprises an initial self-assessment followed by a telephone conversation with an expert independent of the providers involving one of three tiers of analysis intervention (low, medium or high). The level of inquiry depends on organisational self-awareness or capacity to diagnose. Having an impartial expert assessment was felt to be important to separate diagnosis from delivery; and to distinguish between a frontline organisation's needs and wants; leading to better value for the programme overall as packages of support would be targeted on appropriately identified priorities.

Whilst an independent diagnosis may create the sense of an objective assessment of need, mitigating any vested interests from providers, it may be argued that good quality diagnosis can only

derive from those who deliver the work. To some degree diagnosis is subsequently duplicated by providers (without being paid for) as part of building relationships with customers and understanding the precise nature of the work to be undertaken.

The diagnostic process in BIG Assist comprises two stages (a) an online self-assessment lasting between one and two hours covering five areas, and (b) a follow up review (either a telephone call or face-to-face meeting) lasting between 45 and 90 minutes, undertaken by a 'customer consultant' who is a member of the BIG Assist team. The follow-up review not only seeks further information and clarification but, as with Worcestershire, plays a fundamental part in prioritising support needs. The BIG Assist diagnosis is a thorough process but not a full organisational review. Nonetheless, there is some confusion amongst customers, evident from the BIG Assist evaluation, and interviewees in this research, whether it is regarded purely as a diagnostic assessment, or as part of the application process itself.

In all three models there was evidence of customers having limited idea of what support needs they have. The diagnosis itself can be a useful process, even if it does not lead to a voucher. Organisations undergo a structured set of questions; receive consultancy input and a report at the end of the process which is a valuable tool of reflection that organisations may not otherwise have the opportunity to undertake. Feedback on the Worcestershire scheme suggests that the diagnosis is very useful and may even meet some organisations' needs in and of itself; the feedback has been very good. Whether organisations would see the diagnostic as value for money if they had to pay for it is not yet known.

Worcestershire's triage approach and the variable length in BIG Assist's review call recognise that some organisations may have more capacity than others in identifying their needs. A potential, but not exclusive reason for this was identified in the BIG Assist scheme concerning the individual completing the self-assessment and partaking in the follow-up review. Often business development or fundraising personnel would be involved because they presumed the diagnostic process was actually a grant application. The Chief Executive Officer or similar would probably be most appropriate to engage in the process as they are most likely to possess the level of knowledge required about key aspects of the organisation, including finances and governance.

BIG Assist is investigating if self-assessment of need matches with actual diagnosis and support packages, as this would be a way of testing how aware organisations are of their own situation and whether self-assessment could ever be a standalone process. The latter may require careful analysis since there is evidence from BIG Assist and FUSE that some organisations are less comfortable with online processes. Evidence from FUSE shows that quite often small and embryonic FLOs are less able to ascertain their support needs.

Prioritising needs for an organisation is an essential objective of the diagnostic process with a view expressed that potential change and measureable impact need to be demonstrated. As part of wider programme aims, the diagnosis would need to align with support packages such that when undertaken by a customer, achieve change within customer organisations. Furthermore, diagnosis has become not just about organisational support needs and matching requirements, but shifts into 'organisational readiness' – the ability for organisations to engage with support, and their capability to implement change. This links to a wider concern not to see support as a set of crisis interventions;

rather the support is for broader and longer term change, therefore selecting for best use of the support to create an impact:

“it came to our attention that we really needed to be looking at what we have called “organisational readiness” – the ability for an organisation to undertake some support. This came about because we had a very small eligible organisation. However, it had one full time member of staff and everyone else was either a volunteer or working a couple of hours here and there. They did not have the capacity to take the time out to undergo any training or have a consultant work with them. It made us think about the types of organisations that we give vouchers to. Whilst we want to support all infrastructure organisations, we are not going to be able to help organisations if they are about to fall off the edge of a cliff. BIG Assist wouldn’t be able to prevent this, therefore it would be of little use to the organisation or the programme. It is better value for us to give that voucher to an organisation where it can have some real impact”

This was one of several changes introduced in BIG Assist alongside clarifying questions and adding new questions. A customer being able to implement expected change leads to several questions about the alignment of expectations and anticipated outcomes. In BIG Assist the Big Lottery Fund assesses recommendations provided by the programme team’s customer consultant for customers before sanctioning support; Worcestershire County Council sets out its corporate aims that fund recipients must meet at the outset; and FUSE applicants are assessed according to TLI programme outcomes. The questions focus on the level and type of change that is expected; the role of diagnosis in targeting interventions; the value of effectiveness within particular outcomes; and where value for money is attributed within an overall programme. Further research could explore how much negotiation takes place between customers and assessors at the diagnosis stage to align expectations. Does the diagnosis form part of an approval process for customers’ needs and programmes’ needs simultaneously? If so, does this run the risk of customers being ‘written off’; being perceived as not having the capacity to engage?

