Institute for Voluntary Action Research

IVAR

BIG and small:

Capacity building, small organisations and the Big Lottery Fund

Final report for the BIG Lottery Fund

July 2010

IN PARTNERSHIP WITH

Contents

Appendices

Figures

Foreword

The report you are about to read arose from the Big Lottery Fund (BIG)'s desire to find out more about the support needs of small groups that apply to us for funding, and how we might best try to meet those needs. We commissioned a team led by the Institute for Voluntary Action Research (IVAR) to investigate that question early in 2009.

At BIG, we find ourselves in a different situation from many funders. After the government, we are the biggest single funder of the voluntary and community sectors in the UK. Like government departments, we are rightly subject to public scrutiny and expectations of fairness in the way we make decisions. But as a lottery funder we also face strong yet competing expectations about what we should fund and how we should fund it. For instance, is it more important to fund projects that will make the most difference to the most people, or to build organisations so that they can deliver our or their own aspirations? How much time and money should we spend on supporting groups to apply, and how much on assessing applications? And once we decide to fund a particular application, how far and when should we offer further support to ensure that the project develops its ability to deliver its agreed outcomes as fully and effectively as possible?

The *concept* of capacity building is itself a tricky one. At BIG, we increasingly avoid the term in favour of such formulations as "developing skills and confidence", which we hope will be both more positive and more meaningful to many of the groups we engage with. IVAR's interesting literature review notes that those groups whose needs are perhaps greatest will probably be least likely to recognise the concept of capacity building. Once the term has been explained, we need to think about *why* we want to build capacity – is it primarily so that we can fund projects to meet our own programme priorities, or is it so that groups will be more confident about identifying and meeting their own aims? This study set out to focus on how best to achieve the former, but the distinction is not always entirely clear.

You should not be surprised to learn that this report does not offer any simple magic solutions to these thorny issues. Instead, it sets out some of those problems from the perspectives of a range of applicants and BIG staff before going on to present current and potential approaches to meeting capacity building need. As you read the report, I suggest that you recall some of the broader competing tensions that funders like BIG face. Just as individual project needs and preferences vary, so too do those of the various stakeholder groups we serve, and our wider decisions about addressing capacity building need will have to respond flexibly to these.

As we develop a new funding system and new programmes, we will actively consider the perspectives and approaches mentioned in this report. We will also raise and discuss them more widely – both in internal and external forums. This has been made possible by the generous involvement of the many BIG applicants who have honestly shared their views and experiences with the researchers over the last few months.

Steve Browning
Evaluation and research analyst
Big Lottery Fund

Introduction to the final report

This is the final report of a study carried out by the Institute for Voluntary Action Research (IVAR) for the Big Lottery Fund (BIG) to '*provide evidence to BIG on how best to target its efforts to build capacity or to support capacity building in* [small][1] *groups that apply to it'* (BIG, 2009). It has been written by a study team comprising Ben Cairns, Joanna Howard, Rob Macmillan, Rebecca Moran and Marilyn Taylor.

The report is divided into five parts:

i. In Part 1, we describe the aim and desired outcomes of the study, before summarising some of the relevant literature on capacity building and small organisations.
ii. Part 2 outlines the research methodology.
iii. Part 3 presents our research findings, including a summary of the analysis of the BIG database and a synthesis of the findings from our interviews with BIG staff and applicant organisations, as well as an online survey of applicants.
iv. In Part 4, we discuss our findings and offer some thoughts about possible changes, adaptations and innovations to BIG's approach to supporting small organisations.
v. Part 5 contains our concluding remarks on capacity building and communications.

[1] By 'small' we mean organisations that have an annual income of between £10,000 and £100,000 as in Kane et al (2009) *The UK civil society almanac*, London: NCVO

Executive summary

This study aimed to provide evidence to the Big Lottery Fund (BIG) on how best to target its efforts to build capacity or support capacity building in the [small] groups that apply to it for funding. The research took place between March 2009 and March 2010 and was carried out by a team led by the Institute for Voluntary Action Research (IVAR), in collaboration with colleagues from the Third Sector Research Centre, the University of the West of England and Cordis Bright.

This report brings together the findings of a review of relevant literature, an analysis of information from Merlin (BIG's grant-making database), interviews with 13 BIG staff and 24 applicant organisations, and an online survey completed by 122 applicants.

The study findings

The literature review: existing knowledge in this area (Part 1, section 2)

Earlier research highlights differences between types of organisational capacity in relation to: programme delivery; programme expansion; or helping organisations adapt to environmental pressures. Many authors see capacity building as *'any kind of action or progress which improves abilities to perform activities or functions'.*[2] This is consistent with BIG's own working definition of organisational capacity building as *'efforts to improve performance by developing skills and confidence'.*[3]

A number of focal points for capacity building recur throughout the literature, including: strategic planning; raising funds; human resources; recruitment of volunteers; networking with other voluntary and public sector organisations; governance; and financial management. Earlier research also highlights a distinction between two models of capacity building:

[2] See, for example, Cairns, B., Harris, M., and Young, P. (2005) 'Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice', in *International Journal of Public Administration*, vol 28: 869-885

[3] Big Lottery Fund (2009) *Invitation to tender: Analysis of the capacity-building needs of applicants to the Big Lottery Fund*, February 2009, London: BIG

i. the deficit model, which focuses on what others (might) consider to be lacking in an organisation
ii. the empowerment model, which focuses on meeting an organisation's own aspirations (but does not exclude support from others).

Frontline organisations tend to prefer closer or more intense methods of support, such as face-to-face, consultancy-type support that responds to specific organisational contexts. This approach can, however, be very resource intensive. As a result, smaller organisations may be less likely to seek or prioritise capacity-building support. Finally, our own earlier research has argued that establishing coherence between the purpose, focus and method of capacity building is critical to any successful capacity building programme.[4]

Merlin – BIG's applicant database (Part 3, section 4)

The analysis of Merlin, BIG's applicant database, focused on applicants with an annual income of £10,001-£100,000. There was, however, little if any data *explicitly* related to the capacity building needs of small organisation applicants to BIG. This was itself an important research finding. While BIG is clearly committed to targeting its efforts to build capacity or to support capacity building in the groups that apply to it for funding, its internal systems do not themselves fully support that endeavour. Moreover, the application process does not explicitly invite reflection on or requests for support to build capacity, and indeed openness about such needs might jeopardise applications.

A central mechanism for gathering and collating information about capacity building needs – for example, repeated patterns of organisational problems in funded organisations – could be invaluable when trying to develop an approach to capacity building that responds directly to the needs articulated by the organisations.

[4] ibid 1

Findings from interviews with BIG staff and applicants, and an online survey of BIG applicants (Part 3, section 5)

Capacity building is widely understood as a process of improving the skills and confidence of groups so that they can run their organisations and projects better. Within BIG itself, opinions vary about whether the primary focus of capacity building should be on an organisation's overall development or its ability to deliver project outcomes. Applicants generally see capacity building as a process that can help them achieve their goals and thus enhance their work in the community.

Capacity building needs of small organisations

BIG staff identified a range of capacity building needs among small organisations including governance, income generation and project management. Some of these needs related specifically to the organisations' ability to apply for BIG funding; others to wider organisational capacity.

The majority of the BIG applicants who were interviewed were well networked; they generally felt that they were responding to community needs and that they had the required skills, passion and commitment to deliver their organisational aims. Interviewees' thoughts about capacity building needs thus focused less on organisational deficits and more on areas that could build upon their existing strengths. In addition to prioritising funding as their most pressing need, they also identified a need for further support in seven main categories: governance; human resources; networking; fundraising; physical resources; marketing and communication; and new needs that emerge after receiving funding. The top three support needs among survey applicants were: '*how to get more funds that we can spend as we wish*'; *'measuring the difference that we're making';* and *'writing applications and tenders'*.

Delivery of capacity building

Currently, BIG identifies capacity building needs on the basis of its internal intelligence, risk assessments, stakeholder consultation events and application criteria. BIG staff had a number of suggestions about how BIG could target its capacity building support, including targeting by sub-sector, 'cold spot' areas and successful/unsuccessful applicants. There was some concern about the implications of such an approach for applicants who might be excluded from any such targeting.

In terms of the future delivery of capacity building, BIG staff offered four options:

i. BIG provides support itself
ii. BIG employs a pool of consultants to provide support
iii. BIG signposts organisations to other support agencies
iv. BIG gives organisations resources with which to purchase their own support.

Allowing organisations to purchase their own support was the most popular option among applicants; opinions were more wide-ranging with some country differences with regard to BIG's involvement in the design and delivery of capacity building.

Barriers to capacity building

BIG staff identified inadequate time, insufficient resources and a lack of organisational 'buy-in' as some of the main barriers to capacity building. These barriers mirrored the experience of some BIG applicants who reported that they had not sought support due to cost implications and a lack of time, resources and trust in support providers.

