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## **Building Capabilities in the Voluntary Sector: What the evidence tells us**

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## Foreword

The Big Lottery Fund in England commissioned this study to establish a more evidence based approach to supporting the voluntary sector's development. It is a helpful and timely contribution to our thinking as we consider how to help build the knowledge, skills and confidence of VCS organisations.

This study's findings raise tough questions about how best to intervene: noting that there are no singular intervention types or funding models that are yet proven 'to work'. The stand out point of learning is the need for a *tailored* approach, recognising the unique characteristics and state of each organisation and the differing requirements for each stage of development. Furthermore, a holistic and comprehensive approach is needed for successful transition which is planned and derived from effective diagnosis.

We also hear how organisations need a sufficient level of capacity to engage in capability building. This is an important interdependency between capacity (how much you can do) and capability (how well you can do it) for funders to reflect on, to ensure that groups short on capacity are not locked out of capability building. The study also calls voluntary organisations to develop a culture of prioritising capabilities - sustained beyond the stimulus of grants.

With our scale and reach funders can play a role in achieving a more systematic understanding of and response to the dynamics within capability building. The findings underline the importance of 'test and learn' initiatives and, reveal how the 'diagnostic moment' in particular can be used to extend our intelligence.

We will use the study's findings as we develop our funding and it will inform our new Strategic Framework. We very are grateful for the input made to the study by fellow funders, commissioners, researchers and providers of support and welcome future opportunities to jointly shape work in this arena. And finally, we eagerly anticipate learning much more from those we help to access tailored support and to continue developing and refining our approach.



**Dawn Austwick, Chief Executive, Big Lottery Fund**

## Abstract

The previous decade saw major injections of capacity building funding from both government and the Big Lottery Fund aimed at building the strength and sustainability of voluntary sector infrastructure. Since the start of the current decade the Big Lottery Fund has turned the focus of its voluntary sector development attention to front line voluntary organisations (FLOs) themselves. It's Building Capabilities for Impact and Legacy (Building Capabilities) initiative has been exploring how they can best be encouraged and empowered to build their skills, knowledge and confidence (capabilities) as they seek to achieve outcomes for their beneficiaries more effectively and sustainably into the future.

In order to inform the future development of this approach, the Big Lottery Fund commissioned a formative scoping study to review existing evidence to address what works in building FLOs' and partnerships' capabilities and what the requirements are for a marketised approach for capability-building. Overall the research finds that the evidence is strong in terms of highlighting the complexity of capability building; and the importance to organisations' effective development of diagnosis, tailoring interventions, of supplier expertise and, of the need for pre-requisite capacity and readiness among the organisations seeking support. There is a lack of evidence to inform consideration of: forms of diagnosis; the significance of choice and control; market mechanisms such as charging models; the effect of a marketised approach on sector voice and influence; and the impact of capability building on FLOs and end users. However the study points to opportunities for understanding more about key factors that will be instrumental in understanding 'what works' – in particular by making use of the diagnostic process.

### Keywords

Voluntary sector; Building Capabilities; Big Lottery Fund; Capacity building; Infrastructure; Markets.

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## Executive summary

### Introduction

The previous decade saw major injections of capacity building funding from both government and the Big Lottery Fund aimed at building the strength and sustainability of voluntary sector infrastructure.

Since the start of the current decade the Big Lottery Fund has turned the focus of its voluntary sector development attention to front line voluntary organisations (FLOs) themselves. Its Building Capabilities for Impact and Legacy (Building Capabilities) initiative has been exploring how FLOs can best be encouraged and empowered to build their skills, knowledge and confidence (capabilities) as they seek to achieve outcomes for their beneficiaries more effectively and sustainably.

The initiative coincides with a period in which both FLOs and many organisations supporting the sector are experiencing the unsettlement of an increasingly resource-constrained and demanding landscape and of working out how to respond. Through the initial Building Capabilities consultation, its Supporting Change and Impact programme and now this evidence review, the Big Lottery Fund has also sought to understand what would be required of support providing organisations – and what their ability to respond would be - if FLOs themselves held the funding and determined what support they wanted to equip themselves with for the future.

In order to inform the development of its Building Capabilities approach, The Big Lottery Fund commissioned this formative scoping study to draw together what is known about building voluntary organisations' and partnerships' capabilities effectively. It sought to bring an incisive approach to the analysis, tasking the study to test a number of hypotheses about 'what works' and about the viability of a demand-led approach to resourcing development that had arisen from the initial consultation.

The study has been conducted by a team led by the Third Sector Research Centre (TSRC) at the University of Birmingham, in partnership with the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University.

The aim of the study was to review existing evidence to explore:

- A. **What works in building FLOs' and partnerships' capabilities** to deliver outcomes (verifiably) to end-users more effectively and sustainably?
- B. **What are the requirements for, and potential of, a marketised approach for capability-building**, including an understanding of the shape of the emerging market, and potential gaps in provision including those for smaller, rural and other specialist groups?

### C. What lessons can be distilled for the Big Lottery Fund, other funders, policy makers and market participants, from these new understandings?

The research involved the following three key elements:

Evidence review	Market review	Learning review
<ul style="list-style-type: none"><li>• A rapid evidence assessment of published and grey literature, including over 200 documents.</li></ul>	<ul style="list-style-type: none"><li>• Secondary analysis of the 2010 National Survey of Charities and Social Enterprises and primary analysis of an online survey of 188 support providers.</li></ul>	<ul style="list-style-type: none"><li>• A series of participatory workshops consisting of funders, providers and researchers.</li></ul>

This executive summary reviews the key findings. It also describes the study's response to nine hypotheses, which the Big Lottery Fund asked us to test when looking at the study's core questions.

### Question A: What works in building FLOs' and partnerships' capabilities?

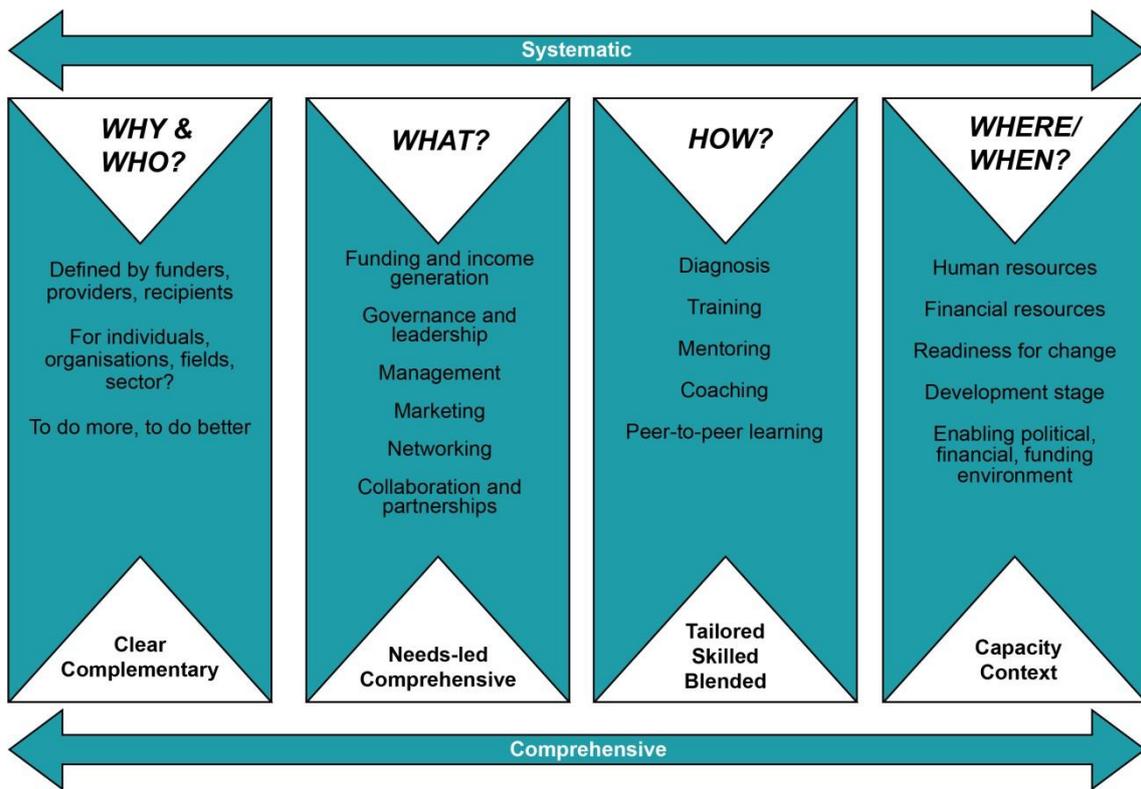
#### **Piecing together an understanding of 'what works'**

The Big Lottery Fund specifically wanted to identify what the evidence has to say in relation to the development of individual organisations' skills, knowledge and confidence – or *capabilities*. Although the Big Lottery Fund has described 'capability' as how well an organisation can do something - in contrast to 'capacity' as how much it can do - the literature itself makes little distinction between activities to build capability and capacity, making it difficult (but not impossible) to tease out specific lessons. It also means that in reporting on our findings, we have had to refer to what the evidence says about 'capacity building' as a catch-all term.

**Evidence suggests that there are several key ingredients for effective capacity building interventions.** The exact ingredients, however, will vary according to the context, composition and purpose of the organisation or partnership to be supported. As summarised in figure ES1, elements central to success of any capacity building include:

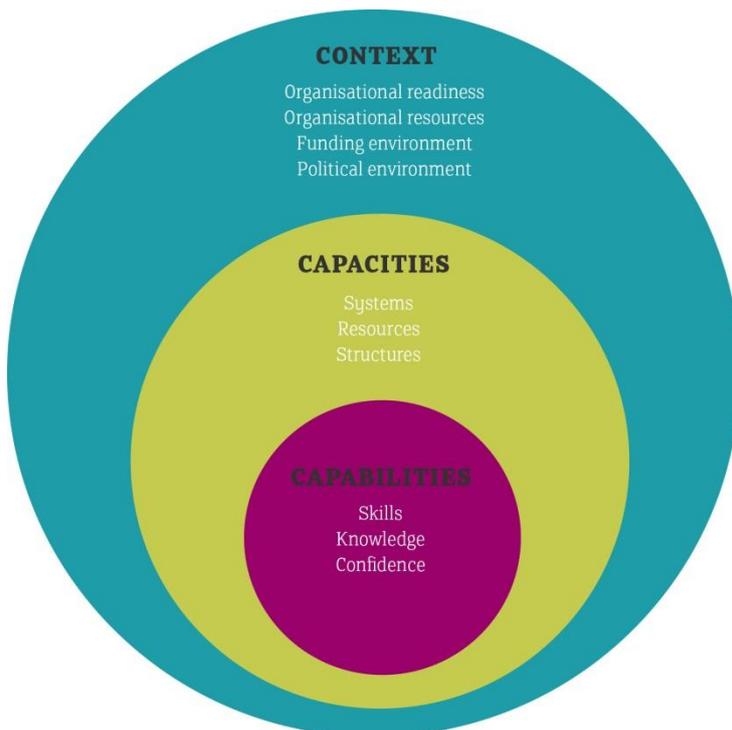
- Adopting a comprehensive and systematic approach...
- which has a clear purpose agreed by stakeholders (WHY & WHO)...
- is tailored to the organisation's specific needs (WHO)...
- following a thorough diagnostic process (WHAT)...
- delivered through highly capable and trusted providers (HOW)...
- and includes a range of different mechanisms which together involve the whole organisation (HOW, WHERE, WHEN).

**Figure ES1: Effective capacity building**



Also as suggested in figure ES2 below, the literature makes it clear that unless organisations are already rich in terms of **capacity to give attention to their development**, building capabilities alone is unlikely to lead to effective, sustainable outcomes.

**Figure ES2: Capability, capacity and context**



Further, the wider **context** an organisation operates in and its **readiness** to participate is also important. Context and readiness **must be understood as part of the diagnostic process** in order for capability or capacity building to be successful.

Beyond this, the evidence base about capacity building tells us mostly about how satisfied FLOs are with the support they received. It tells us less about long term outcomes of any form of capacity building support. So, although the study has provided an important analysis of the key ingredients needed to move the development of organisations' capabilities forward, the evidence does not add up to a **clear or consistent answer to the exact question of 'what works in building FLOs' or partnerships' capabilities to deliver outcomes to end-users more effectively and sustainably'**. The evidence points instead to the work that needs to be done first to understand more about the complex factors in organisations that affect the effectiveness of capability building. The next steps identified by this report should enable the development of a theory of change to support further enquiry which, through further 'test and learn' work, can lead to greater insight into how the ultimate benefit of organisational development for front line organisation's beneficiaries can be more confidently assured.

### **Testing individual hypotheses about 'what works'**

Within the main question of 'what works', the Big Lottery Fund asked us to test a number of hypotheses arising from early consultation about work works in capability building and the approach it should take. Further detail about what we learned from the evidence in relation to these hypotheses is set out below.

#### *Distilling key elements of effective capability building*

The first hypothesis we tested was the notion that **there are factors which are critical to sustainably embedding knowledge, skills and confidence in front line organisations and VCS partnerships (which lead to benefits for end-users)**.

We found:

- There are factors that underpin successful capacity building, which include:
  - adopting a systematic and comprehensive approach in which all stakeholders involved in the capacity building initiative are agreed on the outcome(s) intended by the support
  - tailoring and blending interventions (internal learning, peer support, external expertise), on the basis of a thorough diagnostic process
  - delivering through capable and trusted providers (which may include peers), to whole organisations
  - keeping an eye on sustaining the learning gained, through for example, cascade systems.
- However, success in delivering capability building is also highly dependent on the motivation within and the context surrounding each organisation to which it is applied, and the extent to which they can give it 'head space' (i.e. capacity).

- No studies were found which have examined whether organisational development can be proven to lead to enhanced benefits for FLOs' end-users.

#### *Diagnosis improves support*

The second hypothesis we tested against the evidence was that 'Diagnosis leads to better quality support (whether for front line organisations or VCS partnerships) compared to support sought without an initial diagnostic process'.

We found:

- There is widespread consensus on the value of diagnosis, and many diagnostic tools exist, often geared towards small, new and developing organisations.
- The current evidence is not strong enough for us, however, to state categorically whether diagnosis leads to better quality support compared to support sought without an initial diagnostic process.
- But there is a growing body of evidence which does suggest it is a vital part of the complex system of capacity building processes, and that *how diagnosis* is done makes a considerable difference to its impact.
- The skill of diagnostic providers is key; as is the integration of the diagnostic result into the process of choosing and reviewing the support provided.
- The diagnostic 'moment' also provides an opportunity to look back at an organisation's previous development of strengths over time, to reflect on how best to develop and sustain new capabilities in the organisation.

### **Question B: What are the requirements for, and potential of, a marketised approach for capability-building?**

#### **Summing up the state of the market**

With regards to the supply side of the market, non-profit, local providers account for a vast majority of the support provided to FLOs. Although reportedly on the decline, grants and contracts from statutory sources remain the largest source of revenue for non-profit support provision, whereas charging for services is the main revenue source of for-profit providers.

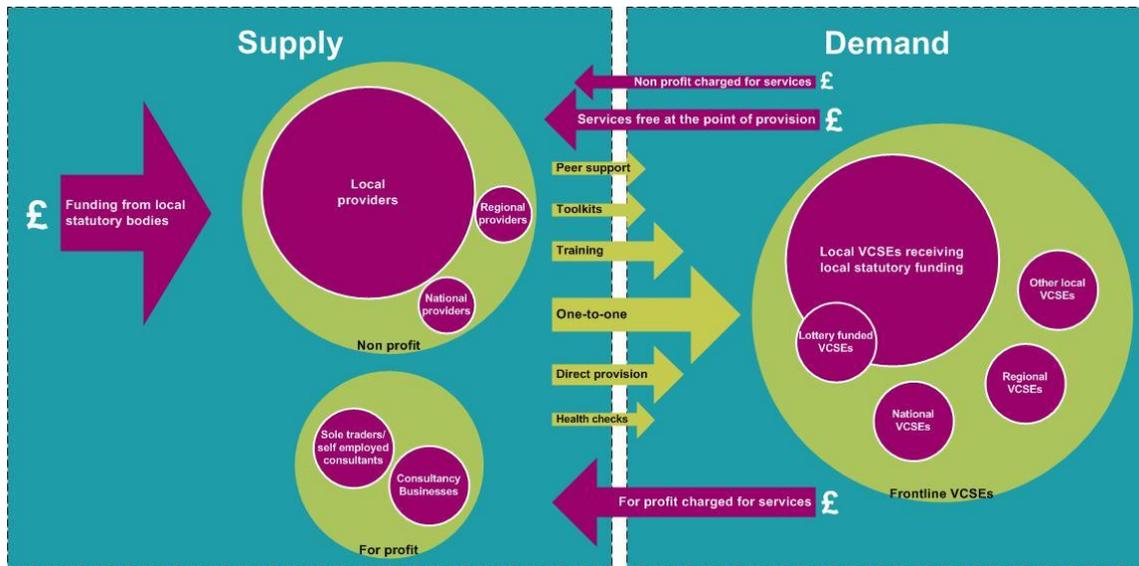
In general, it seems that the field of capacity building support is moving gradually in a market-based direction. In this mixed economy, traditional resourcing and modes of delivery will work alongside the gradual experimental emergence of a managed market for support services.

Turning to the demand side, FLOs for whom the local statutory sector is a key funder appear more likely to access support than those not reliant on statutory

funding. Similarly recipients of funding from Lottery distributors are particularly high users of support.

Figure 3 provides a provisional estimate of the ‘market map’, which sums up the current state of the field:

**Figure ES3: A market map of support services**



### **Testing individual hypotheses about the market**

We tested the evidence against six further hypotheses to explore in more detail how the capability building support market already does, could and would need to operate to be effective and, to check what risks might be associated with it.

#### *Needs and targeting*

The third of the set of nine hypotheses was that ‘there are segments of the voluntary and community sector and types of communities (whether geographic or of interest) which are most in need of capability-building support’.

We found:

- Evidence suggests that there are segments of the voluntary and community sector which have *particular* needs and which require particular models of capacity building support and which are currently being poorly served by existing provision (i.e. small groups, which include many single identity groups, rural groups and volunteer-led groups; groups in transition; groups in distress or crisis; partnerships).
- Some groups are so small they do not recognise themselves as ‘organisations’ and so don’t identify with the idea of ‘organisational development’.

- There is a need to tailor capacity building support to suit the organisation's needs and contexts.
- The evidence is not clear, however, on whether some segments of the voluntary and community sector are *most* in need of support, but a more sophisticated mapping of particular needs of organisations in deprived and rural communities would be a good place to start prioritisation.

#### *Choice in a market*

The fourth hypothesis was that 'frontline organisations and partnerships make informed choices about the types of support they may need, and, about the sources of support available'.

We found:

- All choices are to some greater or lesser extent informed, so the question is whether FLOs and partnerships make *sufficiently* well-informed choices about the support that they need or sources of support they might access.
- Although it is difficult to test this as much of the discussion in the evidence is value-laden and contested, the evidence does suggest that FLOs tend to prefer more intensive and closer support relationships and appear to select familiar providers and use word of mouth, rather than shopping around amongst a range of providers.
- FLOs are predominantly concerned about whether their providers are trustworthy and will understand them and less concerned than their external stakeholders about whether support providers carry a quality standard.
- The evidence also suggests that awareness of the range of support sources available is poor – both among FLOs and support providers themselves.
- More information about the choices available should use everyday language, which uninitiated organisations can understand and identify with.

#### *Choosing leads to better outcomes*

The fifth hypothesis was that 'giving FLOs and partnerships choice and control over the services that they receive leads to better skilled and more confident front line organisations, with enhanced outcomes for beneficiaries'.

We found:

- Choice and control are felt to be important but the terms are ill-defined and there is very little evidence which can precisely shed light on their role in improving outcomes, independently of the content and quality of support.

- There is no evidence to confirm or refute this hypothesis, with little structured comparative evidence of support interventions involving more or less choice and control.
- Any ability to exercise choice and control is compromised at present since awareness of support is poor, and provision is perceived as fragmented and inequitably accessible.
- There is also a conceptual issue to be addressed regarding the extent to which FLOs have true choice and control when funders are involved in shaping and incentivising the support offer available to them. In this context, the support, however marketised, may not be best described as 'demand-led'. It may be better to focus the language and conceptual development of capability building on the importance of *tailored* support.

#### *Market failure*

The sixth hypothesis that the study explored was that 'there are some critical support services for VCS groups which cannot be provided through the market'.

We found:

- There is very little literature and research evidence which addresses questions of market capacity and failure.
- Most of the discussion is about equity in relation to a market approach, identifying specific types of groups which may not be in a position to purchase support services, or do not typically pay for support now, rather than types of support service which may be under-supplied.
- Currently, statutory funding accounts for half of the income of the capacity building support market. Funding from national lottery distributors, including the Big Lottery Fund, accounted for around 10% of the total income of the supply side of the market in 2013-14.
- Smaller groups, especially those in rural and more deprived areas, are less likely to have the ability to access the market or afford support. Whilst their purchasing power is small, they are a significant part of the sector in terms of numbers.
- Collective activities such as voice and representation work are unlikely to be sustainable as unsubsidised offers to the market.
- The market's greatest challenge to its ability to deliver support services of any kind may be a prevailing cultural focus within the VCS on day to day frontline delivery to the neglect of investment in organisational development.

### *In defence of integrated infrastructure*

The seventh hypothesis was that ‘support to FLOs is more advantageous to them when delivered by supply-side organisations which combine support service provision and representation of the VCS in their work’.

We found:

- There is insufficient evidence to suggest that direct support is more advantageous for FLOs when combined with a broader representative role, or to suggest that it is more advantageous when direct support is provided without it.
- There are reasons to think that the voice function is valued, and that it may be better for FLOs to access support when it is combined with voice. Support services may be better informed by voice, and voice may be better informed by knowledge of the needs and priorities of FLOs.
- This is contingent, however, on the capacity, local and specialist knowledge, position and legitimacy of the particular support provider.

### *Market capacity*

The eighth hypothesis was that ‘the market is able to respond to the demand that will arise as grant holders are supplied with in-grant funding to seek capability-building support (whether this funding is applied on a targeted or universal basis) and as the Big Lottery Fund develops pre-grant area-based capability-building initiatives’.

We found:

- The market overall and the nature of demand is far too complex and dynamic to provide a confident view of market capacity, and there is a lack of up to date comprehensive intelligence.
- In 2010, 2% of charity and social enterprise respondents to the National Survey of Charities and Social Enterprises (or 3,700 organisations) were providing support as their main function. Many other VCSE organisations provide support as an element of their wider work, and this includes peer support. In addition to this, our own survey has shed light on the market contribution of consultants and other private sector support services.
- Big Lottery and Local Authority funded frontline organisations are already comparatively heavy users of the support market.
- Changes in the market mean that some aspects of supply may be in decline, or may reformulate. There are some persuasive suggestions (though not as yet evidenced findings) that more support in the future will be provided through individual traders or groups of associates, rather than through dedicated organisations coupled with other functions (such as voice).

- Support in relation to income generation and partnership working are thought to be the areas of need likely to increase the most over the next few years.
- Where voucher schemes have been created, providers have come forward in healthy numbers.
- There are also good reasons to think that demand for support may be unlimited: with an asset-based approach to building organisational strengths, building capabilities may be self-perpetuating; demand may increase to meet increasing supply; and, in a world in which many FLOs are experiencing increasing competition, demand may be related to a positional process of business improvement not to address a gap or resolve a problem in a FLO, but to improve its position in relation to others.

## Question C: What are the lessons for funders, policy-makers & researchers?

### Achieving funder outcomes

The ninth hypothesis was that ‘funding capability-building helps funders to achieve their mission by drawing in better quality applications and empowering hard to reach communities’.

We found:

- Evidence on the impacts of capability- or capacity-building on funders is currently limited. An underlying issue is that funders in the UK have not always developed clear theories of change for support initiatives, making evaluation harder.
- There is some evidence to suggest, however, that funding capability-building helps funders to achieve their mission by developing the organisational skills that underpin good strategic and service planning, which in turn should draw in better quality applications.

### Potential funder responses

Three clear areas in the development of the policy and practice of capability / capacity building emerge for consideration by stakeholders:

- Capability, capacity and context are inter-related. It may prove fruitless to build capabilities without also paying attention to front line organisations’ wider capacities and context.
- Adopting a comprehensive and systematic approach, tailored to the individual organisation following a thorough diagnosis process and

delivered through highly capable providers is likely to be the most successful.

- Evidence points towards proceeding with caution in the direction of a marketised approach, watching and learning from the consequences of every step. Markets have limitations, and they do not just happen, they are created and structured. Diagnosis is particularly important in a market context, as are provider approval and accreditation processes.

### **Developing a learning system**

The difficulties of measuring the outcomes of capability building are well rehearsed. There are steps that can be put in place, however, to work towards a learning system that would both capture learning and measure the outcomes of capability building.

There **is a need to start with an understanding of existing capabilities in FLOs and to explore how these have developed**. From this starting point, we suggest learning efforts should move forwards in five ways:

- The focus should be on understanding the nature and development of capabilities through closer observation of the **day-to-day experiences and evolution of FLOs** generally, rather than a narrow and instrumental concern with finding the impact made by specific capability building interventions.
- The opportunity provided by **the 'diagnostic moment'** should be used to learn more about the nature of existing and developing capabilities in FLOs.
- More attention needs to be given to understanding **the processes involved in making the relationship and transactions between diagnoser, user and provider of capability support effective**, including the value of 'choice' and 'control' in practice .
- The opportunities provided by funders **interactions and lines of communication with grant holders**, such as application and feedback processes, should be used **to collect more systematic research data about 'what works'**.
- Funders should make greater use of **experimental learning and systematic comparison** within and between programmes; so far research has been largely siloed and focussed on a particular package of support. There is a need to approach the development of evidence about 'what works' differently, starting with learning more about the evolution and embedding of organisations' existing strengths, exploring diagnosis and user/provider relationships - by looking across a range of expert inputs.

### **Summing up the evidence**

The Building Capabilities scoping study has been a challenging but important opportunity to take stock, in mid-2014, of the evidence base around capability

building, support mechanisms, and the transformations underway in the field of capacity building and infrastructure. In terms of the 'state of the evidence', overall we found:

- The **evidence is strong** in terms of highlighting the complexity of capability building; and, the importance of tailoring interventions, of expertise and of pre-requisite capacity and readiness in achieving effective development.
- The **evidence is inconclusive, but provides useful indications** in the areas of: blending methods, working with small groups, the importance of word of mouth, frustrations in accessing the market, and growing demand.
- There is a **lack of evidence** about particular forms of diagnosis; choice and control; charging models; voice and influence; and the impact of capacity building on FLOs and end users. However the study points to opportunities for understanding more about key factors that will be instrumental in understanding 'what works' – in particular by making use of the diagnostic process.