(g) Delivering support

In each of the schemes we asked what customers are expected to go through in demand-led capacity building – their overall customer experience. The key issues arising in these discussions were: the online elements of the programmes; the support packages in practice; selecting providers, degrees of shopping, and relationships with providers; and feedback mechanisms.

There appears to be more automated online work in the Sheffield FUSE and BIG Assist initiatives, compared with the Worcestershire scheme. Many would-be customers prefer not to deal, or otherwise struggle, with online systems. This has led to a greater degree of active human intervention to guide people through the process than anticipated. However, this is designed to help customers adjust to the system rather than circumvent it:

“We have had a number of customers, more so than suppliers, who aren’t comfortable with the on line process; they’d actually just really rather not have to use it a lot of the time! We’ve taken on board information from customers about the system being online and whilst it’s never not going to be online, it’s very much about us supporting them through the process, trying to change their mind sets about the online process and trying to make things as simple as possible...”

BIG Assist has an organising online 'dashboard' for each customer through which the programme and customers manage the process. We have noted in an earlier section how this programme has a lot of potential providers. A concern is that this may overwhelm customers with possibilities:

"it's the responsibility of the customers to visit the online marketplace and look through the approved list of suppliers there and it's very much self-directed...it's the responsibility of the customers to wade through that themselves really".

To help customers cope with this, the online system 'filters' the provider list so that voucher-holders only see those providers offering support in the categories assessed as priority needs in the diagnostic process. However, as suggested in the quotation below, this is a source of debate about whether boundaries of appropriate intervention in the market have been crossed; whether filtering restricts choice in the market, or actually enables it by removing irrelevant choices and thus the burden of choice facing customers:

"the number of suppliers we have on our online marketplace is quite daunting for our customers and we have had numerous discussions about what other possible ways can we filter these suppliers, whilst still ensuring that it is this open marketplace. We don't want to start adding ways of being able to filter suppliers which would then actually take away that – the whole purpose for it."

There is some concern about the blurred boundaries between some of the work packages which can be purchased in demand-led capacity building schemes, but this is primarily a function of the opaque nature of capacity building support. All three schemes note some difficulty here, irrespective of how prescribed the menus of support are. The trick in working around overlap and fuzzy boundaries appears to be a willingness to work flexibly:

"there is always that extra that will be done, precisely because the packages don't have clear boundaries and just by the nature of the support and working with an organisation you're going to cross into the boundaries of the other packages and you are going to provide that support. So I think overall the customer gets a good deal from it"

The evidence suggests that customers are not always well positioned or equipped when it comes to selecting and working with providers. Their capacity may already be stretched in other directions so that capacity building support is not necessarily a top priority:

"it's those smaller groups that are the ones that are very slow to go through it and the more savvy ones that are quite quick and they know what they want and they're coming in and going through quite quickly".

Respondents note how it tends to take longer than anticipated for voucher-holding customers to select their preferred provider post-diagnostic, and for the work to be completed. This is evident in all three schemes. In BIG Assist the guideline timeframe has been extended accordingly:

"the other surprise has been the amount of time customers are taking to select the suppliers and to do the work. We have spent a lot of time phoning customers to find out if there were any reasons as to why they hadn't selected suppliers, if they needed any help, most of the time the BIG Assist voucher hadn't been their priority. They had got bogged down with other stuff and £2000 of consultancy just wasn't on the top of their list"

In choosing from a list of providers, respondents in all three schemes note, with some evident disappointment, that customers seem to select familiar providers, or those they have worked with before, rather than shopping around amongst the range of providers to find the best offer. For example, in Worcestershire many providers have yet to be enlisted, whilst a few seem to be gaining disproportionate amounts of work. These tend to be existing infrastructure organisations in the voluntary sector which, it is thought, already have a significant and known presence in the field. They have been able to develop considerable networks of front line organisations over time, and are in regular contact through mailing lists, as noted here:

“a lot of organisations are coming to us I guess because they know us, we’ve worked with them in the past...how we generate most of our customers is through our network and being out there and working with the organisations, networking, talking to people, and that’s where they come through to us.”