The BIG application process

Some BIG applicants described the application process as time consuming, lengthy, confusing and difficult. Most interviewees struggled to articulate their organisational value into words, experienced difficulties with identifying and expressing outcomes, and felt that BIG staff should provide more one-to-one support during the application process. Others felt that the application process was not too onerous, given the amount of funding they were applying for; they attributed their ability and confidence to their previous bid-writing experience.

Discussion and concluding remarks (Parts 4 and 5)

Parts 4 and 5 of the report present some questions and tensions for BIG to consider when developing a capacity-building strategy, including:

i. How might capacity building be delivered?
ii. To whom and when might it be delivered?
iii. What might the various options mean for the way BIG works?

The purpose of capacity building

Within BIG there seem to be at least three priorities for capacity building:

i. to ensure organisations are able to apply, receive and spend a BIG grant
ii. to ensure organisations are able to deliver agreed project outcomes
iii. to support wider skills development within the voluntary and community sector.

Although it is important to retain some flexibility in the definition of capacity building to ensure that it applies to the majority of BIG's funding programmes and to each of the four UK nations, our study findings suggest that BIG's *primary* objective is inevitably to protect its investment by ensuring that BIG is able to deliver its own mission: *'We are committed to bringing real improvements to communities and the lives of people most in need.'*[5] This implies a need to target capacity building support in such a way that it prepares organisations to fulfil the obligations and expectations associated with a grant from BIG. Such an approach, however, might be at odds with accumulated learning in this area which indicates that capacity building is more productive and useful when it is focused on organisations' own perceptions of their need. For BIG to reconcile this apparent tension, it might need to think more carefully about the relationship between *projects* and *organisations*. For small organisations, the focus of this study, the distinction is blurred: their ability to deliver agreed *project* outcomes may depend largely on support for their *organisatio*n (such as governance and planning). In other words, priorities i. and ii. above need to be tackled together.

Targeting capacity building

In thinking about who to target, a flexible mix-and-match of extensive and intensive approaches is likely to be the most appropriate, as organisations have different needs according to their stage of development. Extensive options might allow more organisations to be supported. They would normally focus on specific skills and short-term interventions and might best match situations where organisations buy in

[5] Big Lottery Fund (2009) *Big thinking: Our strategic framework to 2010,* www2.biglotteryfund.org.uk/bt_strategic_framework.pdf

their own training or one-to-one consultancy. Intensive options, on the other hand, involve more sustained, holistic organisational development, often delivered through a peer group.

While a mix-and-match approach might be ideal, BIG would also have to weigh the benefits against the likely administrative costs and the question of equity – that is, which organisations have access to support and when. That said, there is clearly scope for BIG to promote more sustained approaches through supporting peer networking above, and indeed beyond, projects funded under specific programmes.

Capacity building needs

It is clear from our findings that organisations primarily look to BIG for funding that will equip them to deliver their intended outcomes, support communities and develop their organisations. Future discussions about targeting capacity building in small organisations need to be mindful of this. BIG applicants also highlighted three areas in which existing support could be enhanced: increasing organisations' ability to secure funding from BIG; increasing the effective use of that funding; and adapting to the scale of change that BIG funding can create.

Delivering capacity building

Despite technological advances, small organisations still have a profound desire for personal relationships. They appreciate direct contact with BIG during the application process, either face-to-face or on the phone. In addition, organisations in our study also indicated a preference for a more demand-led model of support that would meet their needs more directly. There are various ways in which BIG could respond – for example, it could invest more in ensuring that support providers become more attuned to the needs of frontline organisations rather than prioritising their own perceptions of need and demand; or it could create more opportunities for peer learning. Further research to explore how BIG can help to stimulate or facilitate such peer learning networks may be a worthwhile investment.

Whichever option(s) BIG decides to pursue, there will be pressure to balance cost-effectiveness with innovation, and targeting (to achieve greater impact) with equity. By their very nature, many BIG programmes are restricted to specific organisations or activities, so targeting already exists to an extent. Ultimately, the success of any of

BIG's initiatives is likely to depend on the presence of clearly stated accounts of its purpose and rationale.

Internal and external communications

Finally, it is clear from the study findings that there is an abundance of intelligence and learning within BIG itself that needs to be shared more openly and effectively. The new IT system may be one way to collate such information; however, there is also a need to encourage more internal reflection and communications. Over-reliance on informal and ad-hoc mechanisms to distribute learning across the organisation will prove insufficient when it comes to developing strategies and setting budgets. The study also highlights a need to provide more information about the rationale of both the application and decision-making processes so that applicants will better understand what is expected of them and why.

Concluding remarks

The aim of this study was to '*provide evidence to BIG on how best to target its efforts to build capacity or to support capacity building in* [small] *groups that apply to it'*. The study was carried out against the backdrop of the recession, just prior to the formation of the coalition government and a period of restraint in the funding of capacity building in the VCS.

The supply-led programmes of capacity building which have come to dominate the capacity building landscape have not always been attuned to the practical realities of small organisations. Nationally driven programmes have, if anything, privileged the needs and views of suppliers (infrastructure bodies) over clients (frontline organisations). Whilst a strategic shift to supporting small organisations may be welcome and politically astute, it is likely to require dedicated attention – through internal communications, dialogue with frontline organisations and further research – as well as a commitment to experimentation and innovation. To achieve this shift, BIG will need to reach agreement about the focus and priorities of its capacity building support.

Our findings confirm that small organisations are both resilient and complex. Whilst broadbrush approaches to supporting them may prove successful in some areas of need, for example technical aspects of organisation and management, addressing their stability and performance will require more sophisticated interventions. Such support is unlikely to succeed if it is just focused on *projects*, rather than *organisations*, as such distinctions will be harder to draw in smaller organisations. This is not inconsistent with an approach to capacity building that is primarily concerned with '*improving performance by developing skills and confidence*'[6].

Although BIG cannot operate with the flexibility and freedom of, say, a family foundation, it might consider a more proportionate approach to how it supports (or funds support for) small organisations, allowing for geographical and programme differences, as well as new routes of delivering capacity building (such as through bespoke support or peer learning). Such a nuanced approach to targeting has the potential to produce practical outcomes for beneficiaries as well as to generate learning for both BIG and the wider voluntary sector.

In making these difficult pragmatic (and ultimately political) decisions about the depth and breadth of the engagement and support it wants to offer small organisation, BIG will need to be more explicit about the consequences of those choices. The more effective and popular approaches are likely to be the most resource-intensive, so approaches will necessarily vary between countries and programmes. Positively, BIG has the size and resources to experiment with different approaches in different contexts and should continue to do so. This report offers some options that BIG's decision-makers ultimately need to balance. The analytical framework of *purpose, focus and method* that we offer will help BIG to do this.

[6] ibid 2

Part 1: Introduction

1. Study aim and possible study outcomes

The aim of this study was '*to provide evidence to BIG on how best to target its efforts to build capacity or to support capacity building in* [small] *groups that apply to it'* (BIG, 2009).

2. Existing knowledge in this area

Summary

The literature review raised the following questions, which informed our approach to the study:

- What is driving BIG's decision to consider targeting capacity building for small organisations? Is it primarily to protect BIG's investment? Is it driven by an ideological belief in advancing the skills of the third sector? Is it to help meet BIG's outcomes? Or is it a mixture of all three?
- On the basis of the above, what is the overall *purpose* of capacity building?
- What capacity building needs is BIG willing to support? How and when will these needs be diagnosed and by whom?
- What are the preferred methods of capacity building support? What are the potential resource implications?
- How will BIG ensure there is coherence between the purpose, focus and method of capacity building support?

Prior to commencing our fieldwork, we carried out a brief review of existing literature on capacity building and small organisations (see Appendix 1 for the full review and bibliography). The aim of the review was to answer the following questions:
What do we already know about the capacity building needs of small organisations?
What do we already know about trying to meet those needs?

This brief summary of the review considers: the definition of capacity building; the purpose, focus and methods of capacity building; and the challenges of actually delivering it. Where appropriate the review draws explicitly on literature that focuses on the relationship between capacity building and funding, much of which is summarised in Cairns and Chambers (2008). It also draws upon our own earlier work in this area (see Cairns et al, 2005; Howard et al, 2009; Macmillan, 2004; Taylor et al, 2007).

2.1 What is capacity building?

Cairns et al (2005) provide a comprehensive discussion about the various ways in which capacity building is understood in literature and in practice. For example, they highlight differences between *types* of organisational capacity – including either programme delivery, programme expansion or helping organisations to adapt to environmental pressures (ibid: 872). They also acknowledge the distinction that is sometimes made between building capacity in comparison to building ‘competencies’ or ‘capabilities’ (ibid: 872). In broad terms, they recognise that some authors see capacity building as *'any kind of action or progress which improves abilities to perform activities or functions'* (ibid: 872).

BIG itself adopts a working definition of organisational capacity building as *'efforts to improve performance by developing skills and confidence'* (BIG 2009).

2.2 Purpose, focus and methods of capacity building

2.2.1 Purpose

A recent review of international literature on capacity building suggests various reasons why capacity building support is provided (Howard et al, 2009: 15-17). Some capacity building support is 'investment driven' – in other words, it is initiated by funders who wish to ensure that their investment is put to optimal use. Other interventions are driven by values, while others still are explicitly research-based, bringing academics together with practitioners to develop evidence-based practice. By exploring the *drivers* of capacity building support, one can more easily identify its *purpose.*

One issue that may influence the purpose of a capacity building intervention is the relationship between organisational characteristics – in the case of this study that means an organisation's size and its ability to deliver the intended aims and outcomes of funding programmes. This is an important consideration for the funding organisation, given the overriding need to protect its investment. For some applicants, the relationship between organisational characteristics and the organisation's ability to deliver may be very clear: the aims of a funding programme may equate to, or fit closely with, their own organisational mission. For other applicants the relationship may be less obvious.

2.2.2 Focus

A number of focal points of capacity building recur throughout the literature, including: strategic planning; raising funds; human resources; governance; and financial management. Support with funding, recruitment of volunteers and networking with other voluntary and public sector organisations are among other likely issues for which support is sought and accessed by organisations (Allen and Gelder, 2006; Harker and Burkeman, 2007;Macmillan, 2004).

In discussing the focus of capacity building, earlier research highlights the importance of organisational characteristics – for example, small organisations are often heavily dependent on a small number of key people; therefore recruitment and retention of staff and volunteers is usually of pressing concern (IVAR, 2008).

Identifying the focus of capacity building within individual organisations requires some diagnosis of need (Cornforth et al, 2008). This raises a number of practical questions, including who should do the diagnosis, when and how. The idea of need also suggests a gap in capacity, in relation to which the literature highlights a distinction between two models of capacity building:

- a deficit model, based on an external perspective about what is lacking within an organisation
- an empowerment model, committed to '*strengthening people's ability to carry out their own purposes and aspirations'* (Cairns et al, 2005: 873).

The empowerment model privileges the perspective of the organisation itself, while still allowing space for facilitation and support.

2.2.3 Methods

Funders have at least three delivery models of capacity building available: a capacity grant, a development partner model and a structured programme (Blumenthal, 2003). This raises the question of the relationship between the funder, delivery partner and grant recipient – the *'capacity building triangle'* identified by Cornforth et al (2008). Grant recipients may purchase support from consultants or specialist providers; alternatively a funder may have a network of providers to deliver the intervention, which can be helpful for inexperienced organisations or those with limited understanding of the problems they face (ibid). Relationships between delivery agents and organisations may be '*constructive'* and '*empowering'* but could also involve elements of dependency and mistrust.

Capacity building involves time and effort, and so the costs of capacity building also need to be explored. Evidence suggests that frontline organisations tend to prefer closer or more intense methods, such as face-to-face consultancy-type support which can be sensitive to specific organisational contexts and tailored accordingly (Taylor et al, 2007). However, this can be very resource-intensive in terms of both money and time (Macmillan, 2004; Harker and Burkeman, 2007). An organisation's capacity to access and make good use of capacity building support thus becomes a significant issue, and there is some evidence that smaller organisations are less likely to access external support or prioritise capacity building as an issue.

2.3 The challenges of delivering capacity building

The literature notes a number of challenges in the delivery of capacity building, including: time lags between capacity building and its impact (Wing, 2004); managing the relationships between the funder, delivery agent and grant recipients (Cornforth et al, 2008); scepticism towards capacity building interventions (Harrow, 2001); organisational readiness (Cairns and Chambers, 2008); and additional workload for the organisation (IVAR, 2008).

Cairns and Chambers (2008) and Harrow (2001) argue that establishing coherence between the purpose, focus and methods of capacity building is critical to any successful capacity building programme. However, achieving this may be especially challenging when focusing on small organisations, since their needs are likely to be highly varied and their preference for particular delivery methods may differ.

2.4 Implications

On the basis of the above, it was agreed that the qualitative part of the study (involving interviews with BIG staff, case studies of applicant organisations and an online survey to a sample of BIG applicants) would pay particular attention to issues related to:

- the definitions and meanings of capacity building
- the purpose and outcomes of capacity building support
- the diagnosis and determination of need
- applicants' experience of current sources of support and ideas about future initiatives.

Part 2: Methodology

3. Introduction

This research was conducted in three stages:

Stage one: Analysis of BIG's Merlin Database
Stage two: Interviews with BIG staff and BIG applicants
Stage three: Online survey

3.1 Stage One – Analysis of BIG's Merlin Database

The research aimed to use BIG's Merlin Database to identify any immediate issues or trends in relation to BIG applications and their capacity building needs. The aim was to help identify initial hypotheses for further testing throughout the research, as well as provide a sampling frame for the qualitative phase of the study.

The data analysed in this report was provided by the BIG Lottery Fund. All grant applications to the following programmes in 2008 were provided:

- England - Reaching Communities
- Northern Ireland - Reaching Communities
- Wales - People and Places
- Scotland - Investing in Ideas and Scotland - Investing in Communities

Any grant applications made by non-third sector organisations were removed from the data. This was agreed with the BIG Lottery Fund.

It should be noted that the Merlin database does not use standardised fields, consistent coding or recording practices across the four nations. This made the analysis difficult at times.

3.2. Stage Two – Interviews with BIG staff and BIG applicants

3.2.1 Staff interviews

We conducted semi-structured telephone interviews lasting between 30 and 90 minutes with 13 BIG staff between July and August 2009. The interviewees worked across the four UK nations and included programme managers, policy staff and grant officers. The purpose of the interviews was to give BIG staff time to reflect on the role that BIG does, and could, play in providing capacity building support, and to explore their knowledge of the capacity building needs of their applicants, and small organisations in particular. These topics were selected to explore key themes that had emerged from the preliminary literature review presented in Part 1.

3.2.2 BIG applicant interviews

Semi-structured face-to-face interviews were conducted with 24 BIG applicant organisations between October and November 2009. The interviews lasted between one and three hours and included the perspectives of both staff and trustees (and in one case of a key support worker within the local community). Participants were given the choice to do an individual or group interview: nine opted for individual interviews; the remaining interviews were conducted with two or more informants.

The purpose of the interviews was to give organisations the chance to think through some of their main organisational challenges and what support would be most useful to them in addressing them. Interviewees also had time to reflect on their experience of the BIG application process and the role that BIG could play in providing capacity building support.

The qualitative, semi-structured nature of the interview process meant that we were able to explore aspects of organisational working practices while beginning to situate organisational aims within local contexts and professional paradigms – for example, health, childcare, disability and community development. This allowed us not only to touch on capacity building needs but also to explore *why* these needs are important, both for the functioning of the organisation and the delivery of project aims.

Using a stratified random sample, 200 organisations were selected from the 677 organisations with turnover of £100,000 or under who applied for BIG funding in 2008 in England, Scotland and Northern Ireland. There was a mixture of both successful and rejected applicants (with different reasons for rejection) and a proportionate number of applications from the different UK nations.[7] BIG contacted the 200 selected organisations via email and invited them to take part in the research; 24 organisations agreed to do so. This element of self-selection means that these organisations cannot necessarily be seen as representative of BIG applicants as a whole.

From the selected sample, 13 organisations had their applications accepted during the 2008 funding round, while 11 were unsuccessful. Whilst this balance may not be representative of the overall success/reject rate, it enabled the research to control for potential differences in the capacity building needs across the two groups. However, 18 of the organisations had received BIG funding at some point in their history. Figure 1 below highlights some further organisational characteristics of the sample:

Figure 1: Organisational characteristics of research participants

Characteristic	Mean	Range
Age of the organisation	13 years	3 - 47 years
Number of employees (full-time equivalents)	2	0 - 7.5
Number of volunteers	13	0 - 55
Number of trustees	6	4 - 21
Annual income	£43,353	£19,000 - £80,060

The organisations provide a range of services and activities to a diverse beneficiary base as shown in Figure 2 below.

[7] Due to an 'over-evaluation' of the sector in Wales, BIG decided not to include these organisations in this research sample

Figure 2: Range of services, activities and beneficiaries among research participants

Service/ activity
Community development Employment opportunities Training and education Tailored activities (eg for autistic children) Cultural events Community art Advice services Self-help/ support groups Practical/ emotional support
Beneficiaries
Women Children and young people Black and minority ethnic communities Local community/ local residents Families Individuals People with a disability/ special need People with health concerns (eg cancer, mental health issues, etc)

3.3 Stage Three – Online survey

Following an analysis of the BIG applicant interviews, we devised an online survey to explore the extent to which our findings corresponded with the perspective of a wider population. The questions used in the survey were based on material from the interviews with applicants.

We sent the survey to 1,000 BIG applicants in England, Scotland and Northern Ireland[8] (108 organisations without an email address received theirs by post) during December 2009 and January 2010. The applicants had all applied for funding during 2008 or 2009 and had an annual income of £100,000 or less at the time of applying.

In total, 122 organisations responded to the survey. The table below shows the organisational characteristics of the respondents:

[8] Again, Wales was excluded at the Big Lottery Fund's request, due to the 'over-evaluation' of organisations in this country.

Figure 3: Organisational characteristics of online survey respondents

Characteristic	Mean	Range
Age of the organisation	16 years	0 - 115 years
Number of employees (full-time equivalent)	3	0 - 50
Number of volunteers	16	0 -150
Number of trustees	6	0 - 15
Annual income	£36,258	£0 - £100,000

Of the 122 respondents, 66% were successful applicants and had received money from BIG, while 34% had been rejected.

3.4 Ethics

The research was conducted within the guidelines set down in IVAR's ethical code of conduct (see Appendix 3).

Part 3: Study findings

Our study findings are set out in two sections:

- 4. Analysis of BIG's Merlin database
- 5. Summary of interviews with BIG staff, BIG applicants and an online survey of BIG applicants.

Details of our methodology and, where appropriate, characteristics of the study participants are presented at the beginning of each section.

4. Key findings from BIG's Merlin database

This part of the research aimed to use BIG's Merlin database to identify any immediate issues or trends in relation to funding applications from small organisations. In order to provide some clear parameters for the search and analysis of the database, it was agreed to limit the detailed analysis to:

- organisations with a turnover of between £10,001 - £100,000[9]
- applications processed between 1 January 2008 and 31 December 2008
- specific programmes, as listed in section 2.1

4.1 Acceptance and rejection rates from organisations with annual incomes of £10,001 - £100,000

- In Scotland, the chances of being accepted or rejected were fairly equal: 52% accepted; 46% rejected.

- In England, more cases were rejected than accepted: 34% accepted; 56% rejected.

- In Wales, more applications were rejected than accepted: 39% accepted; 59% rejected.

[9] This is based on the NCVO definition of 'small' organisations (Kane et al, 2009).

- In Northern Ireland, more were rejected than accepted: 13% accepted; 87% rejected.

4.2 Reasons for rejection

As part of the analysis, each application was organised into reasons for rejection. The most frequent reasons for rejection for applications for small organisations were similar to those in the other annual income groups in each country. Figure 4 shows the most frequent reasons for rejection for small organisations by country. (NB. Applications may have been given more than one reject reason.)

Figure 4: Reasons for rejection by country (organisations with an annual income of £10,001 - £100,000)

Country	Most frequent reasons for rejection
Scotland	Inadequate evidence of need Project is poorly planned or unplanned Outside programme remit Outside programme aims
England	Inadequate evidence of need Insufficient funds
Wales	Inadequate evidence of need Project is poorly planned or unplanned
Northern Ireland	Inadequate evidence of need Insufficient funds Proposed outcomes do not meet the intended programme outcomes

In order to locate our findings about organisations with annual income of £10,001 - £100,000 in the context of all applicants, we compared the total percentage of acceptance and rejection rates across all income groupings (ie. £0; £0 – 10,000; £10,001 – 100,000; more than £100,000). This analysis showed that:

- applications from organisations of all annual incomes are more likely to be rejected than accepted

- those applicants with an annual income of £0[10] are the most likely to be rejected (78%) and the least likely to be accepted (16%)
- organisations with annual incomes of £10,000 or less have the highest acceptance rate.

[10] It is understood that the category of '£0' relates to new organisations or those where no relevant information was recorded

4.3 Project objectives

The findings for outcomes and project objectives for applicants with an annual income of £10,001 - £100,000 are set out below.

Figure 5: Project objectives and application outcomes for applicants with an annual income of £10,000 - £100,000

Project objective	Scotland (%)		England (%)		Wales (%)		Northern Ireland (%)	
	Accepted	Rejected	Accepted	Rejected	Accepted	Rejected	Accepted	Rejected
Reduced isolation	16	84	35	65	45	55	0	100
Improved social wellbeing and psychological health	60	40	0	100	50	50	14	86
Increased organisational capacity	59	41	0	0	100	0	20	80
Improved employability	50	50	37	63	0	100	20	80
Improved environment	73	27	50	50	40	60	0	100
Improved community relationships	75	25	25	75	50	50	50	50
Improved physical health	100	0	50	50	14	86	0	100
Improved family relationships	60	40	40	60	100	0	0	100
Improved personal independence	100	0	40	60	100	0	25	75
Increased individual resources	50	50	0	100	0	100	0	0
Other	100	0	0	100	25	75	0	0

4.4 Summary of analysis

The analysis of the database did not yield much, if any, data *explicitly* related to the capacity building needs of small organisation applicants to BIG. Furthermore, we experienced some practical difficulties with the data and found some anomalies, both of which we list here:

- There is little consistency in recording reasons for rejection in each country, with different phrasing used across counties. Furthermore, the guidance and practice for assigning 'risk status' (a key factor in the grants decision-making process) varies across programmes.

- Some applications were rejected for more than one reason. This complicated the analysis, especially in terms of how entries are treated within the database.

- Scotland uses a total of 72 reasons for rejection (but rejects the least) whereas Northern Ireland uses only 30 reasons for rejection (but rejects the most). In addition, Scotland was most likely to use combined reasons for rejection, whereas Northern Ireland was more likely to only use a single reason for rejection.

- Although project descriptions are recorded in the database, these are open-ended. There is no consistent categorisation of descriptions, either in relation to the outcomes the project is seeking to achieve or the stakeholder or key group that the initiative is aimed at.

We are, however, able to identify reasons for applicants being rejected, which we can use to tentatively identify possible explanatory factors. For example, we might infer that organisations rejected on the grounds that their applications were weak in relation to 'evidence of need' might be struggling to identify the actual need among their target beneficiary group(s). The contributory factor might equally be a difficulty in *expressing* (rather than *identifying*) need. Similarly, organisations whose applications were rejected on the grounds that their project outcomes did not meet the relevant programme outcomes may have experienced difficulties in articulating *outcomes* as distinct from *outputs*. However, although some inferences about reasons for rejection may be possible, they can only make a very modest contribution to meeting the overall aim of this study.

We should note, however, that the absence of data on the capacity building needs of small organisation applicants to BIG is itself a research finding. While BIG is clearly committed to targeting its efforts to build capacity or support capacity building in groups that apply to it for funding, its internal systems do not themselves fully support that endeavour.

5. Findings from interviews with BIG staff and BIG applicants, and an online survey of BIG applicants

Throughout this section, direct quotes from interviewees are indicated in italics, while anonymous vignettes are provided both to give some insight into the organisations that took part in this research and to illustrate particular points.

5.1 What is capacity building?

Summary

BIG staff, BIG applicants and survey respondents were asked a number of questions to gauge their understanding of capacity building.

- ‘Capacity building’ is widely understood as a process focused on supporting an organisation’s ability to fulfil its mission and purpose (in other words, an ‘empowerment’ model). There was a coherence of perspectives across the three different groups of participants. This is promising when thinking about how BIG could ‘sell’ the idea of capacity building to its applicants.

- Within BIG itself, opinions vary about whether the primary focus of capacity building should be on an organisation’s *overall* development or an organisation’s ability to deliver the *project outcomes* agreed with BIG.

5.1.1 Perspectives of BIG staff

When asked about the meaning of capacity building, BIG staff referred to *developing*, *training*, *supporting*, *helping*, *assisting* and *enabling* organisations to:

- improve their performance, effectiveness and sustainability – this is an 'empowerment' approach to capacity building as described in section 1.2.3
- gain the required competencies in order to "*realise and deliver their [projects]"* – the 'deficit' approach to capacity building as also described in section 1.2.3.

There were mixed views of the purpose of capacity building. Some respondents felt that it should be to "*help us achieve our [BIG's] mission"*, arguing that building capacity within organisations would help them deliver their projects successfully, ensuring the project outcomes could be met, thus protecting BIG's investment. Other staff felt that capacity building has a wider purpose, namely to support the voluntary and community sector as a whole. Thus, in order to support the most vulnerable communities, BIG should be interested in developing sustainable organisations that can continue to provide support beyond the life of the funding: "*The purpose is to improve organisational sustainability so that organisations become less reliant on BIG as a funder"*. Similarly, other interviewees felt that the purpose of capacity building should be to support those organisations that serve and reach communities that are most in need, but who often struggle to access funding. As one interviewee said, "*One of our aims is to reach those in most need. But the organisations who serve them are not necessarily able to access our money."*

Overall, the descriptions of capacity building from BIG staff corresponded with BIG's 2009 working definition of capacity building as: *' the process of improving the skills and confidence of groups so that they can run their organisations and projects better.'*[11]

It should be noted that this definition is open to interpretation and might explain the range of views put forward by BIG staff and possible confusion about the primary purpose of capacity building. On the one hand, it suggests an 'empowerment' approach, focused primarily on supporting and strengthening the whole organisation

[11] See www.biglotteryfund.org.uk/eval_cbneeds.htm

in pursuit of its mission; on the other hand, it describes a 'deficit' approach, aimed at equipping organisations with the necessary skills to deliver externally set priorities and outcomes.

5.1.2 Perspectives of BIG applicants

The majority of interviewees were able to describe capacity building; only three interviewees found it difficult: "*I'm not sure what it means...It's one of those terms."* Figure 6 lists a selection of words that BIG applicants used in their descriptions of capacity building.

Figure 6: Words used to describe capacity building:

Capacity building
Skills
Training
Helping
Mentoring
Coaching
Supporting
Knowledge and information
Outcome of capacity building
Self-reliant
Coping
Confident
Effective
Developing
Professional
Growth

While some interviewees described capacity building solely in relation to organisational needs, many articulated a link between organisational capacity and community capacity. As one interviewee said, "*You don't build the capacity just for the sake of it... It's increasing our ability to be able to deliver for our community."* Interviewees also perceived building capacity as a means of helping organisations to deliver project outcomes.

Overall, although the exact meaning of capacity building was varied among participants, they were united in the fact that they did not discuss capacity building in isolation, as a self-contained process. Rather, they related capacity building explicitly to how it can help organisations achieve their goals and thus enhance their work in the community.

5.1.3 Online survey of BIG applicants

To gauge their understanding of the term 'capacity building', the survey asked respondents to demonstrate which of four statements (taken directly from interviews with applicants) best matched their understanding of it. Survey results are in Figure 7.

Figure 7: Respondents' replies to the question: Which of the following statements best matches your understanding of the term 'capacity building'? (Respondents could tick more than one)

Meaning of 'capacity building'	Percentage (%)
A. *I'm not sure what it means*	16.4 (n = 20)
B. *It's the process of improving the skills and confidence of groups so that they can run their organisations and projects better*	60.7 (n = 75)
C. *It's about increasing our ability to be able to deliver for our community*	23.8 (n = 29)
D. *It's to help organisations become less reliant on one funder by improving organisational sustainability*	15.6 (n = 20)

5.2 Capacity building needs

Summary

BIG staff were asked to consider what they felt were the potential capacity building needs of 'small' organisations. The interviews with BIG applicants also explored their capacity building needs and the online survey was a means of testing out whether these reflect the capacity building needs of a wider constituent of applicants.

- The capacity building needs identified by BIG staff often mirrored the needs of BIG applicants themselves. However, applicants focused less on their needs related to a specific project and more on their general organisational needs (compared to BIG staff).
- The majority of the study organisations were well networked; they generally felt that they had the required skills, passion and commitment to deliver their organisational aims.
- Thoughts about capacity building needs focused less on organisational deficits and more on areas that could be enhanced to build upon their existing strengths.
- Organisations identified a need for support in relation to core funding, fundraising and work on impact.
- Receiving BIG funding often led to new and unanticipated support needs.

5.2.1 Perspectives of BIG staff

We asked interviewees to identify what they felt were the capacity building needs of small organisations. Many said that their needs related specifically to their ability to apply for BIG funding – for example, it was recognised that small organisations may:

- lack the time to commit to the application process
- not understand or be able to meet BIG's accountability requirements
- struggle to research, evidence and articulate need
- find it difficult to identify SMART outcomes
- lack the confidence to apply to BIG, especially if they have not previously received funding from BIG.

However, others argued that an ability to apply for funding may not be the best indication of an organisation's capacity building needs. As one interviewee said: "*It's the larger organisations with funding departments that know how to apply, but don't always have the capacity to deliver. The smaller organisations may be the opposite.*"

Other capacity building needs of small organisations mentioned were:

- governance and constitutional arrangements
- income generation – "*They can't set up without any money, but they can't access the money*"
- ability to network, or work in partnership, with other organisations
- ability to undertake feasibility studies
- business planning
- project management
- budgetary and financial management
- staff management and recruitment
- over-reliance on a small number of people
- over-reliance on the skills of their volunteer base.

5.2.2 Perspectives of BIG applicants

The majority of the study organisations were well networked; they generally felt that they were responding to community need and had the required skills, passion and commitment (often on their board as well as within the staff team) to deliver their organisational aims. In other words, they had ‘capacity’. Thus, interviewees’ thoughts about capacity building needs focused less on organisational deficits and more on areas that could be enhanced to build upon existing strengths. Interviewees’ answers to our questions about capacity building needs fell into eight main categories:

- funding
- governance
- human resources
- networking
- fundraising
- physical resources
- marketing and communication
- new needs after receiving funding.

These needs closely mirror those that were identified by BIG staff above. However, applicants focused less on their needs related to a specific project and more on their general organisational needs.

NB. These capacity building needs are all discussed separately below, however, in practice, there was much interplay between the different needs.

<u>FUNDING</u>

When asked about their capacity building needs, interviewees described funding as the most pressing organisational need. The lack of access to core funding was described as particularly problematic:

> “*Always, always, always funding: a lot of places will give us funding for toys... but we can’t run the clubs without staff.”*

> “*We have the skills, we have the networks, we have delivered before and have a good reputation. We have more people coming to us than we can respond to, and we just don’t have the funding...”*

Respondents also highlighted the increasing competition for funding:

> "*There are more charities needing funding but there's not enough money to give out."*

> "*There was no real reason given* [by BIG] *as to why it was turned down... just that they had lots of applications."*

The lack of funding either resulted in, or increased the prominence of, a number of other organisational needs, including: a lack of staff; inappropriate premises; an inability to meet beneficiary demand; and a preoccupation with fundraising for both staff and trustees. The significance of the latter need became apparent in terms of its persistence over time, its potential to threaten the sustainability of the organisation and its ability to demotivate a group of passionate and committed members of a community: respondents described bidding for short-term funding as *exhausting*, with one adding *"...We're all worn out."*

Although core funding was less of an issue for those whose BIG application had been accepted, they nevertheless faced a number of capacity issues relating to the application process itself. They highlighted the importance of additional funding in order to meet their ongoing support needs such as staff/volunteer training and development, their ability to deal with unexpected issues (often arising as a result of project delivery) and their ability to respond to changes in the scale or nature of local need. For more detail on this issue, see *new needs after receiving funding* on p 39.

Organisation I (unsuccessful applicant) - Organisational capacity

Organisation I is an association of retired miners, who wish to record and disseminate their history. The association has been running for 14 years, and has been working towards setting up a museum for most of this time.

It has secured funding (not from BIG) for improving the premises for the museum and its garden. However, the funding has not increased their *organisational capacity* and they are not able to promote or staff the museum. The concern raised by this organisation is a perennial one for small organisations: money is available for capital projects, but not for core staffing costs; so they can get funding for the building works but not for the worker or curator. The assumption may be that volunteers will take on such roles; however, it is not always feasible because local volunteers do not always have the requisite skills or capacity.

GOVERNANCE

When discussing their capacity building needs, many of the interviewees commented on the composition of their board:

> "*We seriously wouldn't be here if we hadn't had the right people to do the legal stuff and devise the policies..."*
>
> "*We are very lucky to have a strong trustee board. Strategically we're ok, around business planning and we have a good chair. But we are vulnerable to anyone going... saying 'I've done five years and I'm off'."*

Some interviewees felt that they had an 'appropriate' skill set on the board,[12] and gave examples of how the board has enhanced their organisational capacity. These included:

- providing professional and/or policy skills and information
- fundraising and bid writing skills
- offering networking opportunities through their own 'key contacts'.

Others, however, reported difficulties in recruiting new board members. One user-led organisation faced particular difficulties: "*It is very hard to get new members... People have* [a particular medical condition] *and they have mobility problems."* Some interviewees also noted that trustees often have limited time to contribute and get involved in the organisation's operational activities, yet as a small organisation, they often needed operational support from the board. Others highlighted the potentially disproportionate influence of the chair, with one interviewee observing that "*We have had ups and downs on the committee. It relies on the chair being committed."* Another noted that their chair had dampened enthusiasm for change, while a third was described as having stifled development and discouraged inputs from other trustees.

Finally, respondents pointed to difficulties in relation to trustees' lack of clarity about their role and responsibilities, which placed extra demands on senior (or sole) members of staff:

[12] Although we should point out that the range of 'appropriate' skills were not the same for each organisation.

"I always have to make things so that they can understand them... I sometimes have to steer them, but they're meant to make the decisions..."

"*I* [member of staff] *knew about the responsibilities of being a trustee, but they just say I'm 'just a volunteer'."*

Organisation ll (unsuccessful applicant) – Board composition

Organisation ll submitted a bid for around £300,000 to the *Reaching Communities* programme for what they saw as an innovative health, diet and exercise programme for patients with a particular condition. The outcomes included improvements in quality of life, health and capabilities, with people more able to do things in their lives.

A committee member, who is also a freelance management consultant, led the development of the bid because they had the skills to do so – for example, they were happy to liaise with clinical staff at the local NHS trust which was key to their project. The committee member explained: *"I prepared the full bid which took five months of developing the idea. It was a very busy development process. We were all excited. We couldn't do it without the medical commitment".*

The committee member continued: *"If it hadn't been for me, no one in the group could have done it. They wouldn't have known where to start. They would not know a SMART objective if it hit them on the head... They were frightened because it seemed like a large amount of money. I said actually it isn't a lot when you divide it over three years. Most of it would go on salaries. We would get an invoice from the hospital and we'd pay it. You might call this capacity building"*.

This organisation was very lucky to have the appropriate skills and expertise on their board. If this had not been the case, they may not have been able to develop such an important project.

<u>HUMAN RESOURCES</u>

Some interviewees identified capacity building needs in terms of human resources - in other words, staff and volunteers. Given the size of their organisations, many of them noted that they are dependent on a very small number of individuals, saying for example, "*...without him I wouldn't take on new projects..."* and "*...if anything happened to* (staff member) *we'd have nothing in place..."*

In such cases, recruiting staff with the appropriate professional qualifications and knowledge base was seen as important. Linked to this is the importance of building on, and developing, staff or volunteers' professional skills, as one respondent noted:

"*…conflict resolution, understanding social problems and community development…these are the things we're interested in now."*

Some of the organisations we interviewed – particularly by those who felt that they were delivering a very 'sensitive' project – emphasised their limited capacity to manage volunteers. These organisations were aware of the potential damage that could be caused if a volunteer was insensitive to, or did not understand, the needs of the client group.

Our research found that the volunteer base from which organisations could recruit sometimes affected their capacity in respect of human resources. Many were working in an area of low aspiration or high deprivation, which at times affected their ability to recruit volunteers. Some user-led organisations also noted tensions between empowering their members to become volunteers while also requiring a particular skill base and having to be sensitive to users' particular needs. One, for example, highlighted the fact that: "*…people with mental health issues may not be able to take the stress of talking about the organisation's debt and redundancies…"* By contrast, another organisation described how the involvement of volunteers with a lived experience of the issue(s) can be highly valuable and enhance their organisation's capacity to respond appropriately to beneficiaries' needs.

Organisation lll (unsuccessful applicant) – Human resource management

Organisation lll was founded in 1986 to support children and families suffering from a life-threatening health condition. Throughout the year, they run a number of respite activities including day trips, holiday camps and tickets to sporting events or theatre productions. They also provide emotional, bedside support in the local hospital and run a number of parent support groups.

The organisation relies heavily on its sole member of staff. This person is well networked, has a real empathy for the client base and is committed to providing a 24 hour service, seven days a week. The treasurer of the management committee also provides significant support, getting involved in the organisation's operational demands in addition to their governance responsibilities.

The organisation finds that volunteer management can be challenging. In most cases, volunteers are service users –parents or grandparents who have themselves accessed support from the organisation: "*They want to give something back"*. The organisation recognises, however, that this is not a secure workforce and the sensitivity of the project requires appropriate volunteer management, particularly in relation to 'letting volunteers loose' with newly diagnosed families. With such a small workforce, this can be difficult to manage.

NETWORKING

When talking about their capacity, many interviewees mentioned particular networks and/or 'key contacts' they had made from a range of sources including:

- membership of a local issue-based forum
- membership of an umbrella organisation(s) – eg a professional association
- host organisation
- local councillor(s)
- local authority worker(s)
- local infrastructure – schools; hospitals; Councils for Voluntary Services (CVSs); etc
- professionals – eg teachers; doctors; accountants; academics; etc
- local rotary club/business forums.

Interviewees felt that these networking opportunities gave them credibility, access to funding and peer learning opportunities. They also highlighted the importance of partnership working: "*If everyone's fighting for the same community and not working together it doesn't benefit anyone...*"

Organisation lv (successful applicant) – Peer learning

Organisation lv recycles donated furniture and household items and sells them on at a low price to people on benefits and pensioners. It grew out of a need identified by the manager of a large local housing association, which funded the organisation for the first five years and still provides administrative support. One of its staff also sits on the board. The organisation has been able to 'piggy back' on the host organisation in its early stages of capacity development, and accessed advice and training through this link.

It is strongly embedded in local networks which provide access to information, support for volunteers, publicity and advice on benefits and organisational issues such as health and safety. Trainee police officers also come to spend two days with staff as part of 'getting to know the local community'. This support has been critical to building their capacity – key players from the community are on their board and they have a relationship of mutual support with many other local players.

The organisation highlighted the value of learning from peers. They found it particularly helpful when one local organisation shared with them their successful BIG application, giving them a better idea of what was required.

They suggested that BIG could offer a service of signposting 'younger' organisations to better established mentors from whom they could learn. BIG could include a box on the application form that applicants can tick if they are prepared to allow other organisations to contact you for advice or visits.

FUNDRAISING

The process of fundraising – and bid writing in particular – was identified as a significant capacity building need:

> *"...I wouldn't have had a clue how to write a bid..."*
>
> *"... [our board members] are very bright people but they're not educated in the ways of funding bids."*

Interviewees talked about their difficulties both in terms of the time and resources spent on the process and the lack of confidence, skills and familiarity with funding language or jargon when completing application forms (most people were talking specifically about the BIG application form at this point). Some of the interviewees struggled to get the right wording, especially when trying to phrase outcomes.

Being able to set SMART[13] outcomes for a project was another issue that some organisations found particularly difficult; for some this was because of a fear of setting outcomes that could not be met: "*...it feels as though, if you didn't meet the targets, you'd have [the funding] snatched away."* Some interviewees felt that they had overstated their proposed outcomes to increase their chances of success, only to struggle with meeting these outcomes when they got the grant. Others struggled to articulate their value on paper – for example, they found it difficult to evidence need.

Most interviewees reported receiving external support when writing bids – from local professionals, public sector partners or an external consultant. Some said that this support helped them articulate their aims and apply for funding from other sources – in such cases, the bid-writing process was itself a capacity building activity. For example, one interviewee noted that they now direct people to their funding document to read about their organisation: "...*now I can pull all the information I need straight from [the funding document]"*.

[13] SMART outcomes are '*specific, measurable, achievable, realistic and time-based*' (BIG, 2006)

Organisation V (successful applicant) – In-house support from trustees

Organisation V was set up in 1986 to work with people with special needs and give them opportunities for contact with animals. It has one full-time and three part-time members of staff, two of whom are funded by BIG. As well as the animals (pigs, sheep, goats and horses), the farm grows vegetables for sale in the shop.

The farm's main income comes from fundraising and sales in the farm shop. They get a lot of in-kind support from local businesses – for example, a local firm supplied volunteers to build some flower beds. It is easier to get this kind of support in the recession than cash.

They have about 12 volunteers and a very active body of trustees, including a retired accountant (who is treasurer), the general manager of a major local company, a retired bank manager and a retired policeman who has worked part-time with disabled people. The chair runs a landscaping business. The trustees spend a lot of time fundraising – they have put in some 80 fundraising applications this year; their level of expertise means that there are no obvious capacity building needs in relation to the governance of the organisation.

Despite this, they found the BIG application very time-consuming and had to ask for a lot of help from a local community trust (which no longer provides this kind of support). But the grant has allowed them to get better known locally and extend their user base. As part of the BIG funding, they are now planning to work with older people and provide work experience for unemployed people.

PHYSICAL RESOURCES

The majority of the organisations we spoke to were in rented accommodation. For some this was not a problem because the rent was affordable and they did not require any more space. Others, however, had problems because they did not have significant space to store all of their equipment. In some cases, the equipment (for example trampolines, leaflets about the organisation and toys) was essential to the organisation achieving its outcomes. Also, the status and nature of premises was seen as relating directly to an organisation's credibility and reputation:

> "*Wherever people come across us* [in whatever venue] *that's where people think we're based, but it's not."*

> "*Being in a church...people trust the church...but here* [new premises], *there's been fighting* [politically sensitive location].*"*

"*The one thing I would die for would be our own premises."*

MARKETING AND COMMUNICATION

A number of interviewees talked about the importance of having the means and ability to promote their organisation. Leaflets, business cards, DVDs and, in most cases, a website, were all seen as enhancing organisational credibility and reputation. As one interviewee said, "*...the hardest thing is to attract a sufficient number of residents to be involved on a long-term basis."* Knowing how to communicate to a range of different audiences – including funders, partners and residents – was also described as a specific skill.

Organisation Vl (successful applicant) – Managing expectations

Organisation Vl originated when a couple of local residents who were concerned about anti-social behaviour on their estate opened up their garage for local young people. After receiving a series of small grants the organisation was able to set up a community house, where they now offer a range of services including training and after-school opportunities, a gardening club and a drop-in facility for local residents.

Before the BIG grant came through, residents had raised a lot of money themselves and felt that this gave them a means to determine what happened. The bid itself was informed by a large-scale consultation and local residents understandably expected to see immediate, visible change – to them it felt a bit like winning the lottery draw. But getting this money meant a restructure of the community house management, with decisions now being taken at a higher level and new systems for accountability. It has also been necessary to re-evaluate volunteer roles (not least because local people no longer need to spend all their time fundraising). New relationships are also being developed with local agencies to help them deliver some of the BIG outcomes, which brings with it a different dynamic.

The organisation has spent a lot of time and resources managing expectations after the euphoria of getting their first big grant and the media attention has not always been easy. The BIG grant has been a tremendous boost and has helped the organisation to secure its future and raise its profile, but, as the community development worker told us: "*With great opportunity comes great change"*.

NEW NEEDS AFTER RECEIVING FUNDING

Getting funding from BIG often led to significant changes for the study organisations, and many reported changes in their capacity building needs. In some cases, the funding increased professionalism and formalised the organisation – for example in recruiting and employing new staff; monitoring and evaluating requirements; dealing with a larger budget; and managing clients' additional expectations. For example, one interviewee described how their organisation has to *"...explain to [the community] that although we've got this money, we are not cash rich. We need to achieve before we get paid."* Linked to this, there were also strategic decisions about the sustainability of the project beyond the funding period: *"There is work to do straight away on how to be sustainable beyond this…"*

Funding also placed new capacity demands on individual staff members and/or volunteers, sometimes requiring more formal managerial skills from senior staff (see Organisation Vll below). Some interviewees reported having to respond to unexpected problems – for example unforeseen barriers that were inhibiting some of the community's access to the service: "*You only stumble across problems when you get the funding."* Others had to adapt to the increasing demand for their services: "*As people hear about the services we offer, and with our increased status as a BIG grantee, more people, including health professionals, are commissioning our services."*

To conclude the interviews, applicants were asked about their continuing support needs, and identified the following:

- funding
- peer learning opportunities
- recruitment practices
- forward planning (ie sustainability)
- managing a large budget (a few organisations suggested that BIG should release funding in [more] instalments)
- measuring impact
- innovation
- setting up new activities (project delivery)
- professional development.

Organisation VII (successful applicant) – The unanticipated consequences of a successful bid

A successful bid to the Big Lottery Fund enabled this ten-year-old, Midlands-based family support project to expand its geographical scope to a neighbouring local authority area. This expansion had been discussed several times before, but rejected because the organisation was thought to be too young. The trustees eventually asked the coordinator to outline a vision for an expanded service, and brought in backfill resources to enable her to develop the plan and funding strategy. It was through networking in the neighbouring area that the coordinator was introduced to a funding bid-writing expert at a local college.

“I said that the idea of putting in a bid to the lottery absolutely terrifies me. I’ve never done this before. So many people had said that it was horrific, that it takes over your life, which it did, and that it is horrible, which it was. But it was only the thought of it that was terrible. I knew what it was that I wanted to do, but struggled with how to get it from my head down onto paper. We did it together, and we clashed. I wanted to write it. He was very opinionated, and very good with the words...There’s a particular way of speaking in bids, and if you don’t know it, it is very difficult. I’ve learnt it and I could do it now... We had quite a few meetings, and he’d go away and draft what I’d said. It was really helpful because he knew all the language – for example about outcomes and making them SMART. I think I could’ve done it without him, but it was helpful because it was a lot of money.”

The bid was successful, and has led to a number of unforeseen consequences: the organisation has outgrown its premises; financial management is much more complex; and roles and relationships have changed.

“Reality started to hit. We were just four members of staff, and now we’re 11. We were all scared and thought, ‘What about the team?’ We would have lunch together and were very close personally. The impact on the team has been huge. Recently we had a meeting where the outcome was that staff said, ‘We need you to be a manager’. Before, I was like a mum to the staff, going round soothing people. But the staff made it clear that they wanted more one-to-one time with me. So now we have a formal session every other month and an informal one every other month.”

The impact on the coordinator herself has also been marked: *“I seem to have used the phrase ‘learning curve’ a lot in the last two years. My background is as an administrator and book keeper... I’ve just grown into the role. But now I have 10 people working for me. The biggest impact is on me. I didn’t anticipate this when we were bidding. There is a fear if you phone up to ask for help. You think you should know and don’t want to ask the stupid question. It is sometimes like walking through a fog, picking up snippets of useful information.”*

Reflecting on the whole process of developing the vision and the successful application to BIG, the coordinator was clear: *“I don’t regret doing it. It’s great. But if there was one thing I would say to others it would be to think about the impact properly.”*

5.2.3 Online survey of BIG applicants

The survey asked respondents to tick their *top three* support needs (based on the findings from interviews with BIG applicants). Figure 8 shows the support needs in order of preference, while Figure 9 shows the new support needs that arose as a result of a successful application.

Figure 8: Support needs as ranked by respondents to the online survey

Support need	Number
How to get more funds that we can spend as we wish	61
Measuring the difference that we're making	55
Writing applications and tenders	43
Setting up new activities and/or managing projects	34
Making links with other groups and funders	28
Thinking of new ways of doing things/ cultivating innovation	27
Forward planning	24
Marketing and communication	24
Recruitment practices	14
Access to premises/ facilities	12
Managing staff/volunteers	9
Professional development	9
Managing a large budget	9
Managing change	8
Managing staff/board relationships	7

Figure 9: New support needs as ranked by successful applicants after receiving BIG funding (respondents could tick more than one box):

New support needs	Percentage (%)
Having to respond to increasing demand for services	46.6
Having to manage a large budget	32.9
Other	24.7
Having to manage change	21.9
Having to manage a growing staff team	20.5

Other new capacity building needs mentioned in the survey included:

- *"the need to have board members with diverse skills"*
- *"the ability to bring in outside support to help us achieve the aims and objectives of the project"*
- *"change from a 'talking' group to a professional organisation"*.

Finally, the survey asked if respondents had received support when completing the application form. The majority of respondents (66.4%) had received support: the most common source of help was the local CVS, while others mentioned: in-house sources such as board members, staff or volunteers; private consultants; BIG itself; or a national/ umbrella organisation, such as a large Registered Social Landlord.

5.3 The delivery of capacity building

Summary

BIG staff were given the opportunity to identify a range of ways that capacity building could be delivered. Attitudes towards these different methods of delivering capacity building were then explored with BIG applicants and survey respondents. Current methods of receiving support were also explored with applicants.

- BIG staff felt that internal organisational processes could be improved in order to capture information about applicants' capacity building needs.
- Applicant organisations currently access both informal and formal support from a range of sources.
- Further consideration needs to be given to 'demand-led' approaches to capacity building; the most popular method of delivering capacity building support amongst applicants was for BIG to give organisations resources with which to purchase their own support. BIG staff agreed to a certain extent, recognising the importance of local, context-specific support.
- Discussions within BIG and elsewhere about 'targeting' capacity building support will need to take into account the fact that such an approach will inevitably exclude some organisations from receiving support.

5.3.1 Perspectives of BIG staff

IDENTIFYING NEEDS

Currently, BIG identifies capacity building needs on the basis of its internal intelligence, risk assessments, stakeholder consultation events and application criteria. In the design and development of funding programmes, BIG also takes into account the needs of communities and the current funding environment. In other words, BIG also identifies 'community' capacity building needs.

Interviewees were asked to think particularly about the relationship between risk assessments and capacity building. Current risk assessments take into account a range of issues including: an organisation's financial health; trustee and staff skills; governance; organisational stability; and past history of delivering projects. Many of these issues are connected to the capacity building needs of small organisations (as listed under *Capacity building needs – BIG applicants* on p 30). One interviewee suggested that *"capacity building could be tied into the assessment in a way that would allow us to mitigate risk."*

Interviewees gave some suggestions about how BIG could improve their processes around identifying capacity building needs, including:

- collating information in a more *sophisticated way*, particularly in relation to reasons why applications are rejected
- collecting intelligence from the sector itself
- encouraging self-diagnosis of need within the sector by:
    - encouraging dialogue between organisations to allow them to recognise similar needs
    - allowing for some candour within the grant application process.

TARGETING

When asked to think about how BIG could target its capacity building support, staff suggestions included targeting the following groupings:

- *Sub sector:* Some interviewees said that particular sectors, especially black and minority ethnic groups, would benefit from targeted capacity building support. Language barriers can make it harder for some groups to articulate complex needs and some do not currently meet BIG's funding requirements: *"They often operate through respected elders, but in this country we don't like that idea. They don't understand committee working and BIG needs to be more sensitive to that."*

- *'Cold spot' areas:* It was noted that there are some areas of the UK where BIG receive either very few applications or where applicants are often unsuccessful.[14]

- *Successful or unsuccessful applicants:* Some interviewees deliberated as to whether capacity building support should be offered to successful and unsuccessful applicants, or to unsuccessful applicants only: *"I don't see why we would be building the capacity of organisations that we have funded – we have assessed them as having the capacity"*. For others, ensuring that successful applicants could deliver the outcomes of the project was a reason to target capacity building support to successful applicants.

- *Small organisations:* Many interviewees liked the idea of targeting capacity building efforts towards small organisations because of its potential to help BIG capitalise on what they perceived to be the inherent value of these organisations: "*smaller organisations know what's happening on the ground"* and "*BIG can increase its impact by successfully supporting grassroots organisations which have an immediate impact on their neighbourhoods"*. We also asked interviewees about the extent to which they perceived a need to understand the specific capacity building needs of 'small' organisations for their *own* job role. Most identified potential advantages to BIG of such increased awareness, which included:

    - Helping BIG design and develop funding programmes that are more in line with the needs of small organisations and their work with beneficiaries
    - Helping to *level the playing field* by ensuring that all organisations, including small ones, have the capacity to apply for funding
    - Enhancing the quality of applications.

[14] NB. BIG's *Fair Share* programme was developed to respond to this problem.

- *Funding stream:* Some interviewees noted that capacity building support may need to be targeted differently depending on the aim of the funding stream.

While most interviewees agreed with the idea that BIG should target its capacity building support, there was some concern that this may spark criticism from other organisations that may not receive support. Some also noted that the context of each country should be taken into account, particularly in Northern Ireland where political sensitivities are an issue.

METHODS

Finally, when asked to think about different methods of delivering capacity building, BIG staff reflected on the following three questions:

- *Who* should deliver capacity building?
- *When* should capacity building be offered to organisations?
- Are there *particular methods* of capacity building that would best suit the needs of small organisations?

Who should deliver capacity building?

Interviewees focused primarily on the perceived advantages and disadvantages of outsourcing capacity building support to specialist providers, such as support agencies or a pool of consultants, and delivering capacity building in-house. In making their preference, interviewees took into account the human and financial resource implications of each delivery method; the impact the delivery method may have on the willingness of organisations to relay their organisational difficulties in an honest manner; and the perceived preference of organisations themselves.

There were also country differences: interviewees from Northern Ireland preferred to maintain close involvement with the design and delivery of capacity building as they felt that they already understood the needs of organisations: "*We have a small team which is very experienced, they know the organisations personally in most cases, they know the history and they know other funders…Our grant officers have a high level of awareness of organisations."* Others felt that providing capacity building in-house would require a culture change within BIG – transforming it into more of a development agency – and that, instead, BIG should signpost organisations to capacity building support: "*I believe our method of capacity building should be to refer people to organisations that specialise."* Linked to this, it was suggested that BIG could implement a voucher scheme to allow organisations to purchase their own support.

When should capacity building be offered to organisations?

There was no clear consensus about whether capacity building should be delivered pre or post application, or throughout the life of a project. Opinions were influenced by people's views about: the purpose of capacity building, who should be targeted and the particular capacity building needs of small organisations. One interviewee said that "*giving [where necessary] hands-on support especially in the first few months of a project is essential for smaller, less confident and [less] experienced organisations, and makes the difference for such organisations to make a qualitative leap in terms of their organisational and project management capacities."* Some staff were also aware of how the application process itself does or can also build capacity.

Are there particular methods of capacity building that would best suit the needs of small organisations?

Interviewees stressed the importance of delivery agents understanding the needs of small organisations: "*They should be grassrootsy, build trust, empathise with them and understand their problems."* Some argued that external support agencies, such as CVSs, would better know the delivery needs or preferences of small organisations. Others also pointed out that support should be delivered ad hoc in order to fit with organisations' own time commitments.

Some interviewees felt that a mixed package of support for small organisations was preferable, including bespoke, one-to-one support and generic training. Most mentioned peer support or mentoring as a good method of capacity building, but many expressed concern about the extent to which small organisations would have established networks for this approach.

From these findings, four options present themselves regarding how BIG could organise its capacity building support:

Option 1: BIG provides support itself

Option 2: BIG employs a pool of consultants to provide support

Option 3: BIG signposts organisations to other support agencies

Option 4: BIG gives organisations resources with which to purchase their own support.

5.3.2 Perspectives of BIG applicants

During the interviews with BIG applicants, we explored organisations' current support experience. Figure 10 synthesises our findings in relation to the range of support providers accessed by study participants.

Figure 10: Support providers accessed by study participants, with corresponding focus of support and method of support as perceived by the interviewees.

Source of support	Focus of support	Method of support
Funders	Outcomes and outputs Monitoring and evaluation Staffing Equipment Assets	Funding Seminars Application guidance
CVS	Food hygiene CRB checks Health and safety Employment law Constitutional advice Project management Bid writing	Training Advice
Consultant	Feasibility studies Bid writing	One-to-one
Local authority officers	Bid writing Funding opportunities	One-to-one
In-house (ie management committee or staff/volunteers)	Bid writing Forward planning Professional expertise Accounting and finance management	One-to-one
Membership or umbrella organisations	Policy/ legislative/ regulation updates or Briefings Bid writing	Newsletters Email bulletins Networking opportunities
Issue-based networks (national and local)	Identifying local need and local priorities Building knowledge base	Newsletters Email bulletins
Internet	Building knowledge base	Own research
Local businesses	Marketing materials Business skills	Funding One-to-one
Volunteer Bureau	Volunteer base Volunteer management	Training Networking opportunities

Across their lifetime, the study organisations had accessed a range of these support mechanisms. They found in-house support (from staff, volunteers or committee members) and support from a local authority officer particularly helpful when writing a bid. Organisations often used support from the internet and umbrella or membership organisations to enhance their knowledge base, whether in terms of professional expertise, policy awareness or researching local networks. They often used support from a local CVS for the more technical aspects of running an organisation.

Interviewees' experiences of these different sources of support also varied – for example, some were unaware of their local CVS while others said that the support from their CVS had been: "*fantastic...we couldn't have set up without them.*" The frequency of support also varied: at times it was sometimes delivered in line with the provider's own schedule; at others it was provided as and when required. Interviewees particularly appreciated one-to-one support tailored to the needs and limitations of their organisation.

Organisation VllI (successful applicant)– Support from a 'host' or umbrella organisation

Organisation VllI, a community association on a disadvantaged housing estate in England, has been in existence for 13 years. It runs a community centre and is supported by the local Registered Social Landlord (RSL). The BIG grant has paid for one project manager, one full-time youth worker and two part-time workers. Before this the association was supported through an EU Objective II grant. A part-time administrator is funded by the local RSL. The association also has funding for a gardens project supported by the local Primary Care Trust.

The community development manager at the local RSL has supported the association for the past three years. This has been invaluable for the administrator, both in putting the Big Lottery bid together, reporting to BIG on targets and having someone to turn to for help when necessary. They wouldn't have been able to put the bid together without this support, which has also helped the association through a leadership crisis that would have been very difficult for residents to tackle on their own. The community development manager has also been covering the programme manager post while a replacement is recruited.

Interviewees were also asked to consider the four possible options relating to how BIG could organise its capacity building support:

Option 1: BIG provides support itself

Option 2: BIG employs a pool of consultants to provide support

Option 3: BIG signposts organisations to other support agencies

Option 4: BIG gives organisations resources with which to purchase their own support.

Option 4 was the most popular, with almost half of all interviewees welcoming the opportunity to access and/or organise their own support, preferably from local providers, who would understand the needs of the organisation in a particular context. The caveat to this was that organisations may need signposting to support providers (ie. Option 3). Option 1 was the second most popular option, followed by the other two options equally. Interviewees explained their preferences, as illustrated in Figure 11.

Figure 11: Perspectives of BIG applicants about preferences for support options

Options	Advantages	Disadvantages
1. BIG provides support itself	"*Who would be better at providing the support than the people who are assessing the application?*"	Potential conflict of interests High staff turnover possