

Briefing Paper 125

Building capabilities in the voluntary sector: A summary of what the evidence tells us

Rob Macmillan and Angela Ellis Paine, with Helen Kara, Chris Dayson, Elizabeth Sanderson and Peter Wells

Introduction

The previous decade saw major injections of capacity building funding from government and the Big Lottery Fund aimed at building the strength and sustainability of voluntary and community sector (VCS) 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 organisations (FLOs) themselves. It's 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 VCS organisations are experiencing the unsettlement of an increasingly resource-constrained and demanding landscape. 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 FLOs' 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 was conducted 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"> • A rapid evidence assessment of published and grey literature, including over 200 documents. 	<ul style="list-style-type: none"> • Secondary analysis of the 2010 National Survey of Charities and Social Enterprises and primary analysis of an online survey of 188 support providers. 	<ul style="list-style-type: none"> • A series of participatory workshops consisting of funders, providers and researchers.

As summarised in figure 1, 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).

This briefing paper summarises 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.

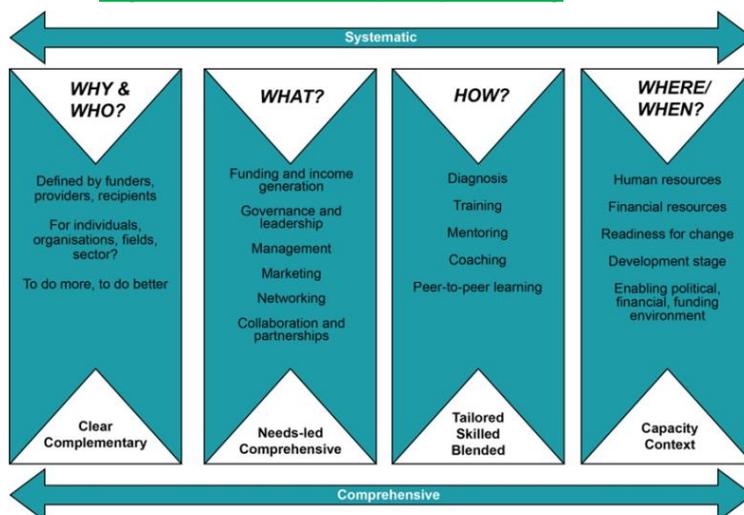
A. What works in building FLOs' and partnerships' capabilities?

Towards 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.

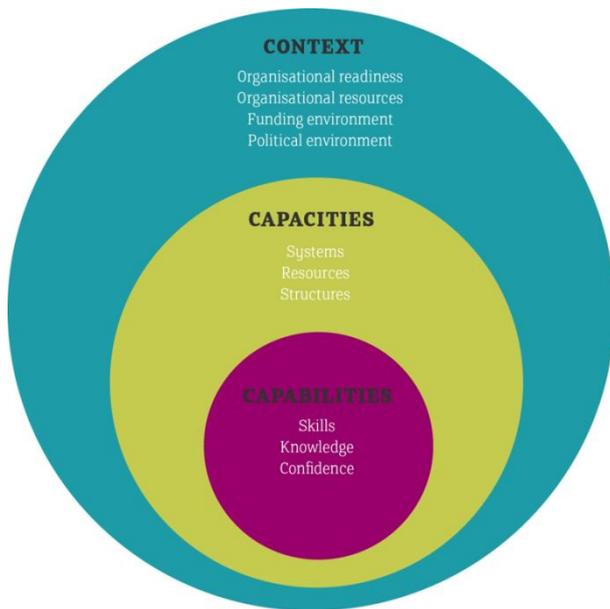
Evidence suggests that there are several key ingredients for effective capacity building interventions. The exact ingredients, however, will vary according to the context, composition and purpose of the organisation or partnership to be supported.

Figure 1: Effective capacity building



As suggested in figure 2 below, the literature also 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. The wider **context** an organisation operates in and its **readiness** to participate are also important. Context and readiness **must be understood as part of the diagnostic process** in order for capability or capacity building to be successful.

Figure 2: Capability, capacity and context



Beyond this, the evidence base tells us mostly about how satisfied FLOs are with the support they receive. It tells us less about long term outcomes of capacity building. 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 FLOs beneficiaries can be more confidently assured.

Testing individual 'what works' hypotheses

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.

Key elements of effective capability building

The first hypothesis 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 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.

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

Summing up the state of the market

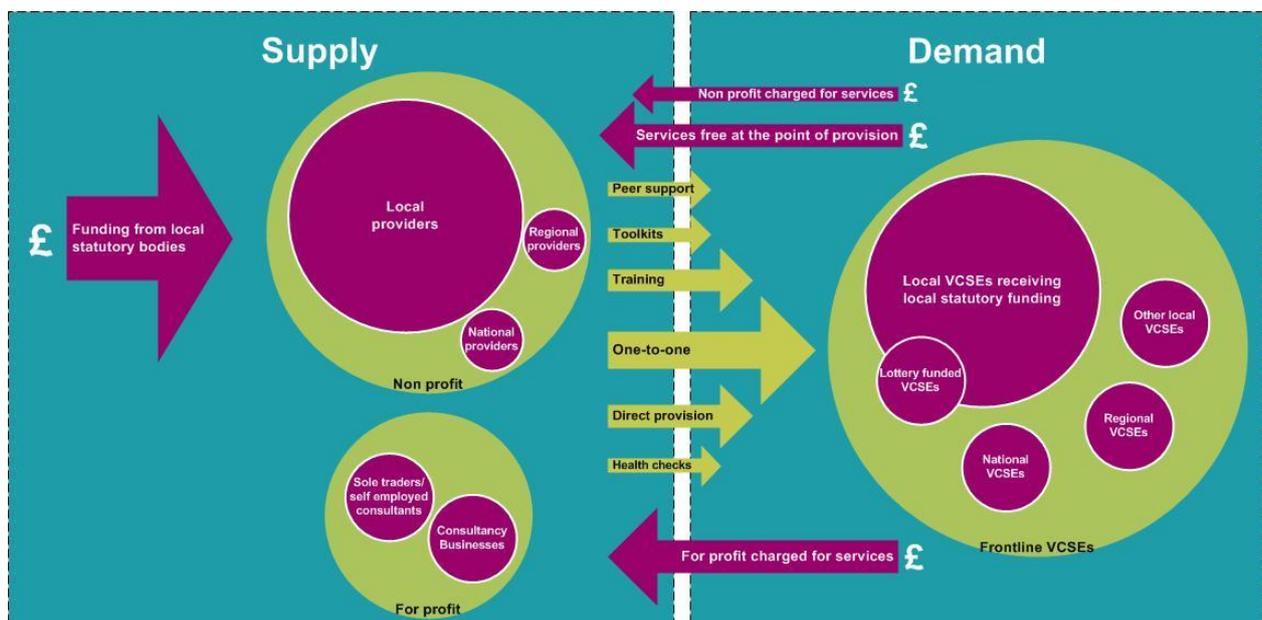
With regards to the supply side of the market, non-profit, local providers account for a vast majority of the support provided to FLOs. Although reportedly on the decline, grants and contracts from statutory sources remain the largest source of revenue for non-profit support provision, whereas charging 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 3: A market map of support services



Testing market hypotheses

We tested the evidence against six further hypotheses to explore in more detail how the capability building support market does and could operate, and associated risks.

Needs and targeting

The third hypothesis was that ‘there are segments of the VCS 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 VCS which have **particular** needs and which require particular models of capacity building support and which are currently being poorly served (i.e. small groups, including many single identity groups, rural groups, 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 on whether some segments of the VCS are **most** in need of support. 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 ‘FLOs 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, easily understood and identified 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 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 available to them. In this context, the support 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 existing 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 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 respondents to the National Survey of Charities and Social Enterprises (or 3,700 organisations) were providing support as their main function. Many other 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 FLOs 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 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. Further, in an increasingly competitive world, 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.

C. What are the lessons for funders, policy-makers & researchers?

Achieving funder outcomes

The ninth hypothesis was ‘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. Funders in the UK have not always developed clear theories of change for support initiatives, making evaluation harder.
- There is some evidence to suggest 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 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 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 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' **communication with grant holders**, such as via application or reporting, should be used **to collect more systematic 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.

This paper has been produced 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. It is the result of a scoping study that was commissioned and funded by the Big Lottery Fund.

A full research report is available and can accessed from TSRC's website: www.tsrc.ac.uk