In this quotation we gain a sense that some frontline organisations appear to have a longstanding or ongoing relationship with a provider, through membership or regular contact in a variety of ways. This has tended to be the situation with many local voluntary sector infrastructure organisations, such as Councils for Voluntary Service or Rural Community Councils, for whom adjusting to a set of more sporadic transactional relationships with frontline organisations may seem less desirable, as indicated in this reflection on the Worcestershire Changing Futures Fund:

“it’s what I would call a sheep dip approach to support in a sense people come forward for specific interventions. So it meets the requirements of some part of traditional infrastructure but it doesn’t meet the full gamut... small organisations in the sector, they kind of develop a service out of a particular need and they need organisations in a sense to keep them abreast of the changes that are going on...It doesn’t feel long-term, it feels very short-term both in the way it’s set up and in the interventions but actually it prevents, it mitigates against organisations providing long-term relationships with their customers”.

Some customers already had preferred providers in mind, even if they had not actually been through an approval process to become listed amongst the range of providers. That being said, some organisations are spending time picking and choosing a provider from the descriptions offered by providers contained on the programme websites, or in some cases are even signposted or referred from one provider to another. There is a suggestion that website descriptions of providers’ offers could sometimes be confusing and off-putting:

“you get a really wordy explanation, so I can’t imagine that there’s anything other than just confusion. If you’ve got ten providers and you’re going to read through all that amount of stuff for each one it would be like, you know, it needs to be a more simple explanation of this is what you can get.”

In exceptional cases a customer will organise a mini-commissioning process amongst several providers, to try to gain the best response to the problems or priorities identified through the diagnostic process. There is some evidence that customers would value guidance and support in choosing a provider and developing a plan of work, or even a more comprehensive brokering system. Overall, however, the schemes do not wish to intervene or provide much support at this stage of the process, since this is where the focus on choice and control for customers comes to the fore:

“we’re not involved in how the customer selects their supplier; we don’t give any advice on that, again which is something that is discussed by the project team on a number of occasions in that, “Should we be helping them a little bit more?” Or do we – would we then be influencing the marketplace? You know, it’s a very fine line”

“we’re hoping that it creates more of that demand-led environment as opposed to the customer going to find their mates...most of ours have been quite keen on telling us exactly what they want, it’s – again it’s that selecting of supplier that they’re not – they’re not seemingly particularly keen...I suppose what I would like to see is that our customers are kind of changing their mind set that little bit and opening themselves up to a few more possibilities that you know actually you – there might be something out there that you don’t know about.”

(h) Feedback mechanisms

The final element of the customer experience focuses on providing feedback on the work undertaken once it has been completed. This is about judging quality, but from a customer perspective at the end of the process, as opposed to an ex ante quality assessment either through the programme to become an approved provider, or by customers at the point of choosing a provider.

In all three schemes customers are required to provide feedback on their chosen providers and the work completed, in order to trigger payment. For example in Worcestershire fund-users complete a form to provide feedback on and rate the diagnostic process and each package of support they receive. Payment is not released to the providers until feedback from fund users has been received. Satisfaction levels can be aggregated by work package, to understand overall satisfaction with the programme, or by provider, as part of an ongoing quality assurance process. Any negative feedback can be explored further with the customer and provider by the County Council’s VCS coordinator who runs the scheme.

There have only been a couple of instances where further exploration of negative feedback has been required; overall, satisfaction levels are extremely high with lots of positive comments. However, in Worcestershire the feedback goes directly to the County Council only - a source of considerable debate and reflection locally:

“the downside ... is that providers aren’t necessarily then knowing what a great job they’re doing other than I might be able to say this is fantastic....in year one I shared the year ones’ feedback with all the providers showing what fantastic support and how positive and 100% satisfaction levels. So I was able to do that because it was general, it wasn’t specific about any particular package. There is a real dilemma about it, whether we should actually share, because overwhelmingly it is so positive, and that would be great for the providers to know”.