# 1. Introduction

## **1.1 The Big Lottery Fund's Building Capabilities agenda**

The Big Lottery Fund's Building Capabilities for Impact and Legacy initiative (hereafter Building Capabilities) signals a significant and innovative step-change in how the approach to organisational development for front line voluntary organisations (FLOs) is stimulated and organised. It seeks a more informed basis on which to invest in the support of third sector organisations which offers greater understanding and confidence about the benefits of this support for FLOs' beneficiaries. In so doing it has explored a move away from a purely 'supply-side' focus which is thought to privilege the wider preoccupations of existing voluntary sector infrastructure organisations, towards a 'demand-led' emphasis which brings the individual support needs of FLOs to the fore. The underlying principle is that in a rapidly changing operational landscape, providing greater choice and control for FLOs over access to support will lead to more effective interventions to develop their knowledge, skills and confidence and, ultimately, to improved outcomes for beneficiaries. Building Capabilities is part of the gradual experimental emergence of a managed market for support services to build the capabilities of front line organisations.

Building Capabilities also signals a shift away from a generalised concern about capacity to exploring its elements more specifically, starting with building organisational capabilities. After years of grappling with the concept of capacity building and the most effective ways of pursuing it, in 2010 the Big Lottery Fund received a report (IVAR, 2010) which suggested that a capabilities framework, inspired by the political philosopher Amartya Sen (1999) may be a preferable way of framing the discussion: *"it has a more positive bearing than the prevailing idea of what capacity building means. Thinking about what organisations can do or be, what they want to achieve, and what they need in order to flourish draws attention to the organisation's potential rather than what it lacks in terms of skills or resources"* (IVAR, 2010: 94). The authors go on to argue that capability *"implies a qualitative and contextual understanding of the creativity and resourcefulness involved in assembling and combining different kinds of skills and putting them to use in productive ways"* (IVAR, 2010: 94). On a more basic level, capabilities can be thought of as the skills, knowledge and confidence of individuals within organisation, whereas capacity includes these capabilities, but also other organisational resources, systems and structures. Put simply, 'capacity' implies how much you can do, whereas 'capability' denotes how well you can do it.

Building Capabilities subsequently emerged in late 2011 with the launch of a discussion paper and consultation (Big Lottery Fund, 2011b), followed by a response in October 2012 (Big Lottery Fund, 2012). The thinking behind the approach has been in development for some time and continues to evolve. It forms part of the Big Lottery Fund's internal deliberations on its priorities as an intelligent funder, offering the potential to deploy resources in a more targeted fashion across existing and developing programmes, to strengthen the support available to FLOs and improve beneficiary outcomes.

In early 2013 Building Capabilities comprised three dimensions. Firstly, it involved testing new approaches in demand-led support for building capabilities through, for example, the Supporting Change and Impact programme (Rocket Science, 2014) and BIG Assist (OPM, 2013). Secondly it involved exploring how capability building could be embedded across the Fund's programmes. And thirdly it included an evaluation strand.

In order to inform the future development of the initiative, and its evaluation, the Fund commissioned a formative scoping study from a team led by the Third Sector Research Centre (TSRC) at the University of Birmingham, in partnership with the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University. The study ran from December 2013 through to June 2014. An interim report was submitted to the Big Lottery Fund in February 2014. This report is the final report from the study.

## **1.2 Study questions**

This formative scoping study focused on one **key research question**, as defined by the Big Lottery Fund:

What works in building front line voluntary sector organisations' and partnerships' capabilities to deliver outcomes (verifiably) to end-users more effectively and sustainably?

The Big Lottery Fund also hoped that the study would focus on a number of other issues, which were broadly summarised within **two supplementary questions**:

What are the requirements for, and potential of, a marketised approach for capability-building, including an understanding of the shape of the emerging market, and potential gaps in provision including those for smaller, rural and other specialist groups?

What lessons can be distilled for the Big Lottery Fund, other funders, policy makers and market participants, from these new understandings?

Underneath these three questions, the study also involved considering - exploring, testing, challenging and informing - **nine hypotheses** which had emerged from the earlier Building Capabilities consultation. It was important to explore these in order to look for evidence to test key assumptions in capacity- and capability building. We summarise these study questions and hypotheses below:

What works in building front line voluntary sector organisations' and partnerships' capabilities to deliver outcomes (verifiably) to end-users more effectively and sustainably?

- There are factors which are critical to sustainably embedding skills and confidence in FLOs and VCS partnerships, which lead to benefits for end-users.
- Diagnosis leads to better quality support (whether for FLOs or VCS partnerships) compared to support sought without an initial diagnostic process.

What are the requirements for, and potential of, a marketised approach for capability-building, including an understanding of the shape of the emerging market, and potential gaps in provision including those for smaller, rural and other specialist groups?

- There are segments of the VCS and types of communities (whether geographic or of interest) which are most in need of capability-building support.
- FLOs and VCS partnerships make informed choices about the types of support they may need, and, about the sources of support available.
- Giving FLOs and partnerships choice and control over the services that they receive leads to better skilled and more confident FLOs, with enhanced outcomes for beneficiaries
- There are some critical support services for VCS groups (or certain parts of the VCS) which cannot be provided through the market.
- Support to FLOs is more advantageous to them when delivered by supply-side organisations which combine support service provision and representation of the VCS in their work.
- The market is able to respond to the demand that will arise as grant holders are supplied with in-grant funding to seek capability-building support (whether this funding is applied on a targeted or universal basis) and as the Fund develops pre-grant area-based capability-building initiatives

What lessons can be distilled for the Big Lottery Fund, other funders, policy makers and market participants, from these new understandings?

- Funding capability-building helps funders to achieve their mission by drawing in better quality applications and empowering hard to reach communities.
- (Plus learning from all the above hypotheses)

### **1.3 Study approach**

In order to address the questions and to review the hypotheses, the study was organised in three strands.

#### **1.3.1 Evidence review**

The core element of the study was a 'rapid evidence assessment' (REA) to examine the over-arching research questions and within this to explore, test, and challenge the nine supplementary hypotheses. This involved a review of academic, grey and practitioner literature, including, English-language evidence from overseas and from allied fields.

The REA had four interlinked elements:

- **Design and conceptual clarification:** Before starting the search for evidence, the study began with a period of design and conceptual clarification. The underlying theory behind the study's core question was unpacked through the development of a three-stage conceptual framework, as presented in Figure 1 below, looking at the 'why, who for, what and how' of capability building. Each of the study hypotheses was also unpacked and theories of change identified for each. These were used to inform the search strategy for the study.

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*The underlying theory behind the study's core question was unpacked through the development of a three-stage conceptual framework.*

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- **Evidence search and gathering:** Based on the conceptual framework, we searched for evidence under three different areas - what works in building capabilities for: front line voluntary and community sector organisations; for partnerships involving voluntary sector organisations; and for related interventions in the private sector. Our searches were based on a number of sources: academic databases; TSRC's Knowledge Portal; websites of and conversations with third sector stakeholders, organisations, networks and research bodies. It included searching for English-language evidence listed in such databases from the UK, Europe, America, Canada and Australia. Further details of our search strategy, including search terms, can be found in Appendix 1.
- **Evidence assessment and extraction:** An assessment strategy was developed in order to determine which bits of evidence should be included in the review. Initial searches yielded thousands of potential sources of evidence; much of which proved irrelevant. Over 200 documents were assessed as being relevant to the study and worthy of review. An extraction pro-forma was developed to guide the review process; this was replicated within an excel data management worksheet, where all records of evidence reviewed were stored ready for analysis. The extraction pro-forma included the following: extraction details (who and when); study details (full reference details, geographical focus and methodology); assessment details (findings relevant to study questions and hypotheses); quality assessment.

- **Analysis, synthesis and validation:** The extracted evidence was subject to thematic analysis, and synthesis. The analysis process included triangulating the findings of the evidence review with those from the market and learning reviews (see 1.3.2 and 1.3.3). The emerging findings were validated through a workshop with key stakeholders (1.3.3).

### 1.3.2 Market review

A preliminary examination of the demand for and supply of building capabilities support activities was undertaken through two research elements:

- **Secondary analysis:** Data from relevant questions in the 2010 National Survey of Charities and Social Enterprises (NSCSE) was analysed in order to explore provision and take up of support services;
- **Online survey:** A new online survey of support providers was conducted. The survey included a range of specific questions about support provision, including: key characteristics of providers (e.g. sector, size, organisational form), the nature and scale of support provided, and the perceived current and future demand for support. Overall, 212 responses to the survey were received. Of these 24 said they did not provide direct support to FLOs, giving a final base for the survey of 188.

### 1.3.3 Learning review

A series of participatory workshops and conversations was held with four different sets of stakeholders:

- **National and local funders** with a track record of engaging in the capability building agenda;
- **Big Lottery Fund staff** from key policy, programme, fund management, and learning/research teams who have engaged in the development of the Building Capabilities agenda and/or relevant previous programmes;
- **Researchers and evaluators** who have studied previous and current capability building activities;
- **Providers** of capability building services, and intermediaries who facilitate such provision (through for example working with networks of consultants).

Each group was the focus of a separate workshop in February 2014 designed to: engage key stakeholders in a discussion about the evidence base for 'what works in building FLOs capabilities'; identify existing evidence; and, explore views of the building capabilities market. Overall, 48 participants attended the four February workshops. In addition, a series of follow-up conversations were held with a number of stakeholders who either could not attend the workshops or who had additional insights to share.

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*The study involved: a Rapid Evidence Assessment; secondary analysis of a national survey of charities; an online survey of support providers; and a series of participatory workshops. Findings from across these were triangulated.*

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A final workshop bringing all stakeholders together was held in June 2014 to discuss the emerging findings from the evidence review, and to consider the implications of these findings. The workshop was organised around three questions: *what?* (what are the emerging findings from the study?); *so what?* (what are the implications of these findings?); *what next?* (what actions need to be taken by different stakeholders to address the points raised in the evidence?). The workshop was attended by 23 people. One outcome of the workshop was a validation of the emerging findings from the REA.

### **1.3.4 Triangulation**

Findings from each of the three research elements were triangulated and synthesised. This report is based the triangulated results from all three study elements.

## **1.4 Report structure**

Following this introduction, the report consists of two main substantive sections discussing the scope, nature and strength of the evidence base for Building Capabilities:

- Chapter 2 addresses each of the **individual hypotheses** in turn.
- Chapter 3 discusses findings against each of the three study questions, including a particular focus on **next steps** and the work needed to develop a learning system for Building Capabilities.
- Chapter 4 concludes the report with a **summary of the key findings** from the study and our recommendations.

**Figure 1: Building capabilities scoping study: conceptual framework**

**Front line organisations, beneficiaries and outcomes ('who for')**

- FLOs and partnerships work to improve communities and the lives of vulnerable individuals – their beneficiaries or end-users. These improvements tend to be called 'outcomes' or impact.
- By FLOs and partnerships we mean those that have a direct relationship with their beneficiaries. This is in contrast to various forms of support organisations (infrastructure) which work with FLOs to support their work. The distinction between FLOs and infrastructure is not clear-cut as many do both. Strictly speaking it is better to refer to front-line and infrastructure *functions*.
- FLOs operate in different ways, places and scales. Many work on their own or in more or less formal collaborative arrangements with others. Some are involved in providing activities and services in partnerships with other organisations in other sectors.

**Capabilities and capacity ('what')**

- FLOs and partnerships have a range of capabilities. These are the skills, knowledge and confidence from which organisations and partnerships draw in order to flourish ('sustainability') and achieve the outcomes involved in their mission ('effectiveness').
- Capabilities include managerial, financial, political, collaborative, personal and technical skills, knowledge and confidence. They are contextual and field-related, derived from a diagnostic process of reflection, rather than being fixed and absolute.
- Skills, knowledge and confidence (capability), together with financial resources, systems and structures, tend to be thought of collectively as 'capacity', and efforts to develop them as 'capacity building.' However 'capacity' implies resources, volume, replicability and scale (how much you can do) and 'capability' denotes how well you can do it. Much of the literature focuses on capacity rather than capability.

**Capability- and capacity building, support and infrastructure ('how')**

- Capabilities are built through learning and support. This occurs through three routes: internally (people sharing and building skills, knowledge and confidence, with no external input); peer to peer (organisations more or less formally sharing and building skills, knowledge and confidence with each other) and external expertise (organisations supported to build skills, knowledge and confidence by external input).
- External expertise can be provided by individuals, organisations or partnerships, working in the voluntary, public or private sector, across singular or multiple areas of expertise, at different geographical scales, in face to face or remote ways, and through one-to-one or one-to-many interventions.
- Capacity/capability building work can also be referred to as 'development work', community development or organisational development. It is often allied to, and one element of, a wider field of collective support functions, including promoting 'voice' and 'networking'.

## 2. Findings: Testing the study hypotheses

In this chapter we assess each of the nine hypotheses in turn primarily in terms of the evidence review, supplemented by findings from the market review and learning review.

Before we move into the findings in more depth we will say a word or two about the scale and scope of the evidence base for Building Capabilities in general. The limits of existing evidence and the challenges of effectively measuring the outcomes of capacity building are well documented; the limitations of the evidence are amplified when we want to focus more specifically on capabilities rather than capacity in general due to the lack of distinction of terms in the literature. The difficulties of researching and particularly measuring the outcomes of capacity building are widely acknowledged (see for example Linnell, 2003; Cornforth et al, 2008; Central London CVS Network, 2010; Bell, 2014). The multi-faceted and drawn out nature of capacity building creates particular challenges for evaluation, as do the intangible nature of its outcomes (Twigg, 2001) and the difficulties in attributing any change within organisations, let alone end users, to capacity building (Ellis and Latif, 2006).

All this means that there is very little concrete evidence of the impact or outcomes of capacity building at organisational level (Cairns et al, 2011; Minzner, 2014), and even less for end-users/beneficiaries. Our review unearthed only one random assignment evaluation, from the US (Minzner, 2014 – see box 14, p.44), and even then it relied on self-reported assessments of change and could not distinguish between the outcomes for different types of capacity building support. Within the UK we found one study with a quasi-experimental design – the ‘Nuts and Bolts’ project undertaken by Halton and St Helens VCA funded by the Big Lottery Fund under its BASIS programme (Halton and St Helens VCA, 2011 – see box 2, p.28).

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*There are lots of evaluations of individual capacity building initiatives, but no meta-evaluations.*

*The evaluations are valuable in their own right, but they are limited in what they can tell us about the outcomes of capacity building.*

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As Bolton and Abdy (2007) suggest, there are lots of evaluations of individual capacity building initiatives, but no meta-evaluations. The evaluations are valuable in their own right, but even when brought together they are limited in what they can tell us about the outcomes of capacity building. Evaluations are more common for funder-driven initiatives (Linnell, 2003), and so they focus on particular types of capacity building. They focus on individual initiatives, making comparisons hard. And they tend to rely on levels of satisfaction and self-reported outcomes, and they often have limited timescales which means they report only or short term outcomes (Shared Intelligence, 2009).

As such, for each of the hypotheses we have thought broadly about the underlying assumptions and questions and, therefore, the range of evidence that could be brought to bear. In many we conclude that the evidence is too

weak to either accept or reject the hypothesis with any degree of confidence. In some, however, we suggest that there are clear hints within the evidence that can point us in the right direction. We have ordered the hypothesis in such a way as to help the flow of a developing narrative that might usefully inform Building Capabilities. In each case we provide a summary of the findings, followed by an in-depth discussion of relevant existing research.

## **2.1 Distilling key elements of effective capability building**

### **Hypothesis 1: Making capability building work in different contexts**

‘There are factors which are critical to sustainably embedding capability-building knowledge, skills and confidence in front line organisations and VCS partnerships, which lead to benefits for end-users’.

We approach this by exploring evidence on the ‘why, who, what, where and when’ of capability building. However, given the limited nature of evidence specifically on capability building, most of our discussion is based on factors relevant to the wider concept of *capacity* building, for which there is more evidence. As such we refer to capacity and capacity building most of the time, and refer to capability building (as per the hypothesis) only when evidence allows. This applies not only to this section but to the remainder of the report.

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*The search for a ‘magic bullet’ to make capacity building likely to work in all circumstances has to date been fruitless. Existing evidence tends not to distinguish which capacity building approaches have led to which outcomes under which circumstances.*

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The search for one model or approach to successful capacity building (Cornforth et al, 2008), or a ‘magic bullet’ to make capacity building likely to work in all circumstances (CEDR/TSRC, 2009) has to date been fruitless. No “*hard and fast’ trends that suggest certain delivery models were better for certain purposes or types of TSO*” have been identified (Shared Intelligence, 2009:3). This has not been helped by the inability of existing evidence to distinguish which capacity building approaches have led to which outcomes under which circumstances (Reid and Gibb, 2004), or whether certain types of organisations are more responsive to capacity

building than others (Minzner, 2014). As Linnell also (2003) notes, existing evaluations do not compare the effectiveness of different capacity building programmes – they are single project focused. There is even less evidence specifically on the development of skills, knowledge and confidence - the

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*Existing evidence provides useful insights into a range of different factors which affect the success of capacity building interventions.*

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capabilities part of capacity building. The evidence that does exist, however, provides useful insights into a range of different factors which affect the success of capacity building interventions. In turn, these provide suggestions as to some of the factors which are likely to be important to sustainably embedding capabilities in front line organisations and partnerships.

Bolton and Abdy (2007) quote US-based research by the Human Interaction Research Institute which identified eight factors that together provided the key ingredients for effective organisational development programmes. Programmes should be: comprehensive; customised; competence based; timely; peer-connected; assessment based; readiness based; and contextualised (see box 1).

When these factors are added to others identified in wider literature as either contributing to successful capacity building, or indeed presenting challenges to success, a lengthy list begins to emerge. Shared Intelligence (2009) suggests that there are three groups of inter-related factors which influence the success of capacity building: purpose of support; models of delivery; and, type of TSO receiving support. As presented below, our reading of the evidence suggests a similar, but extended grouping of factors:

1. purpose of support (why)
2. targets of support (who)
3. methods of delivery (what)
4. mode of delivery (how)
5. organisational and external context (where and when).

We look at these in detail in sections 2.1.1 – 2.1.5

### **Box 1: Factors for objective organisational development programmes**

- **Comprehensive:** organisations able to access a wide-range of support services
- **Customised:** tailored to the organisation and its context
- **Competence based:** support delivered by competent providers, to knowledge individuals / organisations
- **Competence based:** support delivered by competent providers, to knowledgeable individuals/organisations
- **Timely:** not too slow, not too quickly
- **Peer-connected:** opportunities for complementary peer-to-peer support
- **Assessment based:** starting with diagnosis of existing capacity, need and appropriate support
- **Readiness based:** delivered when the organisation is ready for them
- **Contextualised:** taking place in context of wider organisational activities, funder initiatives, and environmental factors

**Summarised from Bolton and Abdy (2010) quoting a US-based study by the Human Interaction Research Institute (2000).**

### **2.1.1 Purpose of support (why)**

The purpose of capacity building is wide ranging and influenced by a number of different stakeholders (Shared Intelligence, 2009). Often there are three sets of stakeholders involved – funders, providers, recipients. For funders, the main purpose can be: strengthening the voluntary sector as a whole; achieving whole organisational development; and ensuring or enhancing programme/project outcomes. For organisations undertaking capacity building it can be: grant compliance; delivering what they are already doing better; or delivering more or differently. Capacity building can be undertaken for instrumental purposes, for example to achieve externally-set objectives, or in an empowering way, for example to achieve internally-directed objectives (Harris and Schlappa, 2007).

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*Evidence suggests that it is important that the goals of different stakeholders involved in any capacity building initiative are clearly and explicitly articulated and aligned. If not, tensions can arise between different stakeholder interests.*

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Capacity building goals inevitably influence the outcomes of support. Evidence suggests that it is important that the goals of different stakeholders involved in any capacity building initiative are clearly and explicitly articulated and aligned, that everyone is working towards the same, or at least complementary, outcomes, and that specific capacity building interventions are tailored to follow on from these specified purposes (see for example Harris and Schlappa, 2007; Howard et al, 2009). IVAR (2010) suggest that this is often not the case. They suggest that the main purpose of capacity building for funders

(or at least the one funder they focus on) is to prepare organisations to deliver programme outcomes, rather than meeting the organisations' own needs or achieving whole organisational development. These differences can lead to tensions, which can jeopardise the success of capacity building initiatives.

### **2.1.2 Targets of support (who)**

Capacity building can focus on achieving outcomes for: individuals; organisations; sub-sectors/fields; the sector as a whole (see Brown et al, 2001 for a useful conceptual framework for considering the 'who' of capacity building). The purpose is likely to affect who capacity building is focused on.

### **2.1.3 Methods of support (what)**

Capabilities are built through learning and support. This can be achieved through a number of different mechanisms, including: information and advice; training; consultancy; mentoring; peer-learning. Each of these mechanisms may

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*Evidence from the US, suggests that peer-learning is one of the most effective ways of promoting organisational effectiveness*

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lead to different types of outcomes and different outcome levels, in different contexts. Reid and Gibb's (2004) evaluation of a capacity building grant programme, for example, suggests that consultants took on one of three roles: facilitator; mentor; or trainer. While facilitation and training led to organisation-wide benefits, mentoring led to individual benefits. Elsewhere, a review of evidence

from the US, suggests that peer-learning is one of the most effective ways of promoting organisational effectiveness (Bolton and Abdy, 2007). Research reviewed by Shared Intelligence (2009) suggests that more in-depth and one-to-one type support is needed to address strategic issues, which are often specific to organisations, while less intensive support may be perfectly adequate for developing systems, processes, skills and external relationships. What works depends on what the desired outcomes are, or what success is being judged against.

Beyond these specific examples, however, the available evidence does not easily allow for comparisons between different methods and cannot tell us which are ‘best’ or which are ‘worst’ for sustainably embedding skills and confidence in frontline organisations or partnerships – existing evidence cannot tell us which methods are most effective for which outcomes in which circumstances.

#### **2.1.4 Modes of support (how)**

The evidence does, however, give some clues about the importance of the mode of delivery – particularly about the importance of how the methods are tailored, combined and delivered. These factors appear as, if not more, important than the actual methods themselves in terms of ensuring capacity building interventions result in positive outcomes.

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*Several studies have pointed to the importance of **tailoring** support to individual organisations and partnerships*

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*The process of tailoring and delivering effective capacity building support starts with effectively assessing existing capabilities and capacities, and **diagnosing** needs and support requirements.*

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Several studies have pointed to the importance of **tailoring** support to individual organisations and partnerships (see for example Twigg, 2001; Baker and Cairns, 2011). A review of capacity building initiatives by Shared Intelligence (2009:3), for example, concluded that “*most important seemed to be the extent to which support could be tailored to organisations’ needs. Whichever broad model of delivery was used, it was the ability of providers to adjust methods and content of support to meet specific needs that seemed to be key in making support effective*”. As we will discuss in more detail in section 2.2, the process of tailoring and delivering effective capacity building support starts with effectively assessing existing capabilities and capacities, and **diagnosing** needs and support requirements (Cornforth et al, 2008; Howard et al, 2009; Shared Intelligence, 2009; Connolly and York, 2003).

Other evidence suggests that combining, or **blending**, individual capacity building methods is important – adopting a comprehensive approach can lead to stronger and/or more sustainable outcomes (see for example, Todres et al, 2006; Hayward, 2006). The evaluation of the government’s Modernisation Fund, for example, found that access to high level support – in this case to a combination of a bursary to pay for initial advice and then a grant or loan to

support the costs of organisational change - may more consistently lead to positive outcomes as opposed to bursary support alone (Cordis Bright, 2011). The evaluation report goes on to note, however, that there was little overall evidence that organisations were more or less resilient following any type or combination of support.

Not only are the methods of delivery for support important, so too are the **modes of delivery**. Above we suggest that capacity building support occurs through a combination of three routes:

- internally (people sharing and building skills, knowledge and confidence, with no external input)
- peer to peer (frontline organisations more or less formally sharing and building skills, knowledge and confidence with each other, sometimes within partnerships)
- external expertise (frontline organisations or partnerships supported to build skills, knowledge and confidence by external input).

Most existing evidence focuses on externally provided support, and this points to the importance of the capabilities of the support providers and to the relationships between the different stakeholders involved.

Other evidence suggests that the **duration** of capacity building interventions may be significant. Short term interventions may be less effective in supporting sustainable outcomes than longer term ones (Delfin and Tang, 2008). IVAR (2012) found that long-term support from a consistent source was thought to be valuable “[Long-term support is] *the ultimate: having a sounding board that you could talk to and who would know you throughout your journey*” (ibid: 17). On this basis, Twigg (2001) suggests that long term grants are the most appropriate form of funding for capacity building, although he does go on to note that short term activities and grants can play an important part.

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*Short term interventions may be less effective in supporting sustainable outcomes than longer term ones.*

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*Ensuring that **whole organisations** – rather than one or two individual members of staff – are engaged in capacity building can be important.*

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Ensuring that **whole organisations** – rather than one or two individual members of staff – are engaged in capacity building can also be important (see for example Backer, Bleeg and Groves, 2004; Halton and St Helens VCA, 2011; IVAR, 2013). A particular challenge to the effectiveness of one-to-one support within third sector capacity building has been highlighted, as high levels of staff turn-over may mean that while individual capabilities and

capacities may have been built, there is a danger that the organisational gains are lost should the individual leave (Shared Intelligence, 2009; see also Hyatt, 1995). Tribal (2009) suggest that the cascade model, as integral to the outcomes programme developed by Charities Evaluation Services, could help to overcome this issue, by ensuring that the learning is passed on by the person receiving the support across the whole organisation and beyond.

A considerable number of studies suggest that the **capabilities and capacities** of the individuals and organisations providing capacity building support are crucial to its success. Research by Shared Intelligence (2009) for example found that key success factors for capacity building included the skills of support deliverers (e.g. facilitation and listening skills), their previous experience, particularly of working with the voluntary and community sector or sub-sectors within it, and their understanding of the recipients' organisational priorities and issues (see also Allison et al, 2011; Cordis Bright, 2011; Halton and St Helens VCA, 2011; Wells et al, 2012; SQW, 2007 for similar findings on the significance of providers' capability and credibility). Similarly Thake and Lingayah (2008) found that ensuring support providers have the 'right skills set' was of critical importance. Indeed, Thake and Lingayah suggest that there is a need to enhance the consistency of support provision and to undertake some capability building amongst support providers. A study into the particular support needs of identity-based groups suggested that expertise, knowledge, understanding and empathy amongst support providers was more important than their identity – for example, Black and Minority Ethnic (BME) groups do not need to be supported by BME providers, as long as those support providers have appropriate capabilities (ETTO, 2010).

Getting the **relationships** right between the different stakeholders involved— funders, providers, recipients - is also critical, and has been identified as one of the challenges to successful capacity building (IVAR, 2010). An evaluation of the Big Lottery Fund's Village SOS programme, and particularly its champion model, for example, found that poor relations between the different players could limit the success of the programme (Wells et al, 2012). More specifically, there is evidence that trust between all stakeholders, and particularly between providers and recipients, is important (see for example, Howard et al, 2009; IVAR, 2010).

The importance of trust is highlighted in evidence from capacity building initiatives in the business sector. Bennett and Robson (1999), for example, found a correlation between advisor trust and business support effectiveness. Levels of trust can affect both engagement with and impact of different sources of advice and support.

### Box 2: Measuring the value of a systematic approach

A three-year quasi-experimental study of capacity building amongst 120 organisations found that adopting a systematic approach was fundamental to success. The study involved three groups of organisations: a study group, who received systematic capacity building support, a control group who received occasional support, and an ad hoc group who received very little support beyond information. The study was testing the hypothesis that groups that use support services – in this case provided by a local infrastructure organisation (Halton and St Helens Voluntary and Community Action) – and take a systematic approach, progress further than those who don't.

A diagnostic toolkit was used at the start of the study to establish a baseline. The toolkit was repeated over time in order to measure change.

Over the three-year period, all three groups improved on their baseline scores. The study group developed far more than the others; the ad hoc group the least. The study group had increased their score by 22 per cent, the control group by 3 per cent and the ad hoc group by 2 per cent; suggesting that the distance travelled for the study group was eight times greater than that of the ad hoc group.

The factors thought to be central to success within the study group were: the systematic approach to capacity building; training all levels of workers within organisations; and receiving support from knowledgeable and trusted individuals.

Source: Halton and St Helens VCA (2011)

#### 2.1.5 The support context (where and when)

A clear message emerges from existing evidence that capacity building is context dependent and that context may be the most significant set of factors in determining success (Backer et al, 2004; ETTO, 2010; Brown et al, 2001; Cairns et al, 2006; Vangen and Huxham, 2012).

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*A randomised control trial of capacity building in the third sector found no consistent pattern to suggest that one type of organisation is more responsive to capacity building than another*

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- The **internal context** of individual organisations engaging in capacity building is important. The only randomised control trial of capacity building in the third sector that this review un-earthed, found no consistent pattern to suggest that one *type* of organisation is more responsive to capacity building than another (Minzner,

2014). A number of *factors within organisations*, however, have been found to be significant:

- **Existing capacity:** The existing capacity of an organisation, or partnership, emerges as one of the most significant internal contextual factors influencing success. As Ellis and Latif (2006) note, capacity building needs capacity (see also Hyatt, 1995). Organisations first need the capacity (and within that the capability) to engage in capacity building processes themselves (Reid and Gibb, 2004). Chadwick-Coule and Batty (2009), for example, found that a major constraining factor for capacity building was lack of internal capacity (see also IVAR, 2013; Woodward et al, 2013). Even finding out about capacity building opportunities takes capability and capacity (Webster et al, 2007). Small organisations, which lack existing capacity, have been found to struggle to engage in intensive or demanding schemes (Ellis and Latif, 2006; see also Webster et al, 2007). Having the time to go through capacity/capability building processes, or time out to attend training sessions, has been highlighted as a particular capacity issue (see for example, Reid and Gibb, 2004; Savage et al, 2013). Findings from our market review seem to back this up – medium sized organisations were more likely than others to engage in capacity building support (see also Macmillan, 2004).

Capacity is also needed to embed the outcomes of capacity building processes. As Wells et al's (2012) evaluation of the Village SOS champions programme found, success of the approach depended in part on the capacity (and within that the capability) of recipients to absorb and effectively utilise advice. Organisations must balance the capacity requirements of the capacity building process with other priorities and draws on their resources.

- **Organisational commitment:** Thake (2005; see also Thake and Lingayah, 2008) suggests that securing buy-in from the management and governance teams had a significant bearing on the effective and outcomes of capacity building programmes – in their case Business Development Grants.
- **Development stage:** Netto et al (2012) found that the stage of development of an organisation influences the way in which it engages with capacity building programmes. 'Younger' organisations, for example, have lower expectations of what is possible than more developed ones. By implication, development stage may also influence outcomes. (See also box 4 for further evidence about development stages).
- **Ethos and culture:** Organisational ethos and culture, including for example appetite for change (Framework, 2009) can affect engagement with and success of capacity building initiatives. IVAR (2010), for example, suggests that scepticism may be a challenge to successful capacity building.

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*Capacity building might be more successful when organisations are 'ready' to engage: when they are a certain stage in development; have a committed leadership team; can dedicate resources; and are not experiencing crisis.*

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- **Organisational readiness:** Cutting across a number of the above factors, IVAR (2010) identified lack of organisational readiness as a challenge for capacity building. By implication, it could be suggested that capacity building interventions are more likely to be successful when organisations are 'ready' to engage in them – when they are a certain stage in development; have a leadership team committed to learning and developing; when they have the capacity to dedicate the resources necessary to take part in and implement capacity building processes; and perhaps not during moments of crisis or distress, which can cause 'paralysis' (IVAR, 2013; see also IVAR, 2012).

The **external context** also influences the effectiveness and outcomes of capacity building (Baker and Cairns, 2011; Thake and Lingayah, 2008; Wells et al, 2010). The policy and funding environment are particularly significant. The evaluation of Futurebuilders, for example, suggests that the external commissioning and procurement environment in particular can effect outcomes and that more generally outcomes of this scheme depended on public sector and market contexts (Wells et al, 2010). Similarly, an evaluation of the Adventure Capital Fund by Thake and Lingayah (2008) found that, alongside issues associated with organisational capacity, the effectiveness of capacity building was also affected by external factors beyond the control of individual organisations. The evaluation concluded that it is important to review internal and external contexts prior to commencing any capacity building with organisations in order to understand the likely implications for its effectiveness.

### **2.1.6 Revisiting hypothesis one**

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*Factors that contribute to successful capacity building include: adopting a comprehensive and systematic approach, tailored to individual organisations based on a high-quality process of diagnosis, delivered through highly capable and trusted providers, including a range of different mechanisms for the whole organisation, with existing capacity.*

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Evidence suggests that there are likely to be factors which are critical to sustainably embedding these skills and confidence in front line organisations and VCS partnerships, which lead to benefits for end-users. The factors that emerge from the literature as contributing to successful capacity building include: adopting a comprehensive and systematic approach, tailored to individual organisations based on a high-quality process of diagnosis, delivered through highly capable and trusted providers, including a range of different mechanisms which together involve all parts and levels of the organisation, within a context of existing capacity particularly in terms of time and resources to engage in capacity building (see figure 2 below). However, the extent and nature of each organisation or partnership's need for any or all of these factors is highly situated, context-dependent, and will change over time.

## Hypothesis 1

### **Making capability building work in different contexts**

‘There are factors which are critical to sustainably embedding capability-building knowledge, skills and confidence in front line organisations and VCS partnerships, which lead to benefits for end-users’.

### **Summary of findings**

- There *are* factors which are critical to sustainably embedding these skills and confidence in FLOs and partnerships.
- The factors that underpin successful capacity building include:
  - adopting a systematic and comprehensive approach in which stakeholders are agreed on the outcome(s) intended by the support
  - tailoring and blending interventions (internal learning, peer support, external expertise), on the basis of a thorough diagnosis process
  - delivering through capable and trusted providers (which may include peers), to whole organisations
  - keeping an eye on sustaining the learning gained through, for example, cascade systems
- However, success in delivering capability building is also highly dependent on the motivation within and the context surrounding each organisation to which it is applied, and the extent to which they can give it ‘head space’ (capacity).
- No studies to date have examined whether organisational development can be proven to lead to benefits for FLOs’ end-users.

## 2.2 Diagnosis improves support

### **Hypothesis 2: Diagnosis improves support**

‘Diagnosis leads to better quality support (whether for front line organisations or VCS partnerships) compared to support sought without an initial diagnostic process’.

In order to establish what capacity building support is needed organisations must first identify their existing capacities and their needs. The second hypothesis explores the extent to which identifying existing capacities, needs and solutions leads to better quality support.

The prevalent view amongst support providers, funders and researchers within our learning review workshops, was that diagnosis is an important part of

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*The prevalent view within our learning review workshops was that diagnosis is an important part of capacity building*

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capacity building. The assumption is that frontline organisations cannot, or do not, always identify their own needs effectively and so diagnosis (or needs assessment or organisational health-checks) provides a way for capacity builders to help organisations identify and prioritise needs (Shared intelligence, 2009). This should then enable support providers to tailor capacity building interventions in order to meet those specific needs.

### **2.2.1 Doing diagnosis**

Diagnosis can happen at sector level, partnership level, organisation level or individual level. It can be undertaken by different stakeholders, including the

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*Numerous diagnostic tools have been developed over the past decade or so to help standardise the process, some of which are targeted at particular groups of organisations*

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organisation itself, capacity building support providers, and funders, and it can take many different forms. It can be undertaken as an integral part of a capacity building process or as a preliminary step before the capacity building input begins. Numerous diagnostic tools have been developed over the past decade or so to help standardise the process, some of which are targeted at particular groups of organisations (see for example reviews by Cairns and Hutchison, 2005, Ellis and Gregory, 2009 - details of which are in the box below, and Brown et al, 2001).

#### **Box 3: Diagnostic toolkits**

In a review of health checks provided by VCS infrastructure organisations, Ellis and Gregory (2009) identify 18 health checks that were currently in use, and 19 no longer in use. They found that many health checks were geared towards small, new and developing organisations. Health checks were used in a variety of contexts, often have their origins in, or forming part of, a funded initiative. Several factors were found to be important in ensuring a successful health check process, including: the quality of the relationship between provider and recipient; sensitivity and flexibility in using the health check; developing a 'conversation' around the prompts; and focusing on positive aspects as well as areas for improvement. The capabilities of providers were central to success.

Source: Ellis and Gregory (2009)

Despite diagnosis being one of the richest seams in the literature, we found little evidence of the comparative effectiveness of specific diagnostic tools or of the

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*Diagnosis is an important part of capacity building and that it can lead to positive outcomes in its own right, but only when it is done in the right way by the right people.*

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effects of diagnosis on the end outcomes of capacity building, particularly for partnerships. We found no evidence directly measuring the quality and outcomes of support offered with diagnosis compared to the quality and outcomes of support without it. What we did find was a range of evidence which suggests that diagnosis is an important part of capacity building and that it can lead to positive outcomes in its own right, but only when it is done in the right way by the right people.

### **2.2.2 Diagnosis as an essential element of effective capacity building**

A number of recent reviews of ‘effective capacity building’ suggest that diagnosis is a ‘critical’, ‘fundamental’ or ‘essential’ first step: that it is important to systematically assess the needs of an organisation before then diagnosing

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*As well as assessing needs, diagnosis should also involve assessing existing capabilities, capacities, alongside and organisational readiness.*

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the support needed to address these needs (see for example Cornforth et al, 2008; Howard et al, 2009; Shared Intelligence, 2009; Connolly and York, 2003). The diagnosis process should also involve assessing existing capabilities and capacities, alongside organisational readiness for capacity building support (Connolly and York, 2003). It is particularly important for those organisations which might otherwise struggle to accurately identify their own needs (Shared Intelligence, 2009).

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*There is evidence to suggest that a lack of diagnosis, or poor quality diagnosis, may have muted the impact of some capacity building programmes*

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There is also evidence to suggest that a lack of diagnosis, or poor quality diagnosis, may have muted the impact of some capacity building programmes. Through their evaluation of one capacity building programme, Harris and Schlappa (2007) suggest that failing to build diagnosis into the programme was a factor limiting its success: those organisations that reported limited or no impact from the programme said there had been no vision or strategic attempt to

identify needs before allocating funding. Similarly, Thake’s (2004) evaluation of a separate programme found that a reliance on self-assessment of need may have hampered its effectiveness. The report suggests that a diagnosis toolkit would have enabled a shared understanding of organisational capability and of need, and facilitated agreement on a way forward. Walton and Macmillan (2014: 26) note that the most significant iterative learning from three demand-led capacity building schemes was around the need to strengthen the diagnostic process. We cannot, of course, tell for sure whether or not diagnosis would have made a significant difference to these capacity building/programme outcomes.

### 2.2.3 Diagnosis as a form of capacity building in its own right

Beyond influencing the outcomes of capacity building processes, there is some evidence to suggest that diagnosis may be an important capacity building activity in its own right. Health checks and diagnosis help organisations to

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*While self-assessment may be seen as a valuable end in itself, there is no direct evidence that it leads to better quality support*

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understand their own strengths and weaknesses and/or support needs, which can in themselves lead to organisational change (see for example Ellis and Gregory, 2009; Reid and Gibb, 2004; OPM, 2013; IVAR, 2012; Ellis and Latif, 2006). As OPM (2013) remind us through their evaluation of BIG Assist, however, while self-assessment may be seen as a valuable end in itself, there is no direct evidence that it leads to better quality support.

### 2.2.4 What works in diagnosis

As noted above, numerous diagnostic toolkits have been developed and there is no standardised approach to needs assessment. How diagnosis is achieved, however, is important. There is some existing evidence which points towards factors which may influence the outcomes of diagnosis:

- **Who does it:** Brown et al (2001) suggest that who does the diagnosis matters. They suggest that while self-assessment might increase ownership, it relies on self-perceptions and that makes measuring change over time difficult.
- **Provider capacity:** The capabilities and capacities of providers of organisational health checks and/or diagnostics have been found to be particularly influential (see for example Cornforth and Mordaunt, 2008). The capabilities of providers are likely to affect the quality of relationships between the different stakeholders; their sensitivity, flexibility and depth of probing in using diagnostic tools; and their ability to focus on positive aspects as well as areas for improvements,

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*The capabilities and capacities of providers of organisational diagnostics have been found to be particularly influential.*

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all of which have been found to be key factors in successful health checks (Ellis and Gregory, 2009). Tuffin and Bryan (2010), however, suggest that the capacity of generic agencies (that is, those offering support on a variety of issues to a broad range of frontline organisations), to provide organisational health checks may be limited.

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*Research into the diagnostic tools used by business advisers confirms the importance of provider capabilities, suggesting that they may only be as good as the advisers using them.*

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Diagnostic approaches have become an established part of business support, not least because evidence has suggested that small businesses may be poor at identifying their needs, and in particular those needs which if addressed would make them more effective as organisations. Research into the diagnostic tools used by business advisers confirms the importance of provider capabilities, suggesting that they may only be

as good as the advisers using them (North et al, 2001; Mole, 2007).

- **Integration:** Beyond these factors which are important for ensuring a successful diagnosis process in and of itself, additional factors have been identified as affecting the extent to which the diagnosis process leads to successful capacity building outcomes. In particular, there is a need to ensure that the diagnosis process and the capacity building

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*Diagnosis is likely to work best when it is an integral part of a systematic approach to capacity building.*

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process are well-integrated. Hankins (2013) for example, reviewed one capacity building programme in which diagnosis had been made mandatory.

Diagnosis of all programme participants was undertaken by one provider to help ensure consistency. It was generally well received and positively reviewed in its own right. However, there was a lack of join-up between the diagnosis and subsequent support provision, to the extent that

some support providers ended up duplicating the diagnosis process. As Halton and St Helens VCA (2011; see also Harris and Schlappa, 2007) suggest, diagnosis is likely to work best when it is an integral part of a systematic approach to capacity building.

### **2.2.5 Revisiting hypothesis two**

We can conclude then that the evidence is not strong enough for us to state categorically that diagnosis leads to better quality support compared to support sought without an initial diagnostic process. However, there is a growing body of evidence which does suggest that it is a vital part of capacity building processes but also that how it is done, in terms of the expertise, sensitivity and flexibility of providers, makes a considerable difference to its outcomes.

## Hypothesis 2

### Diagnosis improves support

‘Diagnosis leads to better quality support (whether for front line organisations or VCS partnerships) compared to support sought without an initial diagnostic process’.

### Summary of findings

- There is widespread consensus on the value of diagnosis, and many diagnostic tools exist (often geared towards small, new and developing organisations).
- The current evidence is not strong enough for us, however, to state categorically whether diagnosis leads to better quality support compared to support sought without an initial diagnostic process.
- But there is a growing body of evidence which does suggest it is a vital part of the complex system of capacity building processes, and that *how diagnosis* is done makes a considerable difference to its impact.
- The skill of diagnostic providers is key, as is the integration of the diagnostic result into the process of choosing and reviewing the support provided.
- The diagnostic ‘moment’ also provides an opportunity to look back at an organisation’s previous development of strengths over time, to reflect on how best to develop and sustain new capabilities in the organisation.

## 2.3 Needs for and targeting of support

### Hypothesis 3: Needs and targeting

‘There are segments of the VCS and types of communities (whether geographic or of interest) which are most in need of capability-building support’.

The issue of need with regards to capability-building support, or more broadly, capacity-building support is complex. As IVAR (2010) suggest, determining need will depend in part, for example, on the purpose of capacity building and on who is setting the agenda. As IVAR and CGAP (2009) suggest, various stakeholders are involved in determining need, but it is often funders who dominate (see also Walton and Macmillan, 2014). If the funder is setting the agenda and the purpose of capacity building support is to achieve project outcomes (rather than whole organisational development) then that will determine the segments of the VCS or types of communities which are seen to be most in need of capacity building support. If the agenda is set by FLOs themselves, the purpose is more likely to be about strengthening the organisation as a whole and they may focus more on needs in terms of how to build on existing strengths rather than how to address deficits.

Despite the challenges of defining need, there was a general consensus amongst the participants in our learning review workshops that there were

certain parts of the voluntary and community sector and certain types of communities which were more in need of capacity-building support than others, and the evidence review gives some weight to this argument. The issue of 'need' is discussed in a number of different ways within the literature on capacity building support: the relative support needs of different types of organisations/communities; the extent to which the needs of particular organisations/communities are currently being met; and the need for specialist capacity building support for certain organisations/communities. We will look at each in turn.

### **2.3.1 Defining need and who's most in need**

Various studies have included needs analysis surveys, all producing slightly different lists of needs but with several areas of commonality. Reid and Gibb (2004), for example, identified the main needs for support to be: strategic planning; governance; financial controls/fundraising; marketing; IT; and staff development. Parker (2005) identifies four core types of 'need' for capacity building within with the sector: funding; partnership work; information provision; premises. Wells et al (2010) came up with a slightly different list: raising funds; finding and recruiting new volunteers; getting new members and users involved. Savage, Broomhead and Hill (2013) identify fundraising, impact reporting and long term strategic planning as the three areas most in need of skills development (see also Weller and Beale, 2004; Smith and Ullah, 2005). Such lists are not, however, without problem (see for example Tuffin and Bryan, 2010, detailed in box 4 below; IVAR, 2010).

#### **Box 4: A framework for defining support needs**

In a review of local infrastructure in Sheffield, Tuffin and Bryan (2010) criticise the standard lists of support needs. Instead they draw on Maslow's hierarchy of needs to develop a framework of support at five levels or development stages:

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1. The need to reach ones potential and inform and influence decision making.
  2. The need for recognition of contribution: being consulted, listened to and/or funded.
  3. The need for interaction with others, networking and collaboration.
  4. The need to be operating legally with appropriate policies, procedures and systems, deal with crises.
  5. Basic needs for resources, funding, members, volunteers, staff and space.

**Source: Tuffin and Bryan (2010)**

Wells et al (2010) note that existing data suggests that very few organisations report lots of severe problems, and many report only slight problems. Across South Yorkshire, where the study was based, organisations with staff tended to report more severe problems than those without staff. Rather than meaning that larger organisations are more/most in need, however, this could simply mean that larger organisations (by virtue of having staff) are better at recognising and/or reporting their needs (reinforcing the idea presented above in 2.1.5 that capacity building requires existing capacity). Certain organisations may not acknowledge or indeed be aware of their needs (see for example, IVAR, 2010 – see section 2.4 below).

Various different groupings of organisations have been identified within the literature as being particularly in need of capacity-building support, although we have not come across any evidence which has sought to establish which groups are **most** in need, and for which there is unlikely to be an objective measure. Often the research has been driven by a concern for low take up of capacity building support amongst certain groups – searching for reasons why those groups aren't accessing support and whether they have particularly needs that aren't being catered for, rather than whether they are the groups that are inherently most in need.

### **2.3.2 Particular needs**

There is, however, a fair amount of evidence which suggests certain groups have *particular* support needs, these include: small groups (Wells et al, 2008); faith-based groups (Derby Diocesan Council for Social Responsibility, 2006); BME groups (OPM, 2004; Wells et al, 2008; Smith and Ullah, 2005); LGBT groups; and rural groups (DEFRA, 2003). A study by ETTO (2010), however, suggests that the needs of 'identity-based' groups (e.g. BME groups or LGBT groups) and rural groups are not specific to that those groupings, instead they are common across most small organisations (see also Hankins, 2013). It is **small-ness** which defines the particular support needs of such organisations.

Organisations, of different sizes and in different fields, going through **transitions** have also been identified as having particular needs. Rochester et al (2007: 24-5) identify three occasions when support is most needed: starting off; scaling up; and facing a crisis. Donahue (2011), for example, suggests that as organisations made the transition from being entirely run by volunteers to employing paid staff, they have a particular set of support needs. Thake and Lingayah (2009) reviewed an Adventure Capital Fund programme which targeted organisations showing 'signs of distress', helping to resolve the issues which had them at risk through providing additional investment, strengthening management committees and supporting senior management teams.

The particular needs of certain groups may also require particular approaches to capacity building and/or specialist support providers. Evidence suggests, for example, that small groups have a particular preference for personal relationships and this influences what capacity building methods will work with them (IVAR, 2010). Within this, volunteer-led groups have been found to have an additional layer of specific support needs and delivery requirements,

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*It has been suggested that for single identity groups, the qualities of providers made more difference to outcomes than the model of support*

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including support that is available at the weekends or in the evenings (ETTO, 2010; see also Ellis and Latif, 2006). As noted in section 2.1.4, however, there is some evidence to suggest that it is not just the model of support that matters, but the capabilities of the support providers. Indeed, a report by Shared Intelligence (2009: 21) suggests that for single identity groups, “*it was not so much model of support but qualities of provider that made a difference to outcomes*”.

### **Box 5: Needs and capacity building within BME organisations**

A 5-year Single Regeneration Budget funded programme was established in the early 2000s to build the skills, knowledge, structure and resources of Black and Minority Ethnic (BME) organisations in London. The programme was set up in recognition of the particular challenges faced by BME organisations. It involved a very specific capacity building model, through which 15 Capacity Building Officers were trained through a tailored MBA programme and then placed within host organisations across London. From their host organisations each Officer had a target number of organisations to work with. Each organisation was to receive a certificate in capacity building based on a portfolio of the work undertaken. A *diagnostic toolkit* was developed and used by the Officers to assess existing capacity and need, from which a 12-month action plan was developed. Officers were to use a variety of capacity building methods.

The evaluation reported that the programme had mixed success. It got only half way towards achieving its target for the number of organisations supported. Smaller BME organisations found it particularly hard to engage in the model, not least because of the requirement for a consistent and intensive commitment of time. They also faced particular challenges in embedding outcomes, especially when they were struggling financially or when a change of personnel meant that learning was lost. The evaluation concluded that the very conditions of the organisations that the programme was designed to address made it difficult to work with them.

**Source: Ellis and Latif (2006)**

It could also be argued that **partnerships**, especially cross-sector partnerships, have particular support needs, and indeed are more in need of capability-building support than organisations, because they are more complex and so

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*Partnerships may have specific and considerable support needs. It has been suggested that we should do more to assess the benefits and limits of partnerships.*

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more vulnerable (Vangen and Huxham, 2012). However, in the current climate of austerity, combined with the lack of evidence of partnerships' effectiveness, it could equally be argued that we should begin to make “*a bolder assessment of not merely the alleged benefits of partnership working but also their limits*” (Perkins et al, 2010: 113).

### **Box 6: Particular support needs of partnerships**

When reviewed together, the literature on partnerships involving voluntary and community sector organisations suggests that those partnerships have particular support needs. These include:

- **Time** to work effectively (e.g. Baker and Cairns, 2011; Cairns et al, 2006; IVAR, 2010; Osborne et al, 2012; Lawrie and Mellor, 2013)
- **Resources** to enable effective partnership working (Cairns et al, 2006; Douglas, 2009; IVAR, 2010; Baker and Cairns, 2011)
- **Tailored** methods of support, rather than off-the-peg (Baker and Cairns, 2011)
- **Ongoing** support which is readily accessible in times of need (Huxham, 2003; Perkins et al, 2010; Osborne et al, 2012)
- **Trust** building to enable joint working and learning (IVAR, 2010)
- Support in **evidencing** value for end users (Russell, 2005; Douglas, 2009; Minzner et al, 2014).

Our review of evidence from the private sector gives some additional insight into the issue of need. Bennett, Robson and Bratton's (1999) paper suggests, in the field of business support to SMEs, that differences in sector and size of organisation matter more than location. However, there are two notable caveats. The first is that more deprived areas more readily access public-funded support (for a variety of supply and demand reasons) and second that there are distinct urban concentrations of business support, suggesting that rural areas are less well served. These are important issues for consideration in the context of support to VCS organisations and building capabilities. The findings suggest that attention needs to be given to variation in access to support firstly by sectoral issues (for instance organisational size, specialist requirements, etc.) but then to issues faced in particular localities (noted as being more deprived or rural).

### 2.3.3 Meeting needs

There is some evidence that the needs of certain segments of the sector are not being met by existing capacity building support provision. Donahue (2011), for example, argues that micro-organisations with no or few paid staff have particular characteristics and needs which to date have not been well catered for by existing providers, infrastructure support providers in particular. Donahue concludes that while local infrastructure organisations are well placed to provide this specialist support, many do not have the capacity to do so. Through investigating low-levels of take up amongst BME groups for one capacity building programme in Worcestershire, Hankins (2013) found that this issues were not specific to BME groups but to small groups more generally. The main issue was that small groups did not see themselves as 'organisations' and therefore did not identify with the need for the 'organisational development' available through the

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*One study found that small groups did not see themselves as 'organisations' and therefore did not identify with the need for the 'organisational development'.*

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programme, or the specific types of 'business support' being offered. A review of an earlier scheme in Worcestershire found a similar problem of low-levels of take up amongst small organisations, who were either not aware that the support was available to them or did not see that the organisations responsible for delivering it were relevant to their needs (Unwin et al, 2010). Further, in addition to having particular support needs which require particular capacity building approaches, small groups may find it particularly challenging to generate the resources required to engage in capacity building, including the time to commit to the process and the finances to pay for it (see for example, Cornforth et al, 2008; Elliott, 2012; Ellis and Latif, 2006; Savage, Broomhead and Hill, 2013). This suggests that there are barriers to engagement for small groups to be addressed within both supply-led and demand-led models.

Conversely, Tuffin and Bryan (2010) suggest that there are weaknesses in support provision for organisational development in general, and particularly for larger, established groups. Evidence from our market review suggests that it is medium sized organisations (i.e. those with annual incomes of between £100K and £1m) which are most likely to access capacity building support – smaller (i.e. less than £100K income) and larger organisations (i.e. over £1m income) are arguably missing out (see box 7).

### **Box 7: Insights from the National Survey of Charities and Social Enterprises**

Analysis of NSCSE capacity building recipients revealed that particular types of frontline VCSE were more likely to access support compared to the wider population of charities and social enterprises. This may suggest that they have greater needs, or it may suggest that they have better access to support.

- **Areas of work:** organisations that worked in the areas of health and well-being and community development and mutual aid were over-represented as capacity-building support recipients.
- **Geographic focus:** organisations that had been in receipt of support were more likely to work at local authority level than those not receiving support.
- **Financial health:** organisations that had received support tended to be less positive about their financial health than the wider population of charities and social enterprises.
- **Relationship with the statutory sector:** organisations that received capacity building support were far more likely to have a relationship with local and national statutory bodies than the wider population.
- **Sources of income:** Organisations that received capacity building support were more likely to have grants, funding through the National Lottery distributors and earned income (from contracts and trading), and less likely to rely on donations and fundraising activities, than the wider population. For organisations in receipt of Lottery funding, capacity building support is particularly important.
- **Organisation size:** organisations that accessed capacity building support tended to be very different in size when compared to the wider population of charities and social enterprises. In particular they were more likely to be medium sized in terms of income and have paid staff than other types of organisations.

IVAR (2010) suggest that funders may be interested in focusing their efforts on where there is the greatest need, or where their programmes would have the greatest impact (and of course how impact is defined is also subjective), and that as needs increase it may become more of a matter of managing competing needs rather than identifying the greatest needs (IVAR and CGAP, 2009; see also Harrow, 2001). Existing evidence indicates general support for the idea of targeting capacity building support, although with some reservations about the risks of being seen to favour some groups over others (e.g. IVAR and CGAP, 2009; IVAR, 2010). How the sector is segmented and what parts targeted will inevitably be contentious.

### **Box 8: Developing a segmentation model for capacity building**

Research into the state of the sector in Gloucestershire resulted in a segmentation model relating to capacity building, based on responses to change. The study developed a two-by-two matrix, with organisations categorised according to high and low recognition of the need for change, and high or low capability to adapt to change in the operating environment.

The suggestion was that support could then be segmented according to awareness of the need for change and adaptability: *'Different interventions can be offered: mentoring, networking and inter-organisational facilitation to those who have higher adaptability; basic information-giving, capacity building and training for those with lower capability'* (p.29); for others: *'the most critical task is to repeatedly communicate that change is coming, it can be faced effectively, and that there is help available if Third Sector organisations engage with the LIO's or lobby them to make their services more relevant'* (p.29).

**Source: Framework (2009)**

#### **2.3.4 Revisiting hypothesis three**

To conclude, existing evidence is not sophisticated enough to allow us to identify segments of the VCS or types of communities which are most in need of capacity building. Indeed, identifying objective measures of need with regards to capacity building would be difficult: 'need' would be defined differently according to the different purposes of any intervention. The evidence does, however, suggest that there are segments of the VCS which have particular needs and which require particular models of capacity building support and/or which are currently being poorly served by existing provision. These include: small groups (which include many single identity groups and rural groups); groups in transition; groups in crisis; partnerships. What emerges most strongly from existing evidence is the need to tailor capacity building support to suit the organisation's needs and contexts. In a similar vein, the segmentation of FLOs needs to align with the purposes of the capacity building support on offer, for example to help organisations through crisis.

### Hypothesis 3

#### Needs and targeting

'There are segments of the VCS and types of communities (whether geographic or of interest) which are most in need of capability-building support'.

#### Summary of findings

- Evidence suggests that there are segments of the VCS which have *particular* needs and which require particular models of capacity building support and/or which are currently being poorly served by existing provision (i.e. small groups, which include many single identity groups, rural groups and volunteer-led groups; groups in transition; groups in crisis or showing signs of distress; partnerships).
- Some groups are so small they do not recognise themselves as 'organisations' and so don't identify with 'organisational development'.
- There is a need to tailor capacity building support to suit the organisation's needs and contexts
- The evidence is not clear however on whether some segments of the VCS are *most* in need of support, but a more sophisticated mapping of particular needs of organisations in deprived and rural communities would be a good place to start prioritisation.

## 2.4 Making choices about support needs and providers

### Hypothesis 4: Choice in a Market

'Frontline organisations and partnerships make informed choices about the types of support they may need, and, about the sources of support available'.

Having considered the needs for capacity building and different ways of delivering capacity building, we now move to consider the ways in which organisations identify their need for capacity building support and select the appropriate support provider and, in particular whether they make informed choices about the type of support needed, and sources of support available.

This hypothesis has three core elements, each of which can be dissected further:

- i. The notion of 'informed choice' presents some difficulty, because arguably all choices are informed to some degree. The question is how well informed they are, and the relationship of this with other important aspects of choice-making, such as trust and identity.
- ii. By 'types of support' we can refer to the focus of support, for example around finance or governance, but also its overall purpose, for example to address a crisis, to solve a less urgent problem, or to improve performance.

- iii. 'Sources of support' tends to mean assessing and accessing support from a more or less complex array of available providers, but also includes what we might call the 'model' of support, that is, for example, how intensive it is, how tailored it is, and whether it is provided remotely or in person.

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*Having choice when accessing support assumes that there is a set of diverse options available, and that FLOs understand what those options are.*

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Having choice around accessing support assumes two further things. Firstly that there is a meaningful available set of diverse options for types and sources of support, and secondly that frontline organisations are aware of and understand them. These conditions are sometimes in tension. An increasingly diverse 'market' of providers from which to choose can lead to confusion. And one person's choice of provider can be another's wasteful duplication, depending on position and priorities. Into this rather intractable and irresolvable debate come

arguments about whether claims about duplication overlook the extent to which services in practice are additional (in response to the scale of demand) or segmented and complementary (in response to niche demand). Arguably much of the policy impetus over the last decade has involved an effort not just to improve the quality of support, but to improve its coordination and seamlessness. In theory this has made it easier for frontline organisations to navigate and access voluntary sector support, but not support from the private sector.

#### **2.4.1 Knowledge and awareness**

Confusion and lack of awareness of available sources of support provision is a well-rehearsed feature in the evidence base. It emerges as a regular theme in local and national mapping and needs analysis exercises and evaluations of

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*Confusion and lack of awareness of available sources of support provision is a well-rehearsed feature in the evidence base. This lack of knowledge applies to potential support recipients and providers.*

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capacity building (see, inter alia, ETTO, 2010; Hankins, 2013; Harker and Burkeman, 2007; Macmillan, 2004; Netto et al, 2012; OPM/Compass Partnership, 2004; Parker, 2005; TSRC, 2009; Unwin et al, 2010; Webster et al, 2007). Importantly, this lack of knowledge also applies to awareness of support services amongst providers themselves. Managers and workers in the supply side often also have an incomplete picture of provision. Tuffin and Bryan's review of Sheffield's voluntary sector infrastructure reports that between providers 'Referrals are often based on individual

relationships and specific collaborative projects rather than overall coordination and understanding' (Tuffin and Bryan, 2010: 68, see also Webster et al, 2007: 7).

Lack of knowledge is argued to be an important barrier to accessing support. Webster et al's local survey of VCS support needs in Rotherham, for example, argued that the main barriers to access include: 'time and capacity, lack of knowledge or understanding of support available, and lack of knowledge that

there might be resolvable problems or issues which might benefit from support. There is a particular lack of awareness of support available among smaller organisations and those with no paid staff' (Webster, 2007: 4). Lack of time is also referred to in SQW's focus groups on access to finance (2007: 24).

### 2.4.2 Capability and capacity

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*The world of capacity and capability building can be unfathomable for the uninitiated.*

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This focus on time and small organisations raises the question of the capacity and capability in making informed choices. Simply providing more information in itself may not be a solution, and may make matters worse. The world of capacity building, capabilities and infrastructure, and language associated with it, can be unfathomable for the uninitiated (Craig, 2007).

A common theme in the evidence is the contested idea of how far FLOs are in a position to judge what their support needs and priorities are. As we have seen in section 2.2 above, many of the mapping and needs analysis surveys return a

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*Surveys about support needs often report preferences, or wants for support, rather than real support needs. FLOs maybe oblivious of real needs: the notion of 'unknown unknowns'*

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common finding that the most important issues and support needs for the largest proportions of FLOs are around funding and finance, particularly information on funding opportunities, support to develop proposals and bids, and wider business and income generation strategies. However, there are also frequent references to the idea that there may be hidden or unacknowledged issues lurking behind funding as a presenting issue, for example around governance. In this view, surveys about support

needs are typically reporting preferences, or wants for support, rather than real support needs, of which many FLOs maybe oblivious – the notion of 'unknown unknowns' (IVAR, 2010: 88-92). Unfortunately, this issue is often freighted with accusations of paternalism. It links closely to the idea of diagnosing support needs and priorities, an issue we take up in section 2.4.

### 2.4.3 Preferences

From the discussion of capacity building in sections 2.1 and 2.2, we know that FLOs prefer one-to-one and more tailored forms of support (Kumar and Nunan, 2002; Harker and Burkeman, 2007; Allinson et al, 2011), and that the skills and knowledge of providers, and wider considerations of trust are the most

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*A recent survey indicates that voluntary organisations think that quality standards are more important in providing reassurance to public sector commissioners, than to service users and beneficiaries.*

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significant influences on choice of provider (Shared Intelligence, 2009; ETTO, 2010). A recent survey of quality standards in the third sector indicates that respondent voluntary organisations think that such standards are more important in providing reassurance to public sector commissioners, and much less important to service users and beneficiaries (Brodie et al, 2012). Although this survey was not about infrastructure specifically, nor of what informs the choices FLOs make in accessing

support, it provides a hint that quality standards might not be very important.

#### **2.4.4 Shopping**

The evidence suggests that FLOs do not particularly 'go shopping' amongst a range of providers in order to select appropriate support, or get involved in detailed negotiations for a package of work, even when encouraged to do so through recent voucher schemes (Kara, 2013; Hankins, 2013; Walton and Macmillan, 2014; BCG, 2014). The interim review of the Worcestershire voucher scheme found that voucher holding FLOs were rather daunted by lists of providers with long profiles to read (Hankins, 2013). The evaluation of the Big

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*Word of mouth and recommendation appear to be more important sources of information about support providers than directories and websites.*

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Lottery Fund's Supporting Change and Impact fund also found that grant recipients tended to work with providers they 'knew already' or had 'worked with extensively before' (Rocket Science, 2014: 19). This is confirmed from our online survey of providers: word of mouth and recommendation appear to be far more important sources of information about providers for FLOs than directories and other websites.

There is some evidence of active approaches to selecting providers, for example by contacting several providers and even holding a mini-procurement exercise. In the main, however, the impression is left that FLOs seem to 'go with the familiar', organisations they know and trust through having worked with them before, or through word of mouth recommendation. This is not necessarily to suggest that this is a non-rational or ill-informed selection process.

#### **2.4.5 Revisiting hypothesis four**

All choices are to greater or lesser extent informed, so the hypothesis asks whether FLOs and partnerships make *sufficiently* well-informed choices about the support that they need or sources of support they might access. It is difficult to assess evidence in this area as much of the discussion is value-laden and contested. FLOs tend to prefer more intensive and closer support relationships. Overall they appear to select familiar providers, rather than shopping around amongst a range of providers. It is possible that this is at least partly a reflection of how easy the market is to navigate.

#### Hypothesis 4

##### Choice in a market

‘Frontline organisations and partnerships make informed choices about the types of support they may need, and, about the sources of support available’.

##### Summary of findings

- All choices are to some greater or lesser extent informed, so the question is whether FLOs and partnerships make *sufficiently* well-informed choices about the support that they need or sources of support they might access.
- Although it is difficult to test this, as much of the discussion in the evidence is value-laden and contested, the evidence does suggest that FLOs tend to prefer more intensive and closer support relationships and appear to select familiar providers and use word of mouth, rather than shopping around amongst a range of providers.
- FLOs are predominantly concerned about whether their providers are trustworthy and will understand them and less concerned than their external stakeholders about whether support providers carry a quality standard.
- The evidence also suggests that awareness of the range of support sources available is poor – both among FLOs and support providers themselves.
- More information about the choices available should use everyday language, which uninitiated organisations can understand and identify with.

## 2.5 Choosing leads to better outcomes

### Hypothesis 5: Choosing leads to Better Outcomes

‘Giving FLOs and partnerships choice and control over the services that they receive leads to better skilled and more confident front line organisations, with enhanced outcomes for beneficiaries’.

The Building Capabilities framework promotes the idea of ‘demand-led’ approaches to capabilities, in which choice and control for FLOs in determining the focus and nature of support is emphasised (Big Lottery Fund, 2011b; 2012). This idea has been promoted in previous research (Harker and Burkeman, 2007) and commentary (Bubb and Mitchell, 2009). Clearly FLOs exercise some choice and control already in accessing services, given the acknowledged and

*‘Choice’ and ‘control’ can have multiple and vague meanings*

sometimes confusing array of support provision, and the idea that some FLOs sometimes access support from multiple providers. The issue here, however, is the nature and meaning of choice and control. Both terms can have multiple and vague meanings. Capacity building or support for building capabilities is always an interaction between FLO and provider, with an inbuilt

asymmetry of knowledge, expertise, confidence and resource. If this imbalance was redressed, would it lead to better skilled and more confident FLOs, and enhanced outcomes for beneficiaries?

### 2.5.1 A top-down, deficit model

There are examples in the literature where capacity building is approached in a top-down and ultimately disempowering way. Arguably here the lack of choice and control fails to meet the needs of communities and FLOs and has detrimental effects. For Craig (2007) it is an inherent feature of a 'deficit' concept of capacity building, where communities (and by implication FLOs) are assumed to be lacking in skills, knowledge and confidence. These shortcomings are to be made up by outside expert capacity builders (see also Donahue, 2011, and Diamond, 2008 – See Box 9 below).

#### Box 9: Capacity Building as disempowerment

Diamond (2008) provides an empirical example of disempowering capacity building in his analysis of the development of a community centre in a deprived area in the North West of England.

He argues that a process in which large organisations and skilled outsiders are brought in to manage a project designed to support local groups can be flawed:

*“Promoting ‘capacity building’ and supporting specific projects does not of itself embed self-confidence, independence and autonomy within neighbourhoods...it is possible to argue that a community-based initiative dependent upon external funding and managed, in the main, by professional agencies does not have the potential to support effectively the individuals and projects linked to the Centre over the medium to longer term” (Diamond, 2008: 163).*

### 2.5.2 Offering more choice and control

ETTO (2010) suggested that provision was fragmented, of variable quality and under-resourced. Many groups felt they had little choice of provider and their

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*Evidence suggests current provision is fragmented, of variable quality and under-resourced. Many groups feel they have little choice of provider and their needs are not being met.*

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needs were not being met. Partly in response to findings such as these, there have been a number of attempts to address fragmentation, the quality of provision and, to develop models of support offering more choice and control in recent years. Thus far, however, evaluations tend to offer more evidence of FLOs' experience of the process rather than any indication of the longer term impact on capabilities, organisations or beneficiary outcomes, as seen in two examples in Box 10 below.

### **Box 10: Appreciating choice, control or dedication?**

The evaluations of the government's Modernisation Fund, established in 2009 in response to economic downturn, suggest that FLOs appreciate a bursary model for organising support, where they can access up to £1000 to pay for initial advice on how they can become more resilient (Grant Thornton, 2010). They believed that the support offered through the scheme left them better equipped to face the current economic environment (Cordis Bright, 2011). The role of choice and control in this scheme is a little unclear, however. It appears that dedicated and knowledgeable expert support, offering the chance to reflect on the organisation and focus on actions ahead to achieve particular goals, is what was actually appreciated.

The Adventure Capital Fund offered business development support, in the form of small grants and dedicated expert 'supporters' to build the capacity of community enterprises seeking to expand through social investment. The evaluation was very positive about the role of business support: *'participation in the Bursary programme has helped participants to cross the threshold from being tentative to being confident about their future direction and priorities. One senior manager responded by saying "I now feel like a professional person, no longer a supplicant." The Bursary programme has assisted organisations in moving to the next stage of development. The process has facilitated a change in the way organisations think about themselves. That change in perception has also been associated with a sense of 'anything is possible' and an acceleration of the pace of change'* (Thake, 2004: 27), and *"Supporters had an important role in helping participating organisations to 'map out' the journeys they needed to take. There were many instances where focused organisations working with 'expert adviser' supporters brought about a step-change both in capacity and confidence"* (Thake, 2005: 13).

However, in these evaluations greater confidence and focus appears to be the outcome of dedicated support, rather than choice and control. The challenge is that the direct experience (and reflections of the consequences) of choosing providers and engaging with them, has not been explored. The very processes and interactions within choice and control remain obscure.

It is important to note that the evidence shown in box 10 is drawn from evaluations of quite structured programmes. Choice and control is heavily

shaped by the nature and purpose of the programme, its structure or architecture, and the expectations placed on different participants according to who they are, how they are expected to act, and what they might become as a result of the support. The shaping role of funders becomes very important in this situation, as noted by Cornforth et al (2008) and Walton and Macmillan (2014), to the extent that 'demand-led' capacity building may not be an apt description.

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*'Demand-led' capacity building may not be an apt description.*

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#### **2.5.4 Revisiting hypothesis five**

Choice and control are felt to be important features of the ways in which FLOs might access support. However, the terms are ill-defined and there is very little evidence which can precisely shed light on role of choice and control in improving outcomes, independently of the content and quality of support. There is no evidence to confirm or refute this hypothesis, with little structured comparative evidence of support interventions involving more or less choice and control. There are no detailed studies of the experience and impact of 'pure' self-directed decisions to organise and access (and sometimes pay for) support from external providers, independently of specific funding programmes. We do not know whether self-funded or programme-funded interventions would lead to better outcomes for FLOs, partnerships or beneficiaries. And there is very little comparison between 'pure' and 'shaped' choice and control, for example in the contrast between FLOs fully choosing and determining the nature of support, set against more structured interventions offered by support providers (see, for example, Halton and St Helens VCA, 2011 in box 2).

## Hypothesis 5

### Choosing leads to better outcomes

‘Giving FLOs and partnerships choice and control over the services that they receive leads to better skilled and more confident front line organisations, with enhanced outcomes for beneficiaries’.

### Summary of findings

- Choice and control are felt to be important but the terms are ill-defined and there is very little evidence which can precisely shed light on their role in improving outcomes, independently of the content and quality of support.
- There is no evidence to confirm or refute this hypothesis, with little structured comparative evidence of support interventions involving more or less choice and control.
- Any ability to exercise choice and control is compromised at present since awareness of support is poor, and provision is perceived as fragmented and inequitably accessible.
- There is also a conceptual issue to be addressed regarding the extent to which FLOs have true choice and control when funders are involved in shaping and incentivising the support offer available to them. In this context, the support, however marketised, may not be best described as ‘demand-led’. It may be better to focus the language and conceptual development of capability building on the importance of *tailored* support.

## 2.6 Market failure

### Hypothesis 6: Market Failure

‘There are some critical support services for VCS groups which cannot be provided through the market’.

There is a suggestion that the field of infrastructure support and capability building is shifting gradually towards more of a market orientation, where providers charge for services, and FLOs purchase them. These transactions may occur with or without supporting subsidy, in the form of grants or contracts to providers, or bursaries, vouchers and development grants to frontline organisations. If this is so, it raises questions about the potential for and types of ‘market failure’ which could arise. This hypothesis tests the idea that the market may not be able to develop in some areas of capability building work.

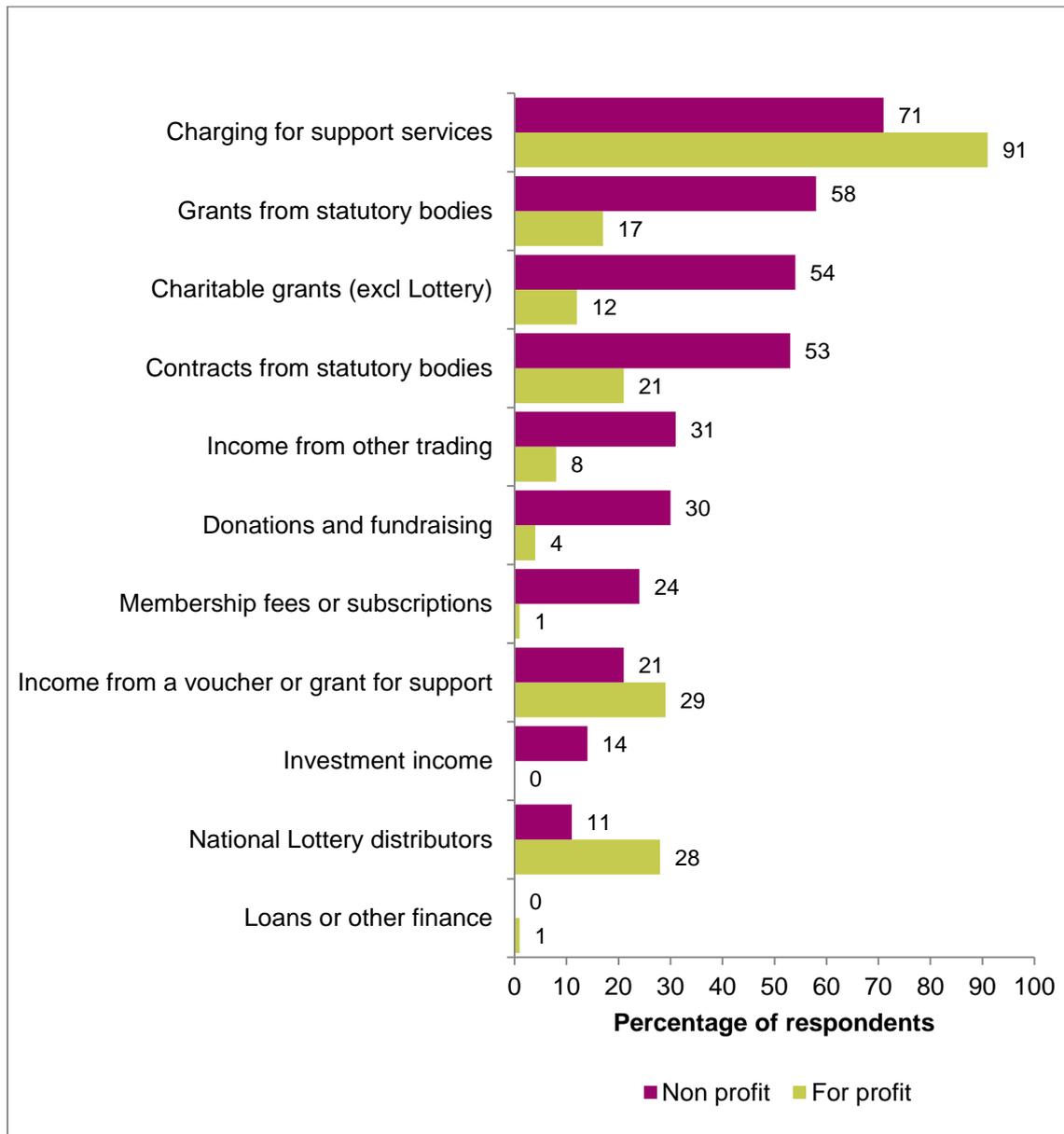
### 2.6.1 Shift towards a market approach

Walton and Macmillan (2014) concluded their review of three innovative ‘demand-led’ market-making voucher schemes for support services by suggesting that the language of markets has thus far outpaced actual practice in the sector. There appears to be a great deal of talk about marketised approaches, but less action.

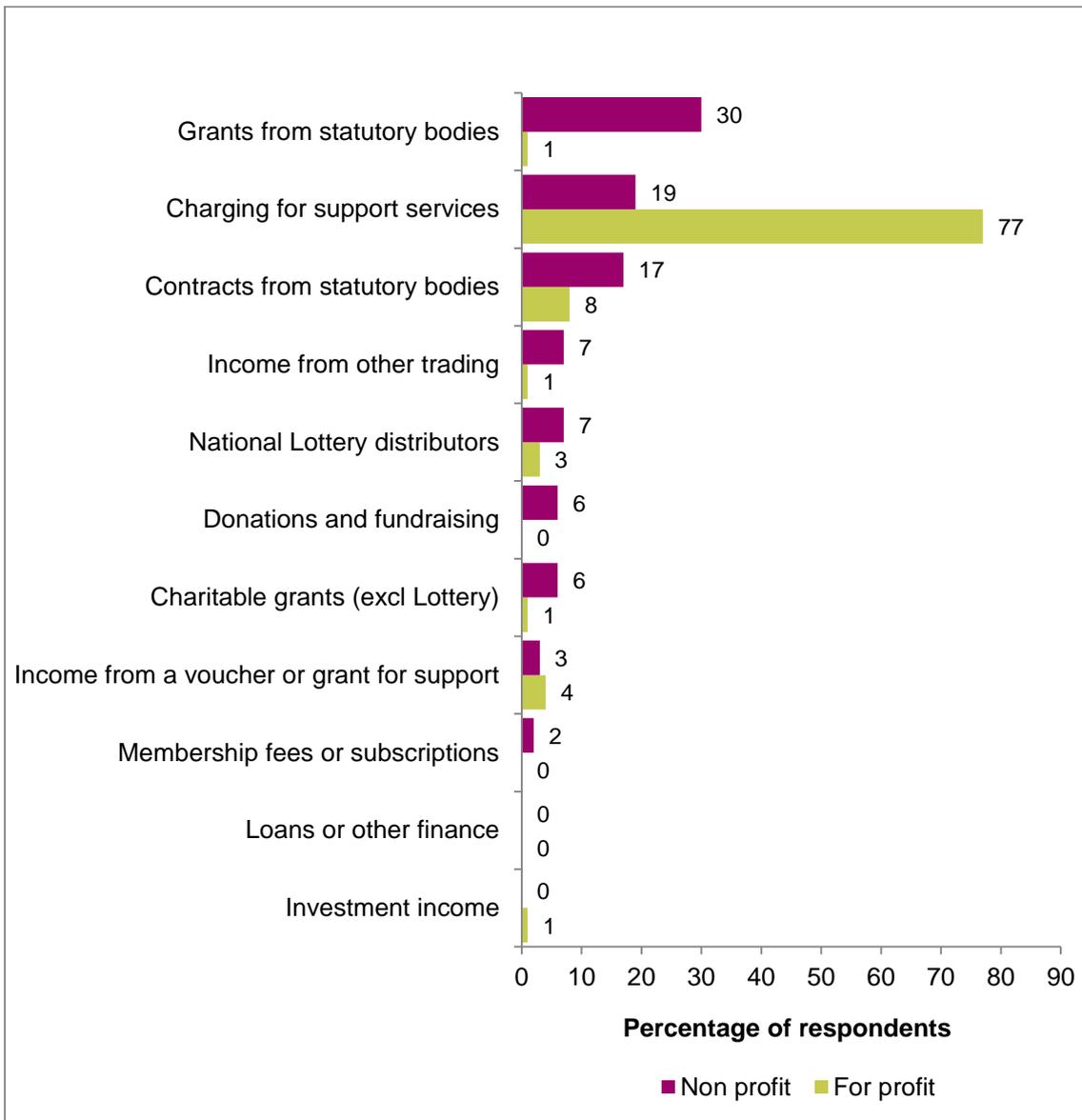
However, our online survey has confirmed signs of a shift towards a market approach; 79 per cent of support providers noted earned income as a source of

their revenue, and 44 per cent said it was their most important source of revenue. There was some variation in sources of income between for-profit and non-profit providers (see figure 2). Charging for services was regarded as the main income source for 77 per cent of 'for-profit' providers (who made up approximately two fifths of the sample), compared with 19 per cent of 'non-profit' providers (making up the remaining three fifths of the sample) (see figure 3).

**Figure 2: Sources of income for support providers**



**Figure 3: Most important sources of income for support providers**



In the past 12 months, the four categories of income seen by the greatest number of respondents to have increased were ‘charged for support services’, ‘income from other trading’, ‘income from a voucher or grant for support’ and ‘membership fees or subscriptions’. In contrast, the four sources of income most likely to have decreased were ‘grants from statutory bodies’, ‘contracts from statutory bodies’, ‘national lottery distributors’ and ‘charitable grants (excluding

Lottery)’. However, this is not to diminish the continuing importance and total value of statutory funding (as grants and contracts) in the support market, which accounts for around half of the current income for capacity building work. This compares with 20 per cent for ‘charged for support services’ and 7 per cent for ‘income from other trading’. National Lottery distributors account for 10 per cent of the total income for the supply side of the market.

*Statutory funding (as grants and contracts) in the support market accounts for around half of the current income for capacity building work.*

### 2.6.2 Equity

Our evidence review suggests that there is very little literature and research evidence which addresses questions of market capacity and failure. Most of the discussion is about equity in relation to a market approach, identifying specific types of groups (such as small, rural and BME groups), which may not be in a position to purchase support services, or do not typically pay for support now, rather than types of support service which may be under-supplied (Hayward, 2006, Shared Intelligence, 2010, Kara, 2013).

### 2.6.3 Charging and paying

Some support services are unlikely to be marketable on an individual basis, such as collective forms of activity including, for example, voice and representation work. Frontline organisations are unlikely to pay for them on an individual basis, unless they form part of a package of support and services. Support providers who also aim to fulfil a voice function may thus be able to draw in resources through membership or subscriptions schemes, although as we have seen from our online survey the financial contribution of this source of income is relatively small. A report on sustainable models of support (Shared Intelligence, 2010) notes that research participant infrastructure organisations were charging for support services such as accountancy, HR advice, consultancy, training and IT support. It suggests that “*some specialist services, such as consultancy support, might be easier to make ‘self-financing’ than other, more generic services such as events and advice.... none of the organisations were charging for more generic training events or for more generic advice*” (Shared Intelligence, 2010: 6). However, infrastructure organisations were aware of the risk that introducing charges would prevent some groups accessing services, and thus sought to mitigate this through tiered charging regimes (*ibid*).

More recent research indicates that many frontline organisations are not willing or able to pay for support services. The Sheffield FUSE support fund was a voucher scheme for support services, funded through the Sheffield Transforming Local Infrastructure programme. Eligible frontline organisations

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*Recent research indicates that many FLOs are not willing or able to pay for support services: 40% would pay only up to £250 per year, and nearly 70% only up to £500 per year*

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received vouchers up to a value of £750, but were expected to make a contribution to the cost of support. Again this was a tiered scheme where the value of the voucher was higher for smaller groups. The principle of making a contribution was designed to test the viability of the market beyond subsidy, and to engender a fee-paying culture. Even though the bulk of the scheme was subsidised, some organisations did not pursue the voucher as they could not afford to make the contribution (Kara, 2013). A small survey for the evaluation of the fund

indicated that 90 per cent of respondents would be prepared to pay something for the support they access, but the amounts they would be prepared to pay were very small – 40 per cent would pay only up to £250 per year, and nearly 70 per cent only up to £500 per year (*ibid*).

#### 2.6.4 Lack of demand

Bubb and Michell (2009) offer a broader challenge for the development of the market for support services. Whilst most attention focuses on the difficulties facing providers, and the possibility that some kinds of services may not be amenable to a market-based approach, Bubb and Michell suggest that in

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*It has been suggested that the lack of demand for capacity building in the sector reflects a culture which focuses on frontline delivery.*

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general there may be a pervasive lack of demand for capacity building in the sector, which arises because of a deep-seated culture which focuses on frontline delivery, to the neglect of reflection and investment in organisational development. They call for a broader strategy of cultural change across the third sector, drawing an explicit link between organisational capacity and outcomes for beneficiaries.

#### **Box 11: The culture of organisational development**

Bubb and Michell (2009) call for a sea change in the sector's attitudes and approach to investing in capacity building and organisational development:

*We need more third-sector organisations to recognise that a failure to invest in the capacity of the organisation (in terms of the skills and professional development of the staff and chief executive, for instance) is a failure that the organisation's current and potential beneficiaries will ultimately pay for....*

*...part of the answer here is to encourage cultural change within the sector in an effort to stimulate demand for capacity-building services. For the sector's capacity to be transformed, we will need third-sector organisations to be confident about creating surpluses and investing in the organisation; we will need them to be much more self-critical and aware of their capacity gaps; and we will need them to be much more aware of the resources available to them to fill those gaps. At root, part of our problem is a culture that is not conducive to capacity building (Bubb and Michell, 2009: 78, 80).*

#### 2.6.5 Revisiting hypothesis six

There is very little empirical evidence about whether some critical services or functions associated with capability building and infrastructure cannot be provided through the market. In many ways it is too early to tell. However, there are compelling arguments that some collective functions, such as voice and influence work, may support capability building but operate as 'public goods'

which cannot be divided and individually charged for (see section 2.7 below). There is, however, a more general concern reflected in the literature that a market-based approach may be limited more generally by inability and unwillingness to pay for support services.

### Hypothesis 6

#### Market Failure

‘There are some critical support services for VCS groups which cannot be provided through the market’.

#### Summary of findings

- There is very little literature and research evidence which addresses questions of market capacity and failure.
- Most of the discussion is about equity in relation to a market approach, identifying specific types of groups which may not be in a position to purchase support services, or do not typically pay for support now, rather than types of support service which may be under-supplied.
- Currently, statutory funding accounts for around 50% of the income of the capacity building support market. Funding from national lottery distributors, including the Big Lottery Fund, accounted for around 10% of the total income of the supply side of the market in 2013-14.
- Smaller groups, especially those in rural and more deprived areas, are less likely to have the ability to access the market or afford support. Whilst their purchasing power is small, they are a significant part of the sector in terms of numbers.
- Collective activities such as voice and representation work are unlikely to be sustainable as unsubsidised offers to the market.
- The market’s greatest challenge to its ability to deliver support services of any kind may be a prevailing cultural focus within the VCS on day to day frontline delivery to the neglect of investment in organisational development.

## 2.7 In defence of infrastructure

### Hypothesis 7: In Defence of Integrated Infrastructure (Voice + Services)

‘Support to FLOs is more advantageous to them when delivered by supply-side organisations which combine support service provision and representation of the VCS in their work’.

The seventh hypothesis explores further the relative advantages/disadvantages of different models of provision. Some support providers provide particular services (e.g. consultancy; training), and do not attempt to fulfil a broader function. Many support providers, however, also aim to represent, lobby, campaign and advocate on behalf of their members and user front line organisations, their interests and the causes they promote, and for the sector as

a whole – the ‘voice’ function. This has been a well-established model in the sector, and is well promoted and supported (e.g. one of the NAVCA membership and quality standards). This is part of infrastructure’s ‘intermediary’ role where it seeks to influence both the policy arena on one side and work with members and users on the other. The balance of organisations which do and do not provide integrated functions is worth exploring, as is any change in this balance over time.

### **2.7.1 *Balancing voice and support functions***

A review of third sector infrastructure in Sheffield in 2010 estimated that 13 generic and specialist infrastructure organisations (for which support provision is their main purpose) together employed 84.7 full time equivalent staff. Of this number, 18.4 FTE staff (22 per cent) are involved in work around networking, voice and influence and enabling groups to meet together, compared with 39.2 providing development support for groups (46 per cent), 8.1 providing buildings and facilities (10 per cent) and 19.0 on internal management (22 per cent) (Tuffin and Bryan, 2010: 25). Over 2/3 of the City’s resource supporting networking and voice arises in two organisations – the local CVS and the Community Empowerment Network. However, there is good reason to think that the picture will have changed dramatically as these figures predate general cuts in financial support for local infrastructure, and particularly in this case the subsequent closure of the Community Empowerment Network.

There are many rationales for the ‘voice’ function, and for linking it to direct support and development work. One of these rationales is highlighted in this hypothesis, namely that linking and integrating voice and support is better for FLOs. There are two potential mechanisms in operation. It could be because the actual support will be better informed and attuned to a changing wider context, with intelligence from the voice function filtering into support provision. Or it could be because support provided on an individual basis for a FLO is allied to wider collective efforts to improve the conditions and context for all FLOs. On the other side of the hypothesis, it could be argued that support services are more advantageous when provided by specialist organisations which do not aim to pursue a voice function, on the grounds that it focuses on what it is good at, rather than be distracted wider, inevitably political, agendas.

However, there is precious little evidence to inform either side of this hypothesis: we do not know if support is more (or less) advantageous to FLOs when provided by organisations which also fulfil a representative role, or if it is provided by organisations which do not. There has been no systematic comparison of those that integrate support and voice, with those that do not. Two items described in Box12 below draw a more explicit connection.

### **Box 12: More than a sum of its parts**

Research considering the economic value of infrastructure, based on the work of Voscur, a large third sector infrastructure organisation in Bristol (Bell, 2014), suggests that alongside an honest broker role, third sector infrastructure organisations are valued in acting as independent champions of the sector, in bringing groups together, acting as a bridge between the public and third sectors, and for providing intelligence about the sector to external stakeholders (highlighting that it is not just FLOs which benefit from a voice function – see also Harris and Schlappa, 2007):

*'Voscur's services were considered valuable and effective by both frontline groups and other external agencies who are strategic stakeholders. Voscur was seen as performing a wide range of vital functions. And having a single organisation able to provide this range of activities was, in itself, important' (p.6)*

*'Interviews with external agencies showed that Voscur is particularly valued for enabling the external agency to reach the VCSE frontline groups; for providing information about what is happening in the sector and what the sector's issues and perspectives are; for disseminating the agency's information to the VCSE sector; for capacity building the VCSE sector; for enabling the VCSE frontline groups to successfully bid for funding; for developing the voice of the VCSE sector; for being a point of referral; promoting the equalities agenda; and for championing the VCSE sector' (p.11).*

A study for Newcastle Council for Voluntary Service concludes that it is 'more than the sum of its parts'. Groups access a range of different services provided by the organisation, and they consider it an honest broker which they trust to represent their views (Trapeze Consultancy, 2013).

Respondent FLOs in an evaluation of third sector infrastructure services in South Yorkshire (Batty et al, 2009) noted the importance of local VCS support agencies knowing the sector well and being attuned to the needs of local voluntary organisations and community groups. This was offered as a contrast to services being delivered on a larger geographical basis, or through the private sector and/or independent consultants.

### **2.7.3 Reach and influence**

Local knowledge, however, requires extensive reach by support providers into the local sector or specialist constituency of FLOs they aim to represent. The

evidence to demonstrate the prevalence of that knowledge is a little more mixed.

Although studies in Central London (Central London CVS Network, 2010) and South Yorkshire (Wells et al, 2010) note how third sector infrastructure organisations have wide reach, evidence from the North East and Cumbria (Chapman et al, 2009: 7, 41) is a little more circumspect about the representation role of support providers, noting lack of capacity, lack of intelligence on the sector and questions of legitimacy for organisations speaking on behalf of the whole sector.

A survey of frontline organisations in London for the Central London CVS Network (2010) finds that 78 per cent of respondents said the CVS had helped make them more informed about policy, suggesting that they are well positioned

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*Evaluation evidence suggests that increased sector influence was an outcome of the ChangeUp programme.*

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to provide support. A study of the sector in Gloucestershire (Framework, 2009) notes the strategic role of infrastructure in providing leadership, strategic vision and promoting the contribution of the sector locally and in relationships with public sector commissioners. Box 13 below suggests that increased sector influence was an outcome of the ChangeUp programme delivered through Capacitybuilders.

### **Box13: ChangeUp and voice**

The evaluation of ChangeUp (TSRC, 2009: 82) argued that the programme has increased the third sector's influence:

*“Through the ChangeUp consortia, the standing of Third Sector Organisations (TSOs) with the statutory sector has increased, and this particularly applies to local infrastructure organisations. This in turn has allowed them to exert more influence in the decisions of these bodies, e.g. in designing the role of the third sector in delivering the targets set out in Local Area Agreements. In turn this has made it more likely that TSOs, both frontline and infrastructure organisations will win contracts or be awarded core grants to provide services locally”.*

This argument was echoed in research for Capacitybuilders on sustainable models of support (Shared Intelligence, 2010a: 55-56):

*'Several of our case study organisations were playing a key role in helping to ensure that TSOs have fair and equal access to public service tendering opportunities, for instance by negotiating, and upholding, a local Compact agreement with commissioners. Many were working with public agencies to ensure specific service contracts are designed with TSOs in mind, so they are given a 'fair chance' at winning contracts when competing with private sector providers. This aspect of their role required strong relationships with key local public sector agencies, and an in-depth understanding of their values and working practices, all of which required ongoing engagement... Many were also making the case for the strategic 'fit' between what the local third sector delivers and statutory partners' targets. These are two areas where infrastructure organisations felt they could add value above and beyond simply delivering support services, and several of the case study providers argued that this supported their case for future funding'*

#### **2.7.4 Revisiting hypothesis seven**

There is insufficient evidence to suggest that direct support is more advantageous for FLOs when combined with a broader representative role, or to suggest that it is more advantageous when direct support is provided without

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*There are reasons, with supporting evidence, to think that the voice function is valued, and that it may be better for FLOs to access support when it is combined with voice.*

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it. There are reasons, with supporting evidence, to think that the voice function is valued, and that it may be better for FLOs to access support when it is combined with voice. Support services may be better informed by voice, and voice may be better informed by knowledge of the needs and priorities of FLOs. This is contingent, however, on the capacity, local and specialist knowledge, position and legitimacy of the particular support provider and the strength of its systems for managing its own internal knowledge flows.

## Hypothesis 7

### In Defence of Integrated Infrastructure (Voice + Services)

‘Support to FLOs is more advantageous to them when delivered by supply-side organisations which combine support service provision and representation of the VCS in their work’.

### Summary of findings

- There is insufficient evidence to suggest that direct support is more advantageous for FLOs when combined with a broader representative role, or to suggest that it is more advantageous when direct support is provided without it.
- We believe that the voice function is valued within and beyond the sector, and that it may be better for FLOs to access support when it is combined with voice. Support services may be better informed by voice, and voice may be better informed by knowledge of the needs and priorities of FLOs.
- This is contingent, however, on the capacity, local and specialist knowledge, knowledge management, position and legitimacy of the particular support provider.

## 2.8 Market capacity

### Hypothesis 8: Market capacity

‘The market is able to respond to the demand that will arise as grant holders are supplied with in-grant funding to seek capability-building support (whether this funding is applied on a targeted or universal basis) and as the Fund develops pre-grant area-based capability-building initiatives’.

The eighth hypothesis aims to assess market capacity on the supply side. Are there sufficient numbers of providers with sufficient capacity to meet changing demand across all geographical areas, capable of providing quality services and support in relation to key functions, and for specific groups of FLOs? In particular, though, the question focuses on whether the market can meet demand which may arise from the Big Lottery Fund’s developing framework for Building Capabilities in England.

### 2.8.1 Overall state of the market

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*Gaining comprehensive, reliable and up to date information about the overall state of the market is difficult.*

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Gaining comprehensive, reliable and up to date information about the overall state of the market, and particularly how it is changing at a particularly turbulent time is exceptionally difficult.

The era of ChangeUp and Capacitybuilders featured an extensive range of local, regional, national and specialist mapping exercises. However, these are

increasingly out of date as the field of capacity building and infrastructure providers has been experiencing an ‘unsettlement’ (Macmillan, 2013: 386) in terms of its resources, structures and assumptions. In addition, these maps tended to focus, following the programme, on voluntary sector infrastructure, that is, support offered by dedicated voluntary sector organisations for frontline voluntary sector organisations. As such it tended to overlook support provided through other means: by the private sector (consultancies, professional services, prime and sub-contracting and pro-bono work), by the public sector (community development teams, voluntary sector liaison teams, specific development and capacity building staff in public bodies), and informally (peer to peer support).

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*A survey in 2010 found that 8% of responding third sector organisations were involved in capacity building. Our online survey suggests most capacity building is provided by organisations for which it is a main function.*

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Lots of organisations are involved in providing support to other frontline third sector organisations. In 2010, the NSCSE suggests 12,400 (8 per cent) of responding third sector organisations were involved in some capacity building – 3,700 (2 per cent of respondents) where it is a key function, and 8,700 (6 per cent) where it was provided, alongside other functions. However, our online survey suggests that most capacity building in total is provided by organisations for whom it is a main function, rather than by those who only do it a bit alongside other functions. At community level there are suggestions

that a lot of capacity building support is on offer. Although it pre-dates the recession, the Coalition and the austerity programme, Taylor (2005) identifies 289 people (45 FTE) contributing to community capacity building in six small localities with populations of between 10,000 and 20,000 people, but only a small proportion of these were in jobs dedicated to community capacity building. Meanwhile Tuffin and Bryan (2010) identify approximately 85 FTE posts providing support to the sector in Sheffield, at a cost of £4.4m per year.

### **2.8.2 Accessing support**

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*Survey analysis suggests more than 30,000 FLOs access support from non-profit support providers. Our online survey found more than 100,000 instances of support from 188 providers.*

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Our analysis of the NSCSE shows that FLOs access support on a large scale – from the survey we can estimate that more than 30,000 FLOs in total access support from non-profit support providers. Our online survey revealed more than 100,000 instances of support from just 188 for-profit and not-for-profit support providers. The main focus of the support accessed is partnership working, access to funding, and volunteering, whereas support in more ‘technical’ areas of finance and law is less common. Frontline organisations funded by local authority and lottery sources seem to be comparatively heavy users of support. Surveys for the evaluation of ChangeUp also indicated high levels of support seeking by FLOs: ‘Across our localities, the lowest proportion of TSOs which mention any source of support being accessed is

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*FLOs funded by local authority and lottery sources seem to be comparatively heavy users of support.*

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47 per cent (localities 11 and 3) and the highest is 81 per cent (locality 6). This suggests that there is high level of activity in seeking support. It indicates not only the need for support but also the large volume of support which is available to third sector organisations – this support is big business’ (TSRC, 2009: 57).

### **2.8.3 Balancing supply and demand**

The literature repeatedly raises concerns about the capacity of the supply side to meet demand. For example, a 2007 survey of frontline organisations in Rotherham found very high levels of anticipated demand for some form of external support in the next 12 months, particularly amongst organisations with paid staff, and particularly around funding and finance, human resources and law and regulations, concluding that: 'There is insufficient capacity within some areas of support, either to meet the current level of expressed need and/or to undertake further pro-active outreach work' (Webster et al, 2007: 5). Local surveys in the ChangeUp evaluation identify between 11 per cent and 28 per cent of TSOs attempting to access support but were unable to find it, particularly around 'raising funds and income' (TSRC, 2009: 57). Six monthly surveys of support providers during the downturn and recession suggest that overall capacity is related to changes in the broad economic environment. The downturn and recession from 2009 onwards had a double impact of increasing demand for support with providers facing reduced income. The surveys suggest that '*growing financial pressures may limit the ability of support providers to*

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*It has been argued that many voluntary sector infrastructure support organisations do not have the capacity to provide the amount, range or level of support that is needed for very small voluntary and community groups.*

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*respond to further increases in demand for their services'* (Capacitybuilders, 2009b: 2), but that nearly half of support providers report that they are coping well or very well (Capacitybuilders, 2010: 5). The literature also hints that capacity constraints maybe more acute for some types of groups. Donohue (2011) argues that many voluntary sector infrastructure support organisations do not have the capacity to provide the amount, range or level of support that is needed for very small voluntary and community groups. ETTO (2011) suggests that current provision for identity-based groups is under-resourced and of variable quality. Many groups indicate that they have

little choice of provider and their needs are not being met. Care is needed here, however, as these are conclusions based on specific constituencies of FLOs – in this case BME organisations and LGBT groups - rather than as an overall comparison with the broad range of FLOs in the sector as a whole.

There is evidence of the supply side developing adjustment strategies in the face of the market turbulence brought on by the recession, austerity and changing policy priorities. Various reports suggest and showcase the efforts voluntary sector infrastructure organisations are making to become more sustainable, including restructuring and reconfiguring services (Shared Intelligence, 2010, Cooke, 2013). Strategies include income generation and diversification, pursuing cost efficiencies, collaboration and merger and greater engagement with public sector partners. The Big Lottery Fund's BIG Assist

programme is specifically designed to support infrastructure organisations in adjusting to the new conditions (OPM, 2013, Walton and Macmillan, 2014).

Much of the research on the state and capacity of the market is rather dated, particularly in the turbulent context seen in the sector over the last five years. A

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*Evidence suggests providers come forward in seemingly healthy numbers for specific market-making voucher schemes.*

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significant difficulty is thus gaining up-to-date intelligence on the state of the market, especially given its local and field-specific complexities. Providers do come forward in seemingly healthy numbers for specific market-making voucher schemes, such as the Big Assist programme and the Worcestershire Changing Futures Fund (Walton and Macmillan, 2014). An important dimension of this is the need to understand in what ways the

market has become segmented on both the demand and supply side, with providers specialising in particular forms of support for particular types of groups, and frontline organisations seeking particular types of support from particular types of provider.

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*Our online survey suggests that non-profit providers support far more FLOs than for-profit providers. Non-profit providers tend to provide mass or open access support alongside more intensive one-to-one provision. For-profit providers tend to focus on one-to-one support.*

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However, our market review provides a broad indication of market capacity. Our online survey suggests that demand for support has increased in recent years and support providers expect it to increase more in the future. Income generation and partnership working were the two main areas of support expected to increase the most. The survey finds that non-profit providers support far more FLOs than for-profit providers. Non-profit providers tend to work at neighbourhood or LA level, provide mass or open access support alongside more intensive one-to-one consultancy style provision. By contrast, the focus for for-profit providers tends to be much more on one-to-one or direct service provision, with little in

the way of mass forms of support, but they operate on a broader geographical basis.

#### **2.8.4 Revisiting hypothesis eight**

Ultimately, we do not know conclusively whether there is sufficient market capacity to be able to respond to developments in the Building Capabilities

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*The market overall and the nature of demand, is far too complex and dynamic to provide a confident view, and there is a lack of up to date comprehensive intelligence.*

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framework. The market overall and the nature of demand, is far too complex and dynamic to provide a confident view, and there is a lack of up to date comprehensive intelligence. More probable is that the market will respond, but there are likely to be gaps. Changes in the market mean that some aspects of supply may be in decline, or may reformulate in different ways. There are some persuasive suggestions (though not as yet evidenced findings) that more support in the future will be provided

through individual traders or groups of associates, rather than through dedicated organisations coupled with other functions such as voice. The latter may 'hollow out' (Walton and Macmillan, 2014: 23). As the balance shifts, it will be important to chart the extent to which consultancies are encouraged and able to share intelligence about the sector from their work with individual FLOs.

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*There are also good reasons to think that demand for support may be rather unlimited. This arises from a perspective which sees building capabilities as an ongoing and context-related process, rather than a process of filling gaps and resolving problems in which it is then possible to claim 'job done'.*

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There are also good reasons to think that demand for support may be rather unlimited. This arises from a perspective which sees building capabilities as an ongoing and context-related process, rather than a process of filling gaps and resolving problems in which it is then possible to claim 'job done'. Firstly building capabilities may be self-perpetuating in several ways. Insofar as frontline organisations' capabilities develop, they are more likely to be aware of issues requiring attention, opportunities for development, and the scope of available support. Secondly, demand may increase to meet increasing supply, particularly if it is provided for free or at low cost. Thirdly, there are some suggestions in the literature that support is better provided as an ongoing relationship, rather than a set of bite-sized transactions (Backer et al, 2004, IVAR, 2013). Fourthly, however, demand may be unlimited in so far as it is related to an increasingly competitive voluntary sector. Building capabilities, in this argument, is a positional process of business improvement not to address a gap or resolve a problem in a frontline organisation, but to improve its position in relation to other frontline organisations, in a competitive race for resources, profile and better delivery for beneficiaries. There's no end to the race in such circumstances.

## Hypothesis 8

### Market capacity

'The market is able to respond to the demand that will arise as grant holders are supplied with in-grant funding to seek capability-building support (whether this funding is applied on a targeted or universal basis) and as the Fund develops pre-grant area-based capability-building initiatives'.

### Summary of findings

- The market overall and the nature of demand is far too complex and dynamic to provide a confident view of market capacity, and there is a lack of up to date comprehensive intelligence.
- In 2010, 2% of charity and social enterprise respondents to the NSCSE survey (or 3,700 organisations) were providing support as their main function. Many other VCSE organisations provide support as an element of their wider work, and this includes peer support. In addition to this our own survey has shed light on the market contribution of consultants and other private sector support services.
- Big Lottery and Local Authority funded frontline organisations are already comparatively heavy users of the support market.
- Changes in the market mean that some aspects of supply may be in decline, or may reformulate. There are some persuasive suggestions (though not as yet evidenced findings) that more support in the future will be provided through individual traders or groups of associates, rather than through dedicated organisations coupled with other functions (such as voice).
- Support in relation to income generation and partnership working are thought to be the areas of likely to increase the most over the next few years.
- Where voucher schemes have been created, providers have come forward in healthy numbers.
- There are also good reasons to think that demand for support may be unlimited: building capabilities may be self-perpetuating; demand may increase to meet increasing supply; and demand may be related to a positional process of business improvement not to address a gap or resolve a problem in a FLO, but to improve its position in relation to others.
- See Figure 7 (page 78) for a preliminary 'market map' of support services.

## 2.9 Funder outcomes

### Hypothesis 9: Achieving funder outcomes

'Funding capability-building helps funders to achieve their mission by drawing in better quality applications and empowering hard to reach communities'.

Capacity-building has become an increasingly important part of what many funders do. The assumption is that building the capacity of organisations will help funders achieve their mission (whatever that might be), both by improving

the quality of funding applications that they receive, increasing access to their funding programmes across groups and communities they have struggled to engage with, and increasing the chances of funded projects resulting in successful outcomes.

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*One study argued that UK-funders don't always develop theories of change, or think clearly about what change they would like to bring about and the forms of support that are most likely to achieve it, before commencing capacity building programmes.*

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Once again, however, there is very little comparative or systematic evidence of outcomes of capability building or even capacity building for funders - or indeed for anyone else (Cairns et al, 2011; Hankins, 2013). Bolton and Abdy (2007) imply that funders in the UK may not always develop theories of change, or think clearly about what change they would like to bring about and the forms of support that are most likely to achieve it, before commencing capacity building programmes, making any evaluation of their impact harder. There are, however, various bits of evidence that can contribute to an assessment of this hypothesis.

### **2.9.1 Programme success**

Most of the relevant evidence comes from evaluations of individual funder programmes. Many of these report mixed success – that capacity building support has been well received, that many organisations provide positive self-assessments, but that there is a lack of concrete outcomes, and that any change cannot be directly attributed to the programme (see for example Wells et al, 2012; Wells et al, 2010; Batty et al, 2005; Cordis Bright, 2011).

In a review of Funding Plus initiatives – within which funders support their grantees through capacity building, alongside the grant-making activities - Cairns et al (2011) found little concrete data on their impact. Most funders felt that the approach had led to positive outcomes. There were, however, challenges associated with such an approach, including the significant time it takes to manage consultancies and to broker and establish good relationships. Funding plus involves trade-offs: time and money channelled towards capacity building is not spent on grants or on the grant-making process.

### **2.9.2 Quality applications**

We found two studies which reported specifically on the outcomes of capacity building for application quality. A review of funding advisors, utilised by the Big Lottery Fund to help support organisations in the application process, reported some positive outcomes from this particular capacity building activity (Big Lottery Fund, 2011a). Of the 16 per cent of applicants who had received support from a funding advisor, 97 per cent rated that support as helpful and 62 per cent felt that it had made their application stronger, although there was no objective measure of the effect on the quality of applications received. The review concluded that the most significant effect of the funding advisors was to reduce the number of inappropriate applications in one programme, and so help with the management of overall demand, although the overall impact of this was

limited by the small percentage of applicants which had received advice from funding advisors.

Thake and Lingayah's (2009) evaluation of the Business Development programme within the Adventure Capital Fund suggested that the pre-application support - through which organisations could commission strategic planning exercises, undertake business planning and feasibility studies, improve the skills-base of staff and put management/financial systems in places – had been successful in enabling credible applications to be developed for the main programme.

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*An evaluation of a business development programme found that pre-application support was successful in enabling credible applications.*

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### **2.9.3 Stronger organisations**

Arguably, building stronger voluntary and community sector organisations can contribute to funders to achieving their mission. We found no evidence to directly prove this link, and of course it will depend on what the funders' mission is, but we did at least find some strong evidence to suggest that capacity building can strengthen organisations (e.g. Minzner et al, 2014 – see box below; Halton and St Helens VCA, 2011; Bell, 2014).

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*We found some strong evidence that capacity building can strengthen organisations.*

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#### **Box 14: Randomised control trial shows positive impact**

An evaluation of a US federal government funded capacity building programme found positive results. The evaluation was based on a randomised control trial, enabling comparison between organisations which took part in the programme and organisations which did not.

The programme provided funding to 10 intermediary organisations, which were then responsible for providing three types of support to non-profit organisations: group training; customised technical assistance; and small grants. In 2006, 454 non-profits applied to take part in the programme: 237 were randomly assigned to the programme group; 217 to the control group. The programme group took part in the capacity building activities. The control group were not able to take part in intensive capacity building support during the evaluation period.

The trial found that the programme group showed significantly higher levels of capacity at the end of the evaluation period than the control group. Five areas of capacity were measured: organisational development; programme development; revenue development; leadership development; and community engagement. The programme group showed significantly higher levels of capacity in each, but there was no consistent pattern to suggest that certain types of organisation gain more from capacity building than others.

**Source: Minzner, Klerman, Makovitz and Fink (2014)**

#### **2.9.3 Revisiting hypothesis nine**

We found very little evidence directly relating to the impact of capacity-building on funders' missions. As with impact on end-users, as the chain of attribution gets longer, outcomes are harder to prove. There is a growing body of

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*The long chain of attribution makes it hard to measure the impact of capacity-building on funders' missions, or end-users.*

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evidence, however, which indicates that capacity building can have a significant effect on organisational capacity. This may, in turn, lead to positive outcomes for funders both in terms of the quality of applications they receive, the quality of projects that are delivered, and the ongoing work of these strengthened organisations with the individuals and communities that funders are ultimately concerned about.

## Hypothesis 9

### **Achieving funder outcomes**

‘Funding capability-building helps funders to achieve their mission by drawing in better quality applications and empowering hard to reach communities’.

### **Summary of findings**

- Evidence on the impacts of capability- or capacity-building on funders is currently limited. An underlying issue is that funders in the UK have not always developed clear theories of change for support initiatives, making evaluation harder.
- There is some evidence to suggest, however, that funding capability-building helps funders to achieve their mission by developing the organisational skills that underpin good strategic and service planning, which in turn should draw in better quality applications.

### 3. Discussion: Addressing the study questions

We have explored latest evidence and argument in the field of capacity building and infrastructure support for FLOs in some depth through the investigation of a series of linked hypotheses. In this section we move beyond these to consider what in sum it all amounts to. We discuss the findings of our review as they relate to three core questions the study was designed to address.

#### **What works in building capabilities**

*What works in building front line voluntary sector organisations' capabilities to deliver verifiable outcomes to end-users more effectively and sustainably?*

#### **A market for capability building:**

*What are the requirements for, and potential of, a marketised approach for capability-building, including an understanding of the shape of the emerging market, and potential gaps in provision including those for smaller, rural and other specialist groups?*

#### **Learning lessons**

*What lessons can be distilled for the Big Lottery Fund, other funders, policy makers and market participants, from these new understandings?*

#### **3.1 What works in building capabilities**

*What works in building front line voluntary sector organisations' capabilities to deliver verifiable outcomes to end-users more effectively and sustainably?*

In this section we draw on all the existing evidence discussed in section two to begin to provide an answer to the first, and main, study question

##### **3.1.1 Lots of evidence but no clear answers**

There has been a proliferation of evidence which is relevant to the building capabilities agenda. We have reviewed several hundred documents. Most focus on capacity building, rather than more specifically on capability building, and most are evaluations of individual projects and programmes, or broader overviews of the field addressing different questions to those which concern us now. Many have been produced or commissioned by funders or providers of capacity building support (see, for example, Harker and Burkeman, 2007; Thake and Lingayah, 2009; Halton and St. Helens VCA, 2011). A smaller although not inconsiderable body of evidence has been developed by

independent researchers and subject to peer review processes (Cornforth and Mordaunt, 2011, Donahue, 2011, Minzner et al, 2014).

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*The evidence tells us a lot about the broad types of capacity-building interventions in use, and to some extent how satisfied FLOs are with the support they receive. It tells us less about long term outcomes.*

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The evidence tells us a lot about the broad types of capacity-building interventions in use, and to some extent how satisfied FLOs are with the support they receive. There is some evidence of the changes that FLOs think happened to their organisations, or to the individuals involved, as a result of the support, i.e. self-reported outcomes (e.g. Minzner et al, 2014). It tells us rather less about long-term outcomes for FLOs or more objective measures of change (Cairns et al, 2011).

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*The difficulties of measuring the outcomes of capacity building are well-acknowledged.*

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We found no concrete evidence of the outcomes of capacity building for end-users and beneficiaries. Indeed, measuring the outcomes for beneficiaries is recognised within existing evidence as one of the outstanding research questions to pursue (see for example Minzner et al, 2014). The lack of evidence of outcomes reflects the well-acknowledged difficulties of measuring the change that results from capacity

building, for all stakeholders (see, for example, Linnell, 2003; Cornforth et al, 2008; Twigg, 2001; Bell, 2014).

We found only two studies with experimental research designs (Halton and St Helens VCA, 2011; Minzner et al, 2014). Both showed positive outcomes: that organisations receiving support ended up with far more capacity than organisations that did not receive support. Neither were able to show that certain types of organisations receiving the support fared better than others, or that certain types of support mechanisms were more effective than others. In general, most evidence of outcomes is specific to the intervention and context, making synthesis and comparison difficult.

Together, this means that **there is no clear or consistent answer to the exact question of what works in building FLOs' capabilities to deliver outcomes to end-users more effectively and sustainably**. However, there is supporting evidence for a more sophisticated assessment of capacity building interventions, and the different circumstances in which they operate. In what follows, we are able to piece together a picture of what works in terms of effective ingredients for capacity building.

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*There are several key ingredients for effective capacity building, but the exact ingredients needed to build the capacity of an organisation will depend on its context, composition, and purpose.*

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### **3.1.2 Piecing together what works**

There is a considerable amount of evidence about the ways in which capacity building support has strengthened and improved organisations and, to a lesser extent, partnerships. Together this suggests that there are several key ingredients for effective capacity building. The exact ingredients that will be needed to build the capacity of an organisation or

partnership will depend on the organisation or partnership's context, composition, and purpose. Also, capacity building for organisations is different from capacity building for partnerships, which, due to their complexity, require different skills and support within well-established relationships.

Emerging through the various studies is a clear view that central to success of capacity building is adopting a comprehensive and systematic approach, tailored to the individual organisation following a thorough diagnostic process, delivered through highly capable and trusted providers, and including a range of different mechanisms which together involve the whole frontline organisation (see for example Halton and St Helens VCA, 2011; Harris and Schlappa, 2007).

Effective capacity building design requires attention to a series of broad questions, discussed below and summarised in figure 4:

- ***WHY engage in capacity building?*** The different stakeholders involved in capacity building initiatives – funders, providers and recipients – all have different agendas. The purpose of capacity building may be multi-faceted. The inequality of power within the relationships between these different stakeholders may mean that certain agendas are given greater priority within capacity building initiatives. It is important that the purpose of any capacity building initiative is made clear and explicit from the outset and that efforts are made to align the different purposes of the different stakeholders involved (e.g. Harris and Schlappa, 2007, Howard et al, 2009, IVAR, 2010).
- ***WHO is the focus of the capacity building?*** Capacity building can focus on individuals, organisations, sub-fields or partnerships, or the whole sector. It is important to ensure that capacity building is comprehensive in terms of reach across individuals within an organisation or partnership, or cascades through it (see for example Backer, Bleeg and Groves, 2004; Halton and St Helens VCA, 2011; IVAR, 2013).
- ***WHAT capacities are to be built?*** Capacity building can address a variety of different needs. Common identified needs include support with building skills, knowledge, confidence, resources and systems for: finance and funding/fund raising, partnership working, volunteer recruitment, engagement, marketing and governance. Organisations may not recognise their own needs. Effective capacity building begins with and is driven by a comprehensive needs assessment through a diagnostic process.
- ***HOW is the capacity building to be implemented in practice?*** Capacity building can happen in-house within frontline organisations, through peer-to-peer working or with external expert input. It can be delivered on a one-to-one basis or one-to-many. It can take the form of information, toolkits, training, or consultancy. Different methods will suit different purposes and different contexts. To get the best results, the methods used should be blended and tailored to the individual

organisation or partnership and should be delivered by skilled and trusted providers.

There is widespread consensus on *the value of diagnosis*, and the use of diagnosis to tailor support (see for example Cornforth et al, 2008; Howard et al, 2009; Shared Intelligence, 2009; Connolly and York, 2003). The diagnosis process is generally regarded as a capacity building activity in itself. The way the diagnosis process is undertaken, and who does it, is important. There is, however, less evidence of the comparative effectiveness of specific diagnostic tools or of the effects of diagnosis on the end outcomes of capacity building, particularly for partnerships.

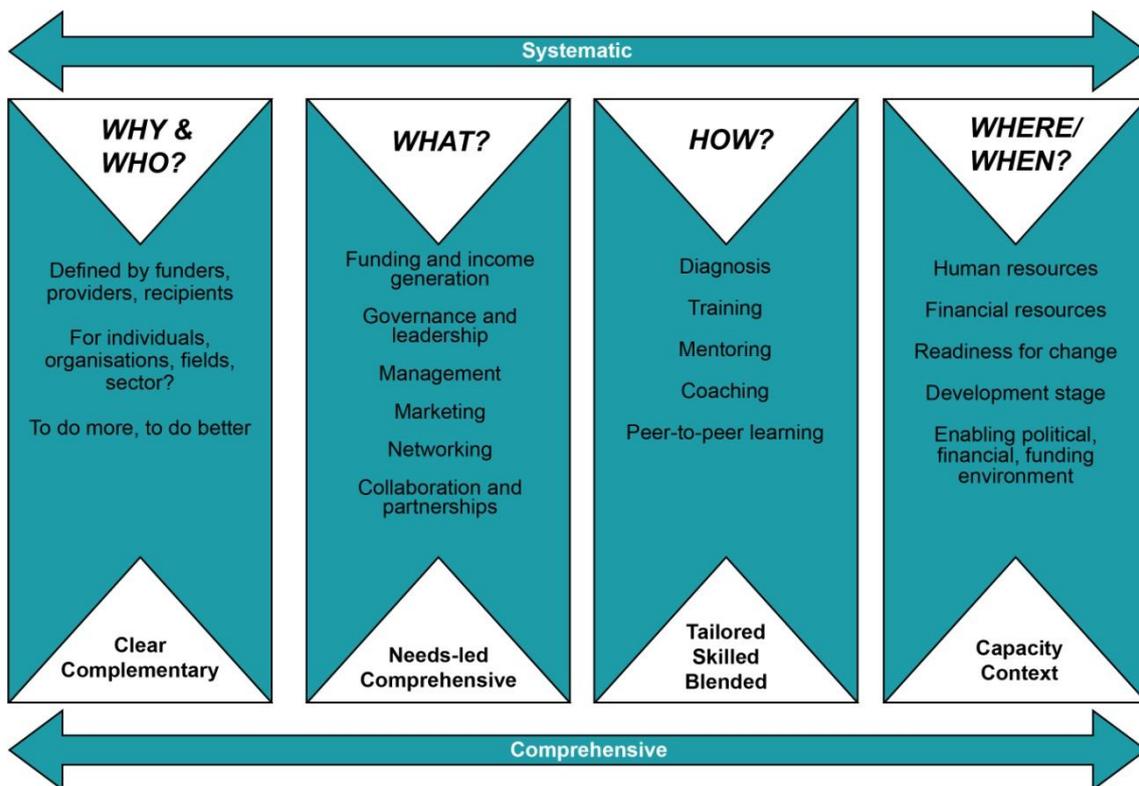
- ***WHERE and WHEN will the capacity building take place?*** The context in which capacity building takes place can greatly affect outcomes. The existing capabilities and wider capacity of organisations are particularly important – engaging in building capacity requires a certain amount of pre-existing capacity and ‘readiness’. In particular, frontline organisations and partnerships need to have the time and resources to engage systematically and comprehensively in capacity building and, to some extent, the capability to recognise needs, identify appropriate providers, and to provide leadership for the change process involved (we discuss this further in section 3.1.3 below). In order to be effective, organisations and partnerships need to be ready to engage in capacity building. The external context is also important – unfavourable political, institutional or economic environments can mute positive gains of capacity building. Any capacity building activity must be delivered in a way that is sensitive to the frontline organisation or partnership’s internal and external context.

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*Engaging in building capacity requires a certain amount of pre-existing capacity and ‘readiness’.*

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**Figure 4: Ingredients for effective design of capacity building**



### 3.1.3 Capabilities, capacities, and contexts

As noted above, a recurrent theme throughout the literature is that for capability building to be effective, organisations or partnerships need to have a certain level of existing capacity – financial, human, and physical resources - upon which to build and draw (Ellis and Latif, 2006; Hyatt, 1995; Reid and Gibb, 2004; Chadwick-Coule and Batty, 2009; Woodward et al, 2013; Webster et al,

2007; Wells et al, 2012). A certain amount of capacity (including capabilities) is needed to: identify needs; select appropriate support providers and methods; engage in capacity building activities; and implement learning. Building capabilities alone is therefore unlikely to lead to effective, sustainable outcomes for FLOs, partnerships or (by extension) end beneficiaries, unless organisations are already rich in terms of capacity. Some initiatives implicitly acknowledge this by providing financial resources to bolster capacity, including freeing-up time for key individuals to engage in the development of skills, knowledge and confidence.

*Unless organisations are already rich in terms of capacity, building capabilities alone is unlikely to lead to effective, sustainable outcomes. Some initiatives acknowledge this by providing financial resources to bolster capacity.*

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*The context of any organisation or partnership must be understood for its capacity – and most likely capabilities - to be effectively built.*

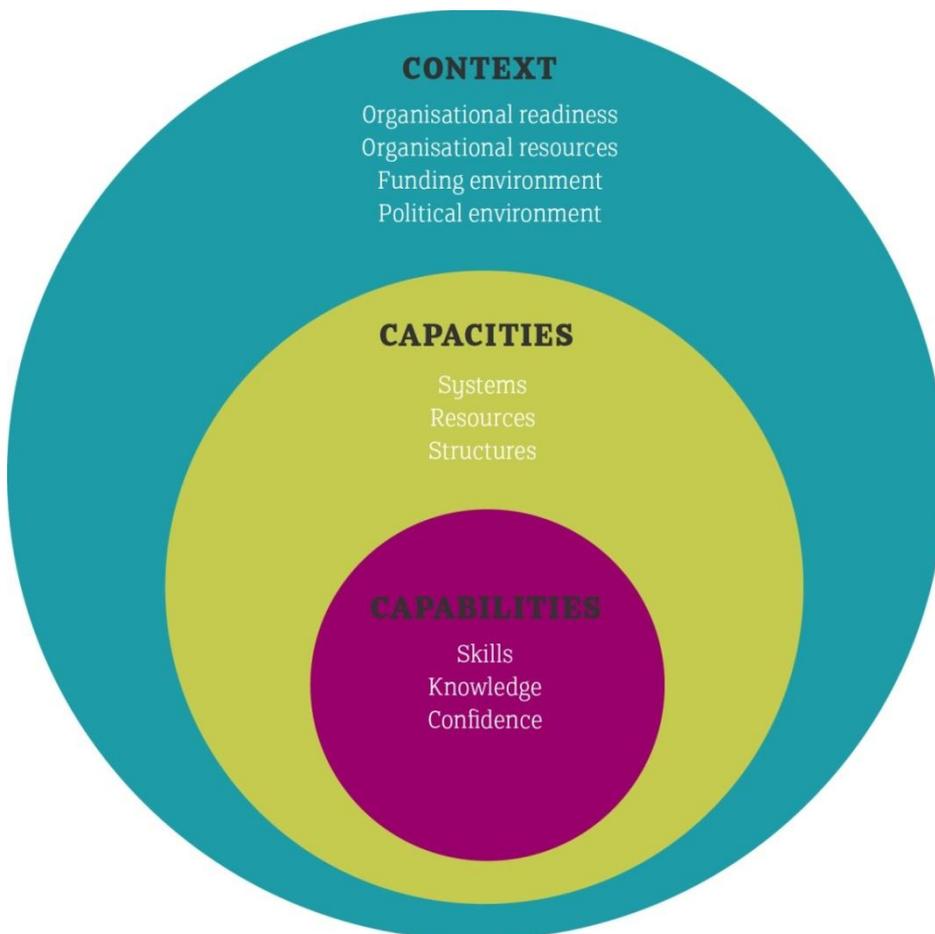
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The wider context is also important. Existing capacity is of course an integral feature of the organisational context, but also important is the stage of development, ethos and culture and readiness of an organisation to take part in capacity building. The external context – particularly the political, institutional and funding environment - within which an organisation is situated and the capacity building takes place is also influential (Baker and Cairns, 2011;

Thake and Lingayah, 2008; Wells et al, 2010). There is good evidence that the context of any organisation or partnership must be understood for its capacity to be effectively built, and it is likely that the same applies for capabilities.

Capabilities are not, and cannot be, built in isolation. As illustrated in figure 5, capability, capacity and context are inter-related and capability building initiatives should take this into consideration. Although 'capacity' implies volume (how much you can do), and 'capability' implies skill and competence (how well you can do it), they are not wholly distinct. Capacity is a necessary condition for capability.

**Figure 5: Capability, capacity and context**



### **3.2 A market for building capabilities**

We will now turn our attention to the second overall study question, which is concerned with the mechanisms by which capability-building is funded, supplied and received.

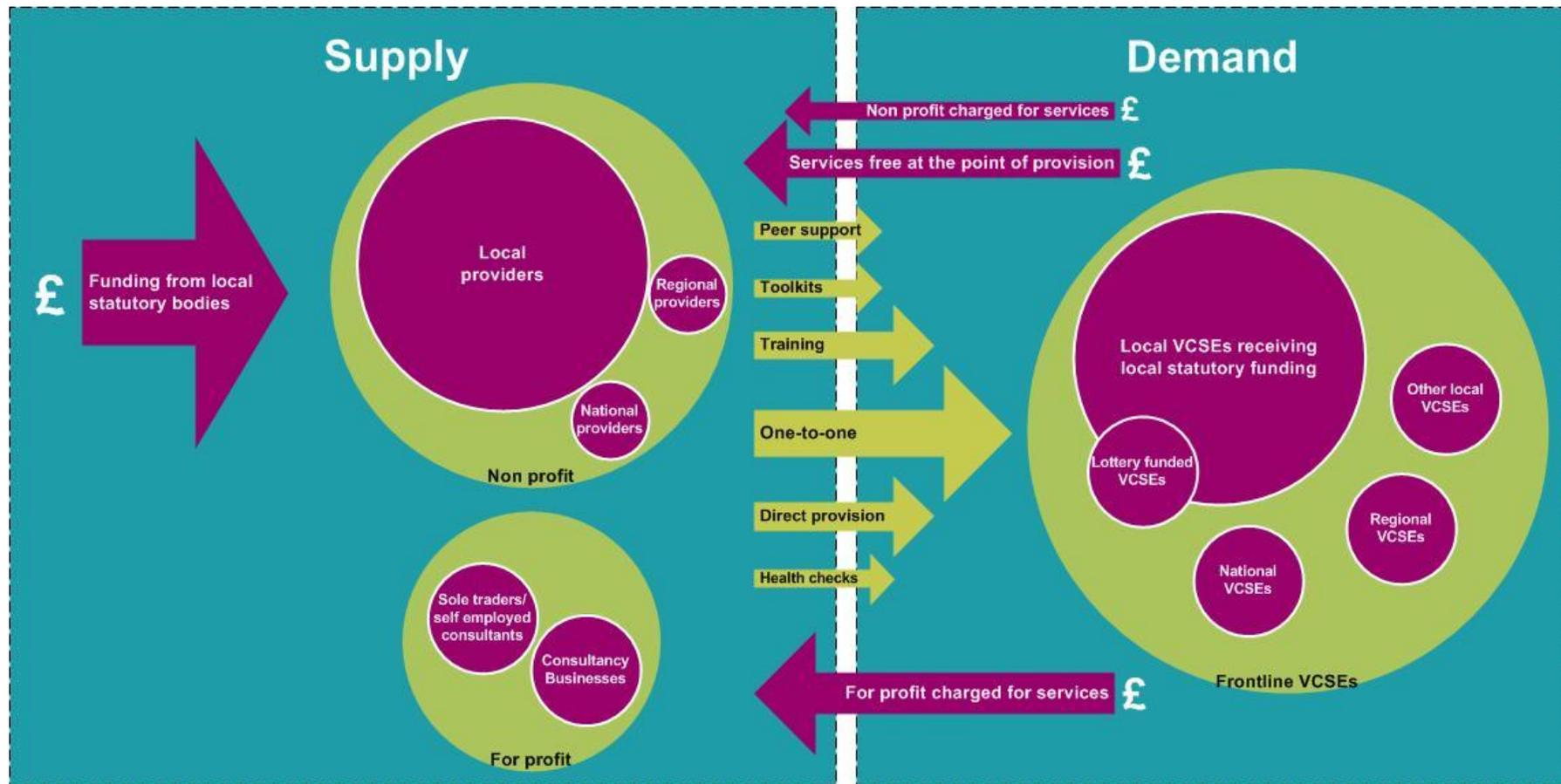
*What are the requirements for, and potential of, a marketised approach for capability-building, including an understanding of the shape of the emerging market, and potential gaps in provision including those for smaller, rural and other specialist groups?*

Through the evidence review, and particularly the market review, we have formed a greater appreciation of the field of capability building, and of current developments and potential for a marketised approach to capability building.

#### ***3.2.1 The state of the field of capability building and infrastructure***

We illustrate the current state of the field with a provisional estimate of a 'market map', as shown in figure 6 below. This is derived from our review of the market through secondary analysis of the NSCSE and our own online survey of providers. The size of the circles is a rough estimate of relative scale; it aims to represent a combination of the number of providers and FLOs, and the volume of support provided. The arrow sizes aim to represent the relative importance of each method of support and resource stream.

**Figure 6: A 'market map' of support services**



Note: The market map excludes peer-to-peer and other forms of informal support.

### **3.2.2 The supply of support**

Our analysis of existing data, and a new online survey of providers, suggests that large numbers of providers are involved in supporting FLOs. Support is provided by a variety of different kinds of provider, including non-profit organisations (charities and social enterprises) and for-profit entities (sole traders and larger businesses). Supporting the sector is a specialist activity: the majority of support in total is provided by those for whom this is a key focus,

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*Our online survey suggests that, on average, non-profit providers support to a greater number of FLOs than for-profit providers. Amongst survey respondents they account for an estimated 95% of FLOs supported over a 12 month period.*

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rather than by those for whom it is a secondary activity amongst other purposes. Furthermore, the bulk of support, at least in terms of numbers of FLOs supported, is provided by non-profit providers. Our online survey suggests that non-profit providers tend to support more frontline organisations on average than for-profit providers, and, amongst survey respondents, account for an estimated 95 per cent of FLOs supported over a 12 month period. This does not take into account the depth or intensity of support provided. Over half of this support is provided by medium sized operators, i.e. those with incomes of between £100K and £1m. Some caution is needed here as the online survey aimed to

provide a first view of the wider market of non-profit and for-profit providers, and cannot claim to be representative of the population of providers as a whole.

There appear to be some noticeable patterns of segmentation amongst providers. Most support is provided, by both non-profit and for-profit providers alike, to small and medium-sized frontline organisations, and to those operating at a neighbourhood and local authority level. However, larger frontline organisations, and those operating at a regional or national level make up a greater proportion of the portfolio of work of for-profit providers compared with non-profit providers. Non-profits provide mass or open access support (such as training and advice and guidance material) alongside more intensive one-to-one consultancy style provision. By contrast, for-profit providers tend to focus much more on one-to-one or direct service provision (such as payroll, financial audit or research/evaluation), with little in the way of mass forms of support. Currently, FLOs find out about providers primarily through word of mouth or recommendation (98 per cent) followed by their websites (77 per cent), rather than through directories, other websites, direct marketing and approved provider lists. This may be a function of the availability of different sources of information.

### **3.2.3 The demand for support**

As evidenced in section 2.8.2, FLOs already access support on a large scale. The main areas of demand indicated in our survey mirror existing findings, as shown in table 1. Particularly high levels of support are accessed in the areas of networking with other voluntary and community organisations, access to funding, partnership working to influence policy and volunteering whereas support in more 'technical' areas of finance and law is less commonly accessed.

**Table 1: The ten most commonly accessed types of specific support**

	Total No. of orgs. supported	No. of orgs. providing support
Networking with other voluntary and community organisations	11,354	102
Identifying appropriate sources of funding	10,258	111
Working in partnership to influence policy	7,151	73
Volunteer Recruitment	5,685	39
Applying for grants	5,133	108
Board/trustee development	4,163	108
Volunteer Management	3,389	46
Research, monitoring and evaluation	3,230	96
Volunteer Development	3,144	40
Business planning	3,081	117

Source: Online survey of support providers, CRESR/TSRC/Big Lottery Fund. Base: 188

Note: The list of support categories presented is not exhaustive; rather it is the most commonly accessed types of support.

*Organisations for which the local statutory sector is a key funder appear more likely to access support than FLOs not reliant on statutory funding. Similarly recipients of funding from Lottery distributors are particularly high users of support.*

There is some evidence to suggest that organisations accessing support are less confident about their financial health, compared with those that do not access support. Organisations for whom the local statutory sector is a key funder appear more likely to access support than FLOs not reliant on statutory funding. Similarly recipients of funding from Lottery distributors are particularly high users of support. It is unclear whether this is because local statutory sector and lottery-funded organisations need more support, for example because they are or consider themselves to be more vulnerable or less

capable, or because they are more likely to be 'tapped in' to support networks, and information about available support services (see also Macmillan, 2004).

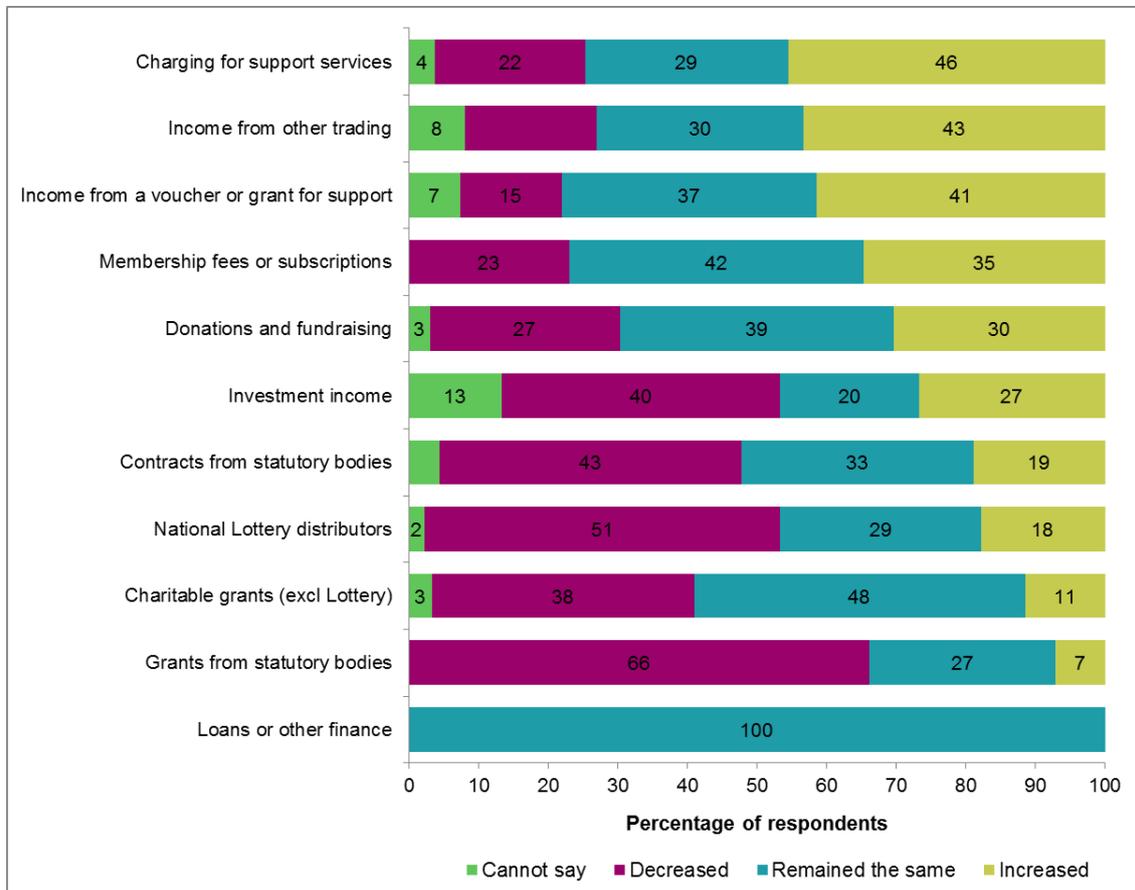
### **3.2.4 The shape of an emerging market**

The field of capacity building and infrastructure support for FLOs is in a considerable state of flux. On the supply side, policy makers and funders are encouraging recognition of a diverse ecology of provision. This consists of existing voluntary sector infrastructure, (through, for example, local Councils for Voluntary Service and Volunteer Centres), but also of provision found beyond the voluntary sector, amongst freelance consultancies and private firms. Overall non-profit providers continue to prevail in the market, particularly in terms of support reaching a wide range of frontline organisations.

*Grants and contracts from statutory sources remain the largest source of revenue for non-profit provision, whereas charging for services is the main revenue source of for-profit providers. Responses from our online survey suggest statutory support has declined.*

However, changing resource streams and priorities of funders mean that providers are being forced to adapt by rethinking their service and business models. Statutory support in the form of grants and contracts remains the largest source of revenue for non-profit provision, whereas charging for services is the main revenue source of for-profit providers. However, as figure 7 below indicates, two thirds of respondents to our online survey indicated that grants from statutory bodies had declined in the last 12 months, and just over two-fifths reported that contracts from statutory bodies had declined over the same period.

**Figure 7: Changes in levels of funding over the past 12 months**



In contrast, demand-led support seems to be increasingly important. In the online survey charging fees for support services was the most commonly identified main income source across providers as a whole; it was the most likely source of income to have increased in the past 12 months; and it was the income source respondents said was most likely to increase in the future. The balance appears to be shifting towards market-based funding mechanisms, although it is still dominated by statutory funding. Overall, as shown in table 2 below, we estimate that charging for services represents only one fifth of the field's income, whilst grants and contracts from statutory bodies account for

*We estimate that charging for services represents only one fifth of support providers' income, whilst grants and contracts from statutory bodies account for half.*

half. Market-based funding mechanisms (charging for support services, income from other trading, membership fees or subscriptions and income from a voucher or grant for support) account for 29 per cent of the field's income.

**Table 2: Value of income for capacity building by income source**

	Total income received	Percentage total income received	Average (mean) income received
Grants from statutory bodies	£10,570,005	30	£188,750
Charging for support services	£6,870,281	20	£64,208
Contracts from statutory bodies	£6,844,495	20	£131,625
National Lottery distributors	£3,355,887	10	£90,700
Charitable grants (excl Lottery)	£3,220,924	9	£73,203
Income from other trading	£2,360,630	7	£76,149
Donations and fundraising*	£531,391	2	£2,611
Membership fees or subscriptions	£452,467	1	£20,567
Income from a voucher or grant for support	£210,665	1	£9,159
Investment income*	£60,166	0	£7,500
Loans or other finance	£40,000	0	£40,000
Other income sources	£399,011	1	£28,501

\*Note the income figures for donations and fundraising were heavily skewed by one respondent who report receiving income of £4 million for each sources. As such this data has been excluded from the analysis.

Source: Online survey of support providers, CRESR/TSRC/Big Lottery Fund. Base: 185

*70 per cent of respondents to our online survey of providers reported an increase in the demand for services to FLOs in the past two years.*

Demand for support is reported to have increased in recent years and support providers expect it to increase more in the future. Overall, 70 per cent of respondents to our online survey of providers reported an increase in the demand for services to FLOs in the past two years, including 33 per cent who said it had increased a lot. Income generation, partnership working and organisational planning and development were the three areas of support in which demand was seen as most likely to increase.

Our online survey revealed varying combinations of support which was free at the point of provision, charged for, or a mixture of both. Free provision was more common in the areas of human resources, legal issues and partnership

working, whereas charged for provision was more common in the areas of organisational planning and development and income generation. Overall, across different categories of support free provision (36 per cent), and provision that was a mix of free and charged (35 per cent), was slightly more common than wholly charged for provision (29 per cent). However, more than two-thirds (67 per cent) of *for-profit* provision was wholly charged for (with only a small amount, 4 per cent, completely free), whereas more than half (51 per cent) of *non-profit* provision was wholly free and only 12 per cent was wholly charged for. The costs of charged for support varied: the average day rate was £370, ranging from a minimum of £75 to a maximum of £850. This price range was broadly consistent across organisation type and size.

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*The field of capability building support appears to be moving gradually in a market-based direction*

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From this analysis, the field of capability building support appears to be moving gradually in a market-based direction. However, it is important to note that this does not represent a wholesale shift from a 'supply-side' or grant-based model to a 'demand-led' charging model. We see instead a more subtle re-balancing of the field towards the emergence of a mixed economy of provision, both in terms of the range of providers and shifting funding mechanisms. Reductions in statutory funding cause non-profit providers to generate additional income from charged for support services, alongside other sources of income such as service delivery, and grants from charitable trusts, etc. At the same time, the role of for-profit provision is being explicitly recognised, and to some extent encouraged.

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*In this mixed economy, traditional resourcing and modes of delivery will work alongside the gradual experimental emergence of a managed market for support services.*

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In this mixed economy, traditional resourcing and modes of delivery will work alongside the gradual experimental emergence of a managed market for support services. Further significant moves towards market-based support services are only likely to result if one or other of two things occur: firstly, if existing 'block' funding for infrastructure and capacity building (primarily from statutory bodies) is transformed to a much more significant extent into 'spot' purchases through vouchers and development grants; and, secondly, if FLOs and their funders more readily accommodate and pursue investment in organisational development. For FLOs this would be through investing a proportion of surpluses or reserves as 'working capital'. For funders it would involve allowing additional budget lines for support and organisational development over and above frontline project delivery.

### **3.2.5 A marketised approach?**

The evidence suggests that there may be several challenges associated with the explicit adoption and promotion of a marketised approach. As we have seen in section 2.6.1, Walton and Macmillan's (2014) review of the learning from three work-in-progress voucher schemes for support, for example, concludes that the language of markets to describe capability building support services - that of suppliers, customers, prices and choice - appears to have outpaced

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*It has been suggested that the notion of 'demand-led' capacity building, often associated with a market orientation, may be something of a misnomer*

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practice. The 'markets' seen in the voucher schemes were heavily structured and managed, with a range of deviations from an imaginary textbook 'free' or 'open' market. This should come as no surprise, as all markets are structured and managed to some degree and in different ways. Nonetheless, it causes Walton and Macmillan to ask whether the notion of 'demand-led' capacity building, often associated with a market orientation, isn't rather a misnomer (ibid: 38).

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*The current market structure consists of a relatively segmented supply side, a diverse demand side, and funders tending to specify the kinds of support or outcomes they wish to see.*

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For support services, the current market structure consists of a relatively segmented supply side (with different types of provider offering somewhat distinct services and approaches, and with a noticeable pattern of neighbourhood, local, regional and national provision), a diverse demand side remaining somewhat attached to traditional local and national providers, and funders tending to specify the kinds of support or outcomes they wish to see. Additional architectural features include some longstanding (non-profit) suppliers being able to cement their

existing position through, among other things, extensive networks with FLOs, recognised quality criteria, partnership working with other providers, and strategic connections with key statutory bodies.

However, this position is being challenged by reductions in statutory grants and contracts, greater specification in commissioned contracts for support services, voucher schemes involving the specified introduction of private sector provision and the associated recent development of rating scales and ranking tables, for example in the 'BIG Assist' programme. These developments lie at the heart of the emerging interest in market-based mechanisms in support services.

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*Evidence suggests that people particularly recognise support needs when organisations and partnerships are either starting up or have reached a crisis point, when, by definition, their capacity, capabilities and ability to pay for support will all be low.*

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However, the ability to operate in a market environment, to purchase or provide support, is not distributed equally – market participants have varied levels of existing capabilities, prior experience, outlook and circumstance. Evidence seems to suggest that people particularly recognise support needs when organisations and partnerships are either starting up or have reached a crisis point, when, by definition, their capacity, capabilities and ability to pay for support will all be low. Evidence also suggests that existing voluntary sector support provision has greater reach, at least in terms of the number of FLOs supported. It could be argued that a supply-side approach allows more FLOs to

access support than would otherwise happen in a demand-led model, although more evidence would be needed to substantiate this, as well as to differentiate between mass or 'one-to-many' forms of support on the one hand, and intense or 'one-to-one' forms of support on the other.

Evidence also suggests that decision making behaviour often challenges conventional notions of rationality, particularly in complex environments, due to cognitive biases such as confirmation bias (the desire to confirm one's preconceptions) and framing bias (the tendency to draw different conclusions

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*Even where people are supported to make better choices, those choices are constrained by contextual factors such as availability of resources.*

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from the same information when it is presented differently). Even where people are supported to make better choices, those choices are constrained by contextual factors such as availability of resources. Choice making is even more complicated in partnerships, where each individual has to balance the implications of choices made for their own organisation and for the partnership. This represents a significant challenge for demand-led models.

Previous interventions, such as the Labour government's *ChangeUp* initiative and the Big Lottery Fund's BASIS programme, have boosted particular kinds of (non-profit) supply, and have thus shaped the 'market' through significant injections of resources. Many current interventions can be seen as an attempt to re-calibrate the field. While there is a lack of robust, comparable evidence on the long-term outcomes and impacts of a supply-led model, there is also little evidence at present about whether a demand-led model of support for FLOs and partnerships is effective, or any more effective. In general, however, evidence from existing literature and our online survey reminds us that both models already operate together, although their relative dominance varies over time and place.

### **3.3 Lessons for stakeholders**

What are the implications of the combined findings on what works in capability-building and the prospects for a marketised approach to support services? We now turn our attention to our third study question.

## Learning lessons

*What lessons can be distilled for the Big Lottery Fund, other funders, policy makers and market participants, from these new understandings?*

### 3.3.1 Developing approaches to capability building

Three clear areas in the development of the policy and practice of capability / capacity building emerge for consideration by stakeholders:

*Capability, capacity and context are inter-related. It may prove fruitless to build capabilities without also paying attention to wider capacities and context.*

- One finding that emerges clearly from the evidence is **the inter-related nature of capability, capacity and context**, and the challenges that this may create for an initiative which concentrates on building capabilities. Capability and capacity are interdependent. For capability building to be effective, organisations or partnerships need to have a certain level of existing capacity, including but not limited to capability. Without a certain amount of existing capacity, it may prove fruitless to build capabilities without also paying attention to wider capacities and indeed context. Building capabilities alone is therefore unlikely to lead to the desired outcomes for end-users, or other stakeholders along the way.

*Adopting a comprehensive and systematic approach, tailored to the individual organisation following a thorough diagnosis process and delivered through highly capable providers is likely to be the most successful*

- The evidence also provides *clear guidance on some of the ingredients for effective capacity building*. The lesson for funders, providers and recipients, is that adopting a comprehensive and systematic approach, which is tailored to the individual organisation following a thorough diagnosis process, delivered through highly capable and trusted providers, and including a range of different mechanisms which together involve whole organisations, is likely to be the most successful. These ingredients show a clear sense of the learning to date about capacity building, and provide policy makers, funders, providers and frontline organisations with a set of key first principles from which to proceed.
- Lessons can also be distilled from the evidence in terms of the current testing of a 'marketised' approach in the Big Lottery Fund's Building Capabilities agenda, and beyond. Evidence points towards proceeding with caution in this direction, watching and learning from the consequences of every step. Markets have limitations, and they do not just happen, they are created and structured, and the ways in which they are structured creates guideposts for FLOs in choosing and accessing support. In particular, we have noted the importance of diagnosis as a central moment in creating the space for effective capability building, but also for bringing supply and demand together. In a market context, a diagnostic process enables a market to function effectively and can

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*Markets have limitations, and they do not just happen, they are created and structured.*

*In a market context, a diagnostic process enables a market to function effectively.*

*Provider approval and accreditation processes are also important.*

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enable more targeted and effective interventions. Providers gain a greater understanding of support needs, and FLOs as customers gain increased understanding about what support is available and what it can achieve. Provider approval and accreditation processes are also important, as ways of increasing the trust and confidence FLOs have in providers, and of mitigating against the possibility of mis-selling inappropriate services and support. Quality marks have to date however been of less importance to FLOs than other ways of establishing that a supplier can be trusted and will understand them, such as word of mouth.

It is important, however, to be mindful of potential unintended consequences of pursuing a marketised approach to capability building. As part of the re-calibration of the field we have mentioned, we would expect free support provision to diminish, and charged for provision to increase. On the demand side this will imply that limited support resources will be concentrated on fewer FLOs: those with a willingness and ability to pay from their own resources, or those

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*Building capabilities may advance the (competitive) position of supported FLOs relative to those without access to support.*

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with access to building capabilities support funding in the form of development grants or vouchers. In so far as building capabilities actually strengthens FLOs, it may, as a result, advance the (competitive) position of supported FLOs relative to those without access to support. On the supply side, the reduction in block grants and contract funding and the growth of charging may mean that the capability building system as a

whole undergoes a transformation (although further evidence is needed to test these claims and track any trends). The key anticipated features of such a transformation include:

- **Consolidation:** Some existing providers may not be able to adapt to a more marketised approach at all or in time to continue operating, despite a range of mechanisms supporting transition, such as BIG Assist. If so, we may see some thinning out and consolidation of the supply side. Some providers may close down, scale down, or exit the market in favour of other activities, such as providing frontline services. Capability building efforts overall may be centralised and concentrated in fewer, larger providers, covering larger geographies to expand their market scope. In turn, this may have implications for access to support for smaller, local FLOs and those operating in rural areas. However it also remains to be seen how the peer-to-peer aspect of the market will develop.

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*Consolidation of the supply side of the capability building market may have implications for access to support for smaller, local and/or rurally based FLOs.*

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- **Loss of functions:** In their efforts to sustain their activities, providers may alter the balance of their own work. They may abandon or scale

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*Functions such as voice, advocacy, and networking may diminish unless independent resources are obtained to support them.*

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down areas of work for which resources are more constrained, and focus on those areas (and FLOs) for which charges can be made. Functions such as voice, advocacy, and networking may diminish as a result, unless independent resources are obtained to support this work.

- **Hollowing out:** To mitigate the risks arising from multiple, small, one-off and therefore uncertain revenue flows, providers may attempt to work with groups of associates on a freelance basis, rather than

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*Some existing providers could begin to organise their own networks of for-profit freelance providers. This could involve organising diagnostic processes, accrediting providers in the network, and seeking to collect and harness fragmented intelligence.*

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employ permanent staff. They may become leaner and 'hollowed out' as a result, retaining a small core group of staff but working with a bank of independent freelance experts. Leaving aside whether this model is viable from an individual freelance perspective, a question mark here is whether this involves a further fragmentation of knowledge and experience in the capability building system, both about individual FLOs and about trends and issues facing the sector as a whole. Some existing providers could begin to organise their own networks of for-profit freelance providers and effectively act as market stewards in their locality or specialist area. This could involve organising diagnostic processes, accrediting

providers in the network, and seeking to collect and harness fragmented intelligence.

### **3.3.2 Developing a learning system for capability building**

The difficulties of measuring outcomes of capability building are well rehearsed (see for example Linnell, 2003; Central London CVS Network, 2010); even capturing the learning from capacity building activities has been found to be challenging (Cornforth et al, 2008). Doing the job properly would require multiple evaluation approaches (Linnell, 2003) and a considerable investment of time and money (Minzner et al, 2014). There are steps that can be put in place, however, to work towards a learning system that would both capture learning and measure the outcomes of capability building.

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*Existing capabilities in voluntary and community organisations and partnerships are not well understood. This hinders both the implementation of capability building activity and its evaluation*

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From reading the evidence our view is that, before we even get near *building* capabilities, *existing capabilities* in voluntary and community organisations and partnerships are not well understood. This hinders both the implementation of capability building activity and its evaluation. Partly this is a semantic confusion over the difference between 'capacity' and 'capability', and the tendency to use the terms synonymously. But it is not just this. It is also because there is a strong suggestion that frontline activities and service 'delivery', alongside outcomes for beneficiaries, are given greater priority by FLOs, their funders, supporters, and the media, than

organisational development, and investment in building capabilities.

Evidence that exists about organisational strengths is too often tied to capacity building interventions, and rarely looks beyond this to ultimate outcomes for beneficiaries. The wider consequence of this is that the evidence base around 'what works' in building capabilities is rather threadbare and fails to follow through to find the impact that ultimately matters.

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*For support providers, evidence of impact of their work has become something a holy grail.*

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For support providers, evidence of impact of their work has regrettably become something a holy grail. If robust evidence can be found it could, it is hoped and claimed, change mind-sets about the value of infrastructure, unlock resources and put sector support on a much surer footing, even when the financial outlook is rather constrained. However, for researchers and others, looking for evidence of convincingly attributable impact, particularly along the full chain from a support intervention in an organisation or partnership through to beneficiary outcomes, is like searching for a needle in a haystack.

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*The focus of attention at this stage should be on the pursuit of a small range of targeted research and learning activities, using existing systems and mechanisms.*

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We do not believe that a single grand research or evaluation design will address the range and complexity of questions involved in capability building. We suggest instead that the focus of attention at this stage should be on the pursuit of a small range of targeted research and learning activities, using, as far as possible, existing systems and mechanisms. To address shortcomings in the evidence base, be sensitive to different contexts, purposes and approaches, to address problems of attribution, and to appreciate organisational strengths rather than dwelling on apparent deficits, **there is a greater need to start with an understanding of *existing* capabilities in FLOs and to explore how these have developed.**

From this starting point, we suggest learning efforts should move forwards in five ways.

*Firstly*, the focus should be on understanding the **everyday experiences of FLOs** generally, rather than a narrow and instrumental concern with finding the impact made by specific capability building interventions. This everyday understanding can cover specific organisational purposes, histories and trajectories, capabilities, capacity and how FLOs think about the outcomes they are trying to achieve through their work.

Our view is that not enough is known about capabilities in the everyday operations, challenges and trajectories of FLOs, in all their variety and complexity. In the absence of this, there is a risk of seeing FLOs as straightforward and undifferentiated vehicles for the production of positive social

outcomes. This comes with a standard repertoire of ingredients for what makes organisations tick, and a suite of interventions designed to address assumed or identified gaps or weaknesses. There is a danger that this follows a supply side and even deficit-framing of the relationship between FLOs, capabilities and support interventions. With the intervention or model of support uppermost in mind, the assumption is that FLOs would benefit from support, irrespective of who they are, where they want to be, or what they want to become, or what

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*We know very little about organisations' existing and developing capabilities, where those capabilities came from, and the circumstances in which they are developed, and used.*

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strengths or capabilities they already have. In truth FLOs are much more complex and dynamic than this. We know very little about their existing and developing capabilities, where those capabilities came from (including the contribution made by earlier external interventions), and the circumstances in which they are developed, and used. We know very little about how social outcomes for beneficiaries and communities are actually generated, and the role of capabilities in this.

The suggestion here is that **a small scale but in-depth exploratory research project would be helpful in finding out more about everyday organisational capabilities and how they are developed and used in practice.** The aim would be to understand, from a grounded and bottom-up perspective, the everyday experiences, challenges and accomplishments of frontline organisations as they pursue their activities and seek to fulfil their purposes.

With a focus on understanding capabilities, the research could explore systematically, in a sufficiently diverse range of settings, how organisations comprehend what they are trying to achieve, their outlook and ethos, and the changing contexts in which they operate. Crucially, it would describe and explain how FLOs understand and respond to emerging problems or opportunities for development, including the extent to which these issues are conceived and recognised as areas for which external support might be available and beneficial.

In order to follow the dynamic evolution of capabilities over time in a relatively turbulent context, a longitudinal panel would be a preferred option. Although this approach seeks a better qualitative understanding of capabilities in FLOs, independently of efforts to build them, it could also be used to develop a more sophisticated and structured understanding of ways of assessing, measuring and quantifying capabilities, again irrespective of deliberate efforts to build them. Care would be needed here, however, in not simply imposing a further top-down structure of assumptions about FLOs in general.

*Second*, in so far as capability building interventions matter, more attention needs to be given to understanding **the processes involved in making the relationship and transactions between diagnoser, user and provider of capability building support effective**, including the value of 'choice' and 'control' in practice.

'Choice' and 'control' are favoured concepts for discussions around promoting the emergence of market-based mechanisms in building capabilities. However, we know very little about whether and how these work in practice in the relationship between FLOs and support providers, how informed choices are, the role and sources of trust, and how empowered FLOs are in negotiating the kinds of support they seek to access. In the absence of this, 'choice' and 'control' risk sounding rather empty. More attention therefore needs to be given to understanding the processes involved in 'choice' and 'control' in practice. We need to know more about what happens in the relational encounters between capability providers and FLOs.

A simple three-stage model can be envisaged for the process of FLOs accessing support:

- *Seeking support*: FLOs recognising a problem to be solved or an opportunity for development through external support. In effect this is informal internal diagnosis. This may lead to FLOs seeking support.
- *Support process*: involving more structured external diagnosis, interaction with support providers, and actions
- *Support consequences*: embedding and deploying new skills, knowledge and confidence, and changing practices as a result.

From this, two priorities for further research arise – focusing on 'selection' and 'action'. Firstly, it would be helpful to know more about how different FLOs in a

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*It would be helpful to know more about how different FLOs in a variety of contexts actually come to know about and select providers.*

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variety of contexts actually come to know about and select providers. For example, what 'judgement devices' (e.g. marketing, presence, kitemarks, testimonials, prior experience, etc) are used to guide decisions? What information do FLOs use to select providers? This is not just a matter of how much and where it comes from, but what it conveys, what it means for them, and what influences them. How is trust and confidence built into this process? And,

how much work is involved in support seeking, and what could assist the support seeking process? Exploring variations in these factors could then be assessed over a longer term to begin to test the hypothesis that greater choice and control are more likely to result in better outcomes for FLOs and their beneficiaries.

Secondly, it would be helpful to know more about exactly what happens in the relational encounters between FLOs and support providers, and would help to

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*Knowing more about what happens in the relational encounters between FLOs and support providers would help to move the debate beyond simple customer satisfaction measures.*

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move the debate beyond simple customer satisfaction measures. This would help answer a number of key questions. For example, what actual changes (in skills, knowledge and confidence) arise from the interactions with expert outsiders? How do support interventions adjust to specific contexts, including their role at different stages of organisational development, such as at 'start-up' or moments of crisis? To what extent and how are outlooks and approaches challenged and changed through outside intervention? Finally, what longer term changes in practice become embedded in FLOs, and what factors support or undermine this process?

*Thirdly, as part of these relationships, the opportunity provided by the 'diagnostic moment' should be used to learn more about the nature of existing and developing capabilities in FLOs.*

We know the importance of some form of diagnostic or organisational review process from our evidence assessment. This has a broader capability-building value for frontline organisations and partnerships as well as funders in its own right, and thus has general 'buy-in' by a range of stakeholders. In addition, we note several promising initiatives and tools in the existing evidence base which, in different ways, sought to assess the extent to which capacity develops *over time* in frontline organisations. Burns et al (2011), Halton and St Helens VCA (2011) and Bell (2014) all adopt some form of 'distance-travelled' model, where frontline organisational capacity is assessed over a period of time involving at least two points of measurement. There are some limitations here: these approaches tend to be closely associated with interventions; they tend to assess capacity in real time going forwards, without sufficient attention to where existing capabilities have come from; and they focus on measurement of change, usually with a simple scoring system, at the expense of understanding the nature and causes of change.

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*The diagnostic moment presents an opportunity to assess capabilities and understand the mechanisms that embed them in much more depth.*

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However, we would argue that **'the diagnostic moment'** presents an opportunity to assess capabilities and understand the mechanisms that embed them in much more depth. A diagnostic process could help and in particular understand: what capabilities exist within organisations and partnerships at the moment; where they come from and how they have developed; and how they relate to the organisation's purpose and the outcomes from its activities.

A second stage diagnostic and organisational review could then be envisaged up to 12 months later. With earlier reflections to hand, the second stage review could provide an honest appreciation of strengths at that point, independently of any specific capability-building interventions. It would be less concerned to

prove the value or impact of an intervention; rather, it would aim to consider what happened over the previous 12 months, and how and why various capabilities have changed. Dedicated interventions and accessed support (of all kinds) may be implicated in this story, but equally they might not.

As well as serving as an organisational diagnostic, this process could be used to generate greater learning about the nature of capabilities, how they are developed, and what impact this has. It could be piloted in a range of different organisations and settings, and the learning collated and synthesised.

In the first phase this would be an exploratory qualitative process of discovering more about the everyday dynamics and concerns (in terms of capabilities) of

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*As learning increases about the nature of capabilities and how they are built, a more structured template could be used, identifying the different dimensions in which capabilities are important.*

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frontline organisations. Over time, as learning increases about the nature of capabilities and how they are built, a more structured and quantitative template could be used, identifying the different dimensions in which capabilities are important. This could then be used in more structured evaluative ways to test *different* types of interventions, with learning generated from explicit comparisons between interventions, frontline organisations and contexts.

*Fourthly, and more generally, funders such as the Big Lottery Fund should use **the opportunities provided by their interaction and lines of communication with grant holders, such as application and feedback processes, to collect more systematic research data about 'what works'.***

The Big Lottery Fund and other funders generate significant quantities of data about social needs, applicant organisations and proposed and funded projects. Arguably this data could be shared and utilised in more sophisticated ways as part of an intelligent funding approach, for example as a discovery mechanism for understanding aggregate geographical patterns and emerging trends in social problems; in comparisons between different areas in terms of the number and value of funding applications; and in comparisons between unsuccessful and successful applicants.

In addition, however, and more generally, the Big Lottery Fund should use **the relationship it has with applicants**, for example

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*For enhancing the evidence base around building capabilities, application forms could be used for occasional targeted data gathering.*

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through grant application and feedback processes, as an opportunity to devise a more systematic data collection and research process. Application forms are also, or can be, research questionnaires. For enhancing the evidence base around building capabilities, application forms could be used for occasional targeted data gathering. Care would be needed to ensure that research data could be

decoupled from the application, and that the application process itself would not impair the quality of the data, for example where applicants believe the responses given to genuine research questions affect the outcome of the application itself. This could be achieved either by separating research data and channelling this to a third party, or by asking relevant questions *after* the application process.

Two examples may serve to illustrate the potential and principles of implementing this approach:

- **Willingness/ability to pay for capability building support:** all applicants to selected programmes over a set period of time could be asked to identify what support they have accessed, and what they *have* paid for, in the last 12 months (as opposed to what they *would* pay for). This would help

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*Applicants could be asked specifically what support they have received (and, where relevant, paid for), in the past 12 months, and in preparing the application.*

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understand the changing nature of the demand side of the emerging market for support services, as well as where market failures might arise. In respect of paid-for support, applicants could be asked: what it was for, how much was paid, where the finance came from to pay for the support, and who it was received from. Responses could be collated and analysed in terms of different types of applicant organisation, and different kinds of support accessed and paid for. These questions may be 'application neutral', although applicants may believe that 'not accessing or paying for any support' would be seen as a sign of strength and therefore the 'the right answer'. To mitigate this possibility, a detachable format for asking these questions could be devised, with the responses handled by a third party.

- **Improving the quality of applications:** Applicants could be asked specifically what support they have received (and, where relevant, paid for) in preparing the application. This may go some way to addressing the question of whether building capabilities provides value for funders over and above the value to FLOs and their beneficiaries, in terms of receiving higher quality applications. Again, such questions may not be perceived as neutral as they would be coupled with the application process, and this may therefore compromise the integrity of the data. However, this might be mitigated by asking the questions after the application decision has been given, to both successful and unsuccessful applicants, as part of or in return for detailed feedback on the application. Again the responses could be categorised, and compared with application quality measures from the assessment process, and could yield important information over what aspects of capability building matter most in preparing high quality applications.

*Fifthly*, the Big Lottery Fund, and others, should make greater use of **experimental learning and systematic comparison** within and between programmes.

The evidence base shows that some of the most powerful research conclusions come from systematic comparison between the circumstances of frontline organisations before and after interventions; or between a group of frontline organisations subject to capacity building interventions, and those operating without intervention (Halton and St Helens VCA, 2011, Minzner et al, 2014, Bell,

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*Funders could make greater use of both an experimental approach to designing capability building support and of systematic comparison and learning within and between programmes.*

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2014. With this in mind, the Big Lottery Fund and other funders could make greater use of both an experimental approach to *designing* capability building support, where different kinds and levels of interventions are applied or available in different circumstances, and of systematic *comparison and learning* within and between programmes. This is a recommendation supporting the logic of experimentation in design and learning through comparison, rather than suggesting the pursuit of a Randomised Control Trial. Examples of comparisons which could be explored in this way

include: examining the experiences of organisations with or without diagnostic interventions; comparing more structured diagnostic processes against more open organisational reviews; or where support in a programme is offered through a preferred provider, against support offered as an open ended grant or voucher.

## 4. Conclusions and recommendations

### 4.1 Summing up the evidence

The Building Capabilities scoping study has been a challenging but important opportunity to take stock, in mid-2014, of the evidence base around capability building, support mechanisms, and the transformations underway in the field of capacity building and infrastructure.

An earlier evidence assessment noted how, up to 2006, the evidence base on the benefits of VCS infrastructure was somewhat insubstantial and fragmented (Macmillan, 2006: 5). Here in 2014 we have focused on a wider range of questions and hypotheses, reflecting a broadening of the capability agenda beyond existing voluntary sector infrastructure.

However, in many ways the same points about the evidence base made in 2006 could be made from this assessment in 2014. This leads us to wonder whether the evidence base has fundamentally improved over time. There have not been the systematic studies and comprehensive data collection exercises that were suggested in the earlier review. Arguably this reflects a situation of fragmented leadership amongst stakeholders with an interest in capacity building and infrastructure. No single body or partnership grouping has created, been given or sustained the role of building a cross-field consensus around coordinating research, evaluation and learning in capacity building and infrastructure. Without this, we have largely seen the continuation of a situation where individual research and evaluation projects have been designed to meet particular objectives, and undertaken, with only few exceptions, in some isolation from each other.

Notwithstanding these points, aspects of the evidence base have improved over the period since 2006. We note in particular a greater focus on demonstrating the difference made by capacity building interventions (Halton and St Helens VCA, 2011, Bell, 2014), with a greater attention to before- and after-intervention measures, distance travelled and structured comparisons between groups. As a result, there is a sense that we have become more informed about capacity building, infrastructure and building capabilities, even if we struggle to find clear and straightforward answers to the core questions and hypotheses posed in this study.

Nonetheless, the synthesis offered here aims to draw a new baseline of available evidence around building capabilities and has generated a new and perceptive analysis as a result of hypothesis testing and primary market research. We would suggest that a range of interested stakeholders, including the Big Lottery Fund, can move the debate forward from this starting point, and to this end we have offered some ways of developing the evidence base. In summary, our assessment of the existing evidence base is as follows:

- Where the **evidence is strong**:

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*The evidence in strong in terms of highlighting: the complexity of capability building and the importance of tailoring, expertise, pre-requisite capacity and readiness.*

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- A recognition of the *complexities* of capacity/capability building, in terms of its purpose, targets, methods, mode of delivery and context. Such complexity challenges the idea that straightforward comparisons between different approaches and initiatives are meaningful or possible.
- The need for *tailoring* and flexibility in capability building is an important response to this complexity, and should include paying attention to the whole organisation or partnership.
- The *expertise* of providers, in terms of skills, experience and knowledge, and their ability to forge trusting and understanding relationships with FLOs, is identified as essential to successful diagnosis of needs and provision of effective support - across a range of research and evaluation projects.
- The *existing* capabilities, capacity (time and resources) and '*readiness*' of FLOs are significant pre-requisite factors in the success of capability building.

- Where the evidence is **inconclusive**, but there are useful **indications**:

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*The evidence is inconclusive, but provides useful indications in the areas of: blending methods, working with small groups, the importance of word of mouth, frustrations in accessing the market, and growing demand.*

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- We cannot say which capability building *methods*, such as training, consultancy, information, etc) work best for sustainably embedding skills, knowledge and confidence in FLOs. Which methods work best depends on the purpose and the context. However, *blending methods* to achieve organisation wide engagement appears to be significant.
- We cannot say which *FLOs or types of communities are most in need* of capability building support. The evidence is framed more in terms of variable take up and access to support. *Small groups* (which encompass many different types of groups) have, however, been consistently found to both have particular needs and to be less likely to engage in existing provision than larger groups.
- We cannot say if FLOs make fully *informed choices* about the support they need, although the evidence points towards FLOs making choices based on *familiarity, past experience and word of mouth*.
- The 'market' for capability building is too complex and turbulent to make a definitive and lasting judgement about its overall current capacity, and of *whether market failures occur* in some types of support. However, there is evidence of substantial use of support by some types of FLOs and wide

reach of support by providers, coupled with concerns about who is able to access services and support (in terms of market awareness, provider availability and finance). There are also reasons to think that providers are facing *growing demand for support*.

- Where there is a **lack of evidence and an opportunity to investigate further through future ‘test and learn’ initiatives:**
  - Although *diagnosis* is frequently considered to be a vital feature of capability building - both in its own right and in terms of accessing further appropriate and targeted support - there is no comparative assessment of the impact that pre-intervention diagnosis has on FLO (and beneficiary) outcomes, compared with an absence of diagnosis.

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*There is a lack of evidence, but research need around diagnosis, choice and control; charging models; voice and influence; and impact of capacity building on FLOs and end users.*

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- There is a lack of evidence concerning the meaning, experience and outcomes of FLOs having greater *choice and control* over the support they access. However the need for support that is tailored to organisations’ individual needs and circumstances has emerged from the study as a more significant conceptual focus for future investment and further exploration.

- Very little is known about the origins, adjustments and consequences of different *charging models* in capability building, such as standard fees, variable charges and membership packages.
- There is no systematic comparison of the relative merits and strengths of support received by FLOs from provider organisations which also have a *voice and influence function*, as against support from those which do not. Since the voice function is valued independently, it is important to gather evidence about how changes in overall support provision and funding affect this function.
- There is no systematic evidence of the outcomes or impact of capacity building on *end-users*.

## **4.2 Moving forwards**

The policy and practice of capability building could move forwards from this review by focusing on:

- The inter-related nature of capability, capacity and context. Capability and capacity are interdependent – it may prove fruitless to build capabilities without also paying attention to wider capacities and indeed context. What is needed here is a more sophisticated understanding of capabilities, how they are developed over time, and how they are inter-related with capacity and context.

- Adopting a comprehensive and systematic approach, which is tailored to the individual organisation following a thorough diagnosis process, delivered through highly capable and trusted providers, and, includes a range of different mechanisms which together involve whole organisations.
- Proceeding with caution with the experimental development of a marketised approach for capability (or capacity) building: there is a need for watching and learning from the consequences of every step. All stakeholders should be aware of the potential unintended consequences and proceed only when the risks, as well as the potential advantages, are fully considered. The main risks of a marketised approach, it seems, are: the possibility that smaller, newer or less well-developed groups may not be in a strong position to engage with a market of competing providers, and may opt out of seeking support instead; the loss of the existing voice function in many support organisations insofar as they are pressed into prioritising bespoke work in capacity/capability building; and the potential loss of smaller and less well-funded support organisations who may not have the resources or flexibility to adapt to the shift to market-based funding mechanisms.

Learning efforts could move forwards from this review by focusing on five next steps, as detailed in Chapter 3 and outlined in table 3 below.

**Table 3: Next steps for testing and learning**

What next	Research rationale	What to do with the learning
<p><b>1. Understanding the nature and development of capabilities through the day-to-day experiences and evolution of FLOs, rather than with searching for the impact made by specific capability building interventions.</b></p>	<p>Not enough is known about existing capabilities in FLOs, how they are used, and their role in generating social outcomes for beneficiaries and communities.</p>	<p>A clearer and grounded sense of capabilities would be developed, including the ways in which FLOs help themselves. This would help shape realistic, supportive and targeted interventions, and provide the basis for the development of a structured way of assessing and measuring capabilities.</p>

<p><b>2. Using the opportunity provided by the ‘diagnostic moment’ to learn more about the nature of existing and developing capabilities, particularly in relation to the needs of small groups.</b></p>	<p>A diagnostic process could be made more research oriented in order to identify, assess and explore the origin of existing strengths/capabilities in FLOs, which could then be followed up at a later date to assess how and why capabilities have changed.</p>	<p>This would increase learning about different capabilities, which could help steer specific support interventions, and be used to compare and test <i>different</i> types of interventions.</p>
<p><b>3. Understanding the processes involved in making the relationship and transactions between diagnoser, user and provider of capability support effective, including the value of ‘choice’ and ‘control’ in practice. This could usefully focus on the availability of support to small groups (including minority community groups), especially in rural and deprived areas.</b></p>	<p>Little is known about what actually happens in the relational encounters between FLOs and support providers, including how informed and empowered FLOs are, what difference this makes to the relationship, and the outcomes for FLOs and their beneficiaries which may result.</p>	<p>Variations in how informed and empowered FLOs are could be used to identify the role (and limits) of ‘choice’ and ‘control’, and other factors, in generating more capable FLOs and better social outcomes. A better understanding of the actual relationship between FLOs and providers would help improve support practice and focus efforts to achieve longer term change in FLOs.</p>
<p><b>4. Using the funder - applicant/ grant holder interface (e.g. application and feedback processes) as a more systematic means for gathering research data</b></p>	<p>Funders collect a lot of data already, for example through application processes. Such processes could be used for targeted data-gathering exercises in support of the Building Capabilities learning agenda, for example on understanding existing use of support, willingness to pay, and quality of applications.</p>	<p>Learning from such exercises would specifically help increase knowledge of the demand side of the capability building market (what support FLOs actually access and pay for), and therefore would help develop a realistic understanding of the market’s potential and limits.</p>

<p><b>5. Making greater use of experimental learning and systematic comparison within and between programmes</b></p>	<p>Some of the most powerful research conclusions arise from systematic comparison: before and after intervention, or with and without intervention.</p>	<p>Systematic research comparisons would help advance knowledge of what works in different aspects of building capabilities, for whom, how, and in what circumstances. This would help target interventions appropriately for further learning and better outcomes.</p>
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Finally, we would suggest that the Big Lottery Fund is in a unique strategic position, as a significant and wide reaching funder in the sector, to be able to convene or facilitate an ongoing space for evidence gathering and reflection amongst all stakeholders about the role, organisation, value and future of capability building. This should involve linking up other review exercises, for example in relation to specific initiatives, such as BIG Assist, the NAVCA Independent Commission on the Future of Local Infrastructure, and the consultation 'Your Voice, Our Vision' for the development of Big Lottery Fund's Strategic Framework 2015-2021.

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*Big Lottery Fund is in a unique strategic position to facilitate an ongoing space for evidence gathering and reflection amongst all stakeholders about the role, organisation, value and future of capability building.*

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## Appendix 1: Rapid Evidence Assessment Approach

The core element of the study was a 'rapid evidence assessment' (REA), examining the over-arching research question and within this to explore, test, and challenge the nine supplementary hypotheses. This involved a review of academic, grey and practitioner literature, including, where relevant, evidence from overseas and from allied fields.

The REA had four interlinked elements:

- Design and conceptual clarification
- Evidence search and gathering
- Evidence assessment and extraction
- Analysis, synthesis and validation.

The REA focused on exploring three bodies of literature:

- Evidence of what works in building capabilities for front line voluntary and community sector organisations
- Evidence of what works in building capabilities for partnerships
- Evidence of what works in building capabilities for related interventions (e.g. business support provision to SMEs; financial decision making capability for individuals).

Each involved a search of the following groups of sources, for published and grey-literature:

- Academic and other databases: Google Scholar, Proquest
- TSRC's Knowledge Portal
- Third sector organisations, government bodies and research bodies including: CRESR, TSRC, NCVO (Value of Infrastructure project; Big Assist), NAVCA, OCS, Skills Effect, IVAR, CES, V4CE, GMCVO, ACRE, Plunkett, regional VCS networks
- Big Lottery Fund website and internal intelligence sources
- Requests via academic and practitioner contacts and networks.

Table A1.1 indicates the search terms/strings used to search for evidence. A high number of 'hits' were generated when using level 1 and level 2 search terms/strings, but very few of those hits proved to be relevant evidence. For example, a search for 'third sector & capability' on google scholar produced 13,900 references. The same search on Proquest identified 34 potential sources, 2 of which were peer reviewed.

**Table A1.1: Evidence review search terms and strings**

Element	Level 1	(&) Level 2	(&) Level 3
1. Building capabilities – front line organisations	"third sector" "voluntary sector" "community sector" "voluntary and community sector" "front-line organisation" "community group" "BME organisation" "non-governmental organisation" "Non-profit organisation" "not for profit organisation" "civil society" "social enterprise"	Skills Knowledge Confidence Capacity Capability Ability Systems Structures	Outcomes Impact Difference made Learning support Peer-to-peer External expertise Development Diagnosis
2. Building capabilities – partnerships	"third sector" partnership "voluntary sector" partnership "voluntary and community sector" partnership NGO partnership "non-governmental organisation" partnership Non-profit partnership "not for profit" partnership "civil society" partnership "social enterprise" partnership	Infrastructure Support Development Resources Capacity building Building capabilities Skills development	
3. Building capabilities – allied fields			

An assessment protocol was developed (as shown in table A1.2 below). Through it evidence was **assessed** at a number of different stages:

- title and abstracts (if applicable) scanned to provide an initial assessment of relevance.
- full assessment of relevance (against key question and hypotheses) as set out in protocol
- quality assessment of evidence occurs during the evidence extraction process, rather than through a screening filter for inclusion (see below).

**Table A1.2: Evidence review assessment protocol**

<b>Review question: What works in building front line voluntary sector organisations' capabilities to deliver outcomes (verifiably) to end-users more effectively and sustainably?</b>		
<b>Dimension</b>	<b>Inclusion criteria</b>	<b>Exclusion criteria</b>
Population	The beneficiaries of capability-building interventions are front line organisations and/or (cross-sector) partnerships delivering frontline services and activities	Any other people, organisations or stakeholders in other sectors
Interventions	Activities and functions (e.g. peer-to-peer support, learning support, external expertise, development work, community development) designed to build capabilities/capacity (skills, confidence, knowledge, systems, structures) of front line voluntary sector organisations and/or partnerships	Any other activities
Outcomes	Changes occurring (outcomes, impacts, differences) as a result of capability building interventions – for frontline organisations/partnerships and their beneficiaries/end-users	Descriptions of inputs, activities and outputs with no assessment of outcomes
Study dimensions	Studies from 1997 onwards Studies from the UK, Europe, US, Canada, and Australia	Studies prior to 1997 Studies based beyond the specified countries/regions

A data extraction pro-forma (see table A1.3 below) was developed and replicated within an excel data management worksheet, where all records of evidence reviewed were stored ready for analysis.

**Table A1.3: Extraction pro-forma**

<b>Review question: What works in building front line voluntary sector organisations' capabilities to deliver outcomes (verifiably) to end-users more effectively and sustainably?</b>	
Extraction details	Name:
	Date:
Study details	Title
	Author
	Date of publication/reporting
	Date of research
	Commissioned/funded by
	Geographical area
Assessment details (1)	Research methods used
	What capability building activities/interventions are involved? What is the population/who are the recipients?

	<i>Who provided the support?</i>
	<i>How was the support financed?</i>
	<i>How was the support organised?</i> a) <i>Diagnosis/health check</i> b) <i>Internal/external</i> c) <i>Choice of provider/competition</i> d) <i>Evidence of shopping around for selected provider</i> e) <i>One to one/one to many</i>
	<i>What was the aim of the intervention? (including policy and programme context)</i>
	<i>What is the evidence of improved front line organisation skills, knowledge, confidence, structures and systems?</i>
	<i>What is the evidence of improved outcomes for end beneficiaries?</i>
	<i>What is the evidence of the demand for support?</i>
	<i>Direct contribution to hypothesis testing?</i> a. <i>Voice and support</i> b. <i>Choice in market</i> c. <i>Choice leads to better outcomes</i> d. <i>Choosing with help</i> e. <i>In What Circumstances and Why</i> f. <i>Targeting by Sector or Locality</i> g. <i>Market failure</i> h. <i>Pre-award support</i> i. <i>Post-award support</i>
<i>Quality assessment</i>	<i>1= poor, 2 = below average, 3= average, 4 = above average, 5= excellent</i>

A set of quality criteria was developed for assessing the quality of the evidence during the extraction process. These are based on well-established frameworks for assessing quality, particularly in qualitative research (e.g. Spencer et al, 2003; see also Mays and Pope, 2000), but adapted to work equally as well across quantitative evidence. The quality criteria scoring system is summarised below:

1 = *poor* (does not advance knowledge or understanding, serious flaws in research design/process, non-existent or incoherent argument)

2 = *below average* (does not advance knowledge or understanding, flaws in research design/process, implausible argument)

3 = *average* (small advance in knowledge or understanding, adequate research design/process, coherent argument)

4 = *good* (some advance in knowledge or understanding, good research design/process, coherent and plausible argument linking findings with theory or practice)

5 = *excellent* (major advance in knowledge or understanding, exemplary research design/process, compelling argument linking findings with theory and practice).

## About the Third Sector Research 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 (TSRC) at the University of Birmingham 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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# Sheffield Hallam University

*Building Capabilities in the Voluntary Sector: What the evidence tells us*

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