The rationale for protecting the anonymity of the fund user is a desire to enable organisations to be as open and honest as possible, particularly if they have negative comments to make: *“there was a concern that actually if they know it’s going to be shared with the provider that might curb their honesty”*. From a providers’ perspective it looks a little like a ‘closed door’: *“We don’t know what feedback we’re given. We’re told it’s very good, and we’re obviously still on the provider list.”*

Alongside this issue of honesty is a wider concern over whether customers are knowledgeable enough about the quality of support to provide feedback:

“the customer feeds back and evaluates the process and they don’t know what they don’t know necessarily as well, you know, they’ve been to a provider, they’ve had a positive experience, it may have moved them a couple of stages further forward, but they don’t know they may have got a far better and more comprehensive service from another provider on the list.”

Linked to this is the possibility that customers and providers will come to the relationship with different expectations about the nature and outcome of support work:

“in a model like this there can be a mismatch of expectation...it can be quite a challenging interface. Sometimes organisations will have unrealistic expectations about what support they can receive, particularly around fundraising and financial sustainability, because ultimately organisations are so challenged with survival, so challenged with just doing the day job and providing the service and doing what they do, with absolute integrity and commitment and passion, that inevitably it’s not uncommon for them to expect if someone’s going in, say, to provide them with support with fundraising or financial sustainability, what they’re wanting is someone to go in and write the bid for them”

The collaborative development of a work plan for each of the funded packages is partly therefore an opportunity to understand and align expectations.

This highlights a risk with customer feedback mechanisms more generally. There are three issues here. Firstly the *form* of feedback is important, in terms of the desire not to overburden customers with complex evaluation questions, and the balance struck between closed rating questions (for example a rating out of 10) and open comments. Secondly the *focus* of the feedback is important, in terms of exactly what it is that customers are rating or providing feedback on. Arguably, the less knowledgeable they are, the more likely feedback is a measure of customer service rather than competence, quality of work and achieving agreed objectives or outcomes. One participant notes that there is some doubt about whether satisfaction levels, being so high, are a true reflection of fund-users’ perspectives: “*I have a concern that maybe still there is feedback coming in stating satisfaction and actually, is it?*”

Thirdly is the *forum* in which positive or negative feedback is heard, and particularly whether it stays with funders, is shared with providers or is made public for the benefit of future customers. Feedback is made public in the BIG Assist scheme, with only light touch intervention by the programme team:

“Customers rate suppliers out of five and this information is public on the BIG Assist marketplace. So any other customer can see it. If a supplier receives positive feedback, they will move up the list. The list started off alphabetical and now the suppliers that have been used and have been getting good feedback will have moved to the top of the list....

We don’t moderate the feedback that is received; however, it doesn’t go live until we ‘click the button’ and so if there was anything inappropriate (particularly scathing or bad language or anything like that), we can send it back to the customer and say, “That’s inappropriate”, but we wouldn’t ourselves change it..”

This is clearly modelled on the growing presence of online rating and review mechanisms in a range of private markets, such as ‘Trip Advisor’ and Amazon. These have also gained some influence in the public sector, for example in the ‘Care Connect’ service in the NHS in England. In their transparency they provide a forum for virtually-enabled word of mouth.

Elsewhere there is some interest in taking this route, but also reservation based on the difficulties of matching expectations between customers and providers. By its very nature capacity building and infrastructure is hard to assess by customers: it can be technical, jargon-laden, and hard-to-explain, it is multi-faceted, with different approaches and uncertain outcomes, and it very much depends on the quality of the provider-customer relationship. In this scenario providers may be vulnerable to unfair ratings and reviews against unrealistic expectations:

“Because if I look at a Trip Advisor then absolutely that’s what I’m going by. I would go by that in a hotel rating or feedback before I would actually go back and read. Well I would then go and read the comments but it would be the Trip Advisor rating that would actually influence my judgement, and I guess in knowing that I’m conscious of trying to do right by both parties, and sometimes it might be entirely accurate and fair and sometimes not...I do know how there is a mismatch very often between the recipient of support and the provider of support, and I guess it’s kind of like I have a desire to do right by both”.

For the moment, for some customers, the very presence of providers on an approved list acts as a proxy for quality, relieving them of undertaking a thorough evaluation of a wide market of potential providers. In this sense the architecture established for approving providers act as a trust device for customers: *“they haven’t had to undergo the whole “Are you any good?” because they see the fact that they’re on the marketplace, that we’ve already vetted them to a certain extent”*. It is too early to tell from the three schemes here whether a ‘Trip Advisor’-style online rating and review system will take off as a model for making judgements about the quality of capacity building and infrastructure, compared with, for example, quality marks and assessments, evaluation reports and informal word of mouth. This is a question of whether potential customers, funders, partners and other providers would pay it any attention in forming their own judgements. Would then a ‘Trip Advisor’ style model begin to gain an influential life of its own? And if so, what would be the consequences?

5. Discussion and conclusions

By undertaking research across three current or recently finished demand-led capacity building schemes, we can begin to discern some key design features, and therefore questions to consider for those involved in designing such schemes.

(a) Overall findings and research gaps

There are five key messages which seem to arise directly from the research.

Firstly the schemes demonstrate that demand-led capacity building is for now a trial and error process of incremental experimentation; a ‘work in progress’. Those implementing the schemes under review here show welcome openness and flexibility in learning about their structures and practices, and a willingness to adjust and adapt them as they progress and when required. Respondents repeatedly note that things are not set in stone or fixed, and that many design decisions are ‘starters for ten’. An example is the change in the organisation of a diagnostic process in the Worcestershire Changing Futures Fund.

Secondly, we note that assumptions about how quickly such schemes could be developed from launch to full operation have had to be adjusted. In particular, it seems to take longer than anticipated for customers to come forward in the first place, and then secondly be able to work with vouchers in a market-like environment: from choosing a suitable supplier, to agreeing and completing a programme of work. All three schemes noted how demand for vouchers had been slower to materialise than anticipated, and how timescales from voucher award to completion had to be extended.

Understanding the mismatch of timescales leads naturally on to our *third* conclusion, that the capacity of both customers and suppliers to engage in a demand-led capacity building environment is itself variable and, seemingly for many, rather limited. Demand-led capacity building is demanding. We might say, therefore, ironically, that participants in market-oriented demand-led capacity building seem to require capacity building for market engagement itself. The main areas in which the customers' capacity to engage may be limited are around understanding support needs and how they might be addressed, willingness to shop around in proactive search for the best responses from suppliers, and ability to negotiate a package of work with a prospective supplier. For suppliers it appears to be around clarifying and marketing their 'offer' to prospective customers.

Some participants may be more willing, able and therefore 'ready' to engage in demand-led capacity building, but the learning from the three schemes here suggests that these are in a considerable minority. Once again this mismatch may be a clash of expectations between theory and practice in programme design. One of our respondents eloquently referred to this in terms of market sophistication:

"If I'm really honest with you...there is a lack of sophistication in the sector in terms of real ability to engage effectively with a model of this type at the moment. Particularly among smaller organisations...That whole concept of thinking like a business, thinking in a commercial way, is probably just not there....I think if this model were to continue then we would probably see that sophistication growing over time. Our early indications are that it's not there at the moment, or there are a few, there are a small number who are more commercial and savvy to max out on shopping around and getting the person that really fits in....it's a useful piece of learning, that there is more that we need to do to support and shape the market"

The research has highlighted a fourth conclusion, which may logically arise from the idea that customers may not always be active and well informed consumers in a capacity building market. Diagnosis of support needs and priorities, understood as a more in-depth interaction between would-be customer and external specialist, has a more important role in the process of demand-led capacity building than programme designers seem to have assumed. All three cases here have concluded that diagnosis requires more attention than initially thought, for example to introduce it where it wasn't previously a feature other than a purchased service (Sheffield FUSE); to make it compulsory (Worcestershire), or to add more of an interactive relational dimension of the diagnostic process (BIG Assist).

Fifthly, a related conclusion is that automated online processes cannot always substitute for human intervention to manage systems, to assist those less comfortable with online working, and where person-to-person interaction is an important dimension of the capacity building process.

Our research has of course only skimmed the surface of demand-led capacity building. The policy and practice agenda looks set to develop quite quickly, but the research and evaluation agenda lags behind. In particular from the research conducted here we note five areas and questions which appear to be central to the design, operation and discussion of demand-led capacity building, but for which we know and understand rather less, such as:

- the overall *costs* of demand-led programmes compared to alternatives, including operating costs of design and coordination, and hidden transaction costs involved in multiple spot purchasing;
- the overall *consequences* of demand-led programmes compared to alternatives, including capacity building outcomes for customer organisations, and whether this has any subsequent impact on their beneficiaries, as well as wider consequences on the nature and scale of the field and interactions between providers;
- the nature of the *encounters between customers and providers* at different stages of the process, including understanding support needs and shaping priorities, and crucially the extent and ways in which work programmes, timescales and prices are negotiated. This is a significant gap across all three programmes;
- understanding the *quality, value and impact* of capacity building, and the different ways and devices through which this might be judged, by programme designers, customers and suppliers alike. What are the changing forms in which judgements about the quality of capacity building are made?
- the *requirements* of demand-led capacity building, such as the level and type of internal change that customers, providers and funders undertake in order to participate and benefit from demand-led capacity building.

(b) Is ‘demand-led’ capacity building a misnomer?

We conclude these reflections with a question that has emerged and gained greater salience as the research was underway. The three schemes explored here come under the rubric of demand-led capacity building. This begs the question as to whether this is an appropriate description. Are they really demand-led, and if so in what ways? At various points respondents would use terms more closely associated with markets in their discussions of demand-led capacity building, and particularly the extent to which their schemes mirror market-like processes. The phrases used here were ‘pure’ or ‘open’ markets, implying some acknowledgement that the demand-led programmes in some ways deviated from an imagined or textbook theoretical market, with some implied tension around how far a particular programme should go in mirroring a market model.

In capacity building, a market of sorts has always existed, regardless of the current interest in demand-led capacity building, in the sense that some frontline organisations purchase forms of support from external experts. We might use this as the basis for a ‘thought experiment’, and as a benchmark against which demand-led capacity building in practice can be compared. In this scenario, we might assume that in demand-led capacity building:

- here is no dedicated or prescribed programme funding for capacity building;
- frontline organisations seeking support may come to judge, through internal discussion, comparison with others, or prevailing debates on good organisational practice, that they need support;
- they decide to earmark or otherwise gain resources for support, and then seek a supplier to provide it, for whatever they judge they wish to spend the resources on;
- there are no specific diagnostic processes apart from those which might be freely available or purchased as organisational health checks, and those which arise in the encounters between organisations seeking support and organisations offering support;
- other than independent processes devised by providers or others, there are no specific authorised approval or quality assessment processes for providers. This is for organisations seeking support to consider when they seek providers, in terms of risk and due diligence;
- the nature of the work, the levels of expertise required, the outcomes expected, the time, resource and prices involved, and any feedback offered at the end are all up for negotiation between the frontline organisation and the supplier.

This looks like a market for the operation of capacity building independent of interference by funders or other policy makers, with no dedicated pump priming public funding for capacity building. It may for a variety of reasons be the subject of market failure, which may call for public intervention, but for the moment, without endorsing it as a preferred model, it may stand as a theoretical scenario against which actual practice can be compared.

In practice, from the schemes reviewed here, we see a range of variations from this 'pure' model:

- earmarked programme resources are made available from independent and public funders, in the form of vouchers rather than direct cash;
- these resources are to be set against more or less prescribed menus of support packages, for certain support topics rather than others, such that the nature of support accessible is shaped, rather than wholly determined by frontline organisations;
- the support needs and priorities of infrastructure and frontline organisations, as would-be customers, are assessed through a more or less independent diagnostic process, such that external input is involved in shaping needs and priorities, related to the underlying purposes of the programme. Resulting work-plans may be subject to an approval process;
- would-be customers can choose to purchase and receive support to address these identified needs and priorities from amongst a range of providers, but this choice is restricted to a list of providers who have previously been through a quality approval process;
- discussions between voucher-holding customers and approved providers about the nature, timescales and price of support – what a voucher will buy – are set within more or less fixed parameters including maximum values of vouchers or time input, price boundaries, and expected time scale for completion of the work. This applies even if other funding sources have been accessed to contribute to the work;

- customers are required to provide more or less public feedback, sometimes in a particular form such as a rating, about the support they have received.

These deviations can all be legitimately justified. For example, a provider approval process may mitigate the risks that less informed customers would be prey to mis-selling by illegitimate providers. We highlight the differences not because a greater market orientation is preferred, but because the schemes use the language of demand-led capacity building, and are all involved in discussing dilemmas around the extent and reach of market-like processes. For example:

- in the Worcestershire Changing Futures Fund, frontline organisations are guided through an independent but now mandatory diagnostic process to identify and prioritise support needs, but this is set against a pre-set, albeit flexible and loosely bounded set of work packages. The choice of provider is down to the frontline organisation, from an approved list, although many seem to favour more well-known providers. The vouchers have upper limits and can purchase support according to fixed prices. Providers produce a work-plan from their initial discussions with frontline organisations, but this requires County Council approval before the work can proceed. Frontline organisations are required to give feedback once the work has been completed, but this is only seen by the County Council and does not directly go back to the provider. In this model it looks very much as though the County Council is the ultimate customer, coordinating the process overall.
- the Sheffield Fuse Support Fund appears to be rather less prescriptive in terms of what a voucher may purchase. There was no formal diagnostic process. Frontline organisations could browse an online menu of support services but then approach a restricted range of previously approved providers from amongst the TLI partnership. The voucher had an upper limit (which varied according to the size of the frontline organisation), would be used to buy services priced at a fixed hourly rate, and there was an expected financial contribution to the total cost of the agreed package of support to be made by the customer. Negotiations about what the work would involve, how long it would take, and how much external support would be provided, were down to the frontline organisations and the providers. The funder played less of a role in shaping the parameters of the voucher fund.
- the BIG Assist programme involves a specific target group of beneficiary organisations, who are eligible to access support, through a voucher, for a limited and prescribed, but loosely defined, list of support topics. Would-be customers have to go through a two-stage diagnostic process undertaken by the programme, which shapes the priorities for support. These are considered and ultimately approved by the Big Lottery Fund. Vouchers have an upper limit. Voucher-holding customers browse online through a list of appropriate providers which have been pre-approved, and then filtered for the customer in terms of the support area prioritised through the diagnostic process. Although there is a wide range of potential providers, customers seem quite frequently to approach providers with whom they are familiar. The programme is not involved in discussions between customers and providers around the precise nature of the work to be carried out, the price and time input or the timescale. Nonetheless, the project 'proposal'

including value and start/finish dates are recorded as part of the online process. There are some expected parameters on how long it should take to complete the work. Customers are required to provide feedback in a particular form which is made public. The Big Lottery Fund, as the funder, plays a role in shaping the operation of the scheme, although much of this is done through NCVO as its delivery agent.

Although these three schemes are clearly a departure from existing models of infrastructure support, we come to question whether 'demand-led capacity building' is an appropriate label, or whether it is a misnomer. In particular, we note the sometimes opaque role of funders and to a lesser extent programme operators in the capacity building process. The apparent shift away from supply-side capacity building interventions and towards demand-led capacity building rather implies that there are only two important sides to the capacity building relationship: the demand side of frontline organisations as support recipients and customers, and the supply side of support providers. In this perspective the shift is a reconfiguration of the relationship between frontline organisations and providers, involving more explicit competition between providers, and a changing power relationship with frontline organisations. In reality, however, funders (and programme operators) form a third dimension of relationships in a capacity building triangle, as also emphasised in Cornforth, et al's., (2008: 26-27) evaluation of the Charities Aid Foundation grant programme. Funders often seem to be written out of the picture, but their role is important and, as we have seen, provides some limits in the extent to which these models can justifiably be called 'demand-led'.

'Demand-led capacity building' tends to be associated with the development of more of a market orientation in the provision of support to voluntary organisations and community groups. Markets do not tend to arise spontaneously or independently; rather they are made through the active participation of different participants, shaping and constructing the architecture and practices involved. From the research undertaken here, demand-led capacity building, and therefore the 'market' for support services, involves in practice (and therefore arguably needs) more support, shaping and intervention than its advocates may have anticipated. This is partly because many would-be customers and providers do not appear to be ready or willing, or do not yet have the capacity to act as market participants. The language of markets, and choice and control, appears to have moved further ahead than the practice of the sector. For the large part the sector seems to remain not quite yet marketised, although efforts to make markets involving the third sector continue apace.

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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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Theory and Policy

It is essential that the Centre's research is informed by a strong theoretical and conceptual analysis of the sector and the policy environment within which it is situated. Theoretical analysis of the sector is not well developed in the UK, in part because of the applied focus of much existing research. TSRC will contribute to ensuring that difficult theoretical issues are articulated and explored. Critical understanding of the policy environment is also essential, for it determines much of what happens within the sector. TSRC is co-funded by the Office for Civil Society which is responsible for developing and delivering policy in England. The Centre's research will help inform this policy development, but will also make that policy process itself the subject of critical review. We need to know 'what works', but we also need to understand who decides 'what matters'.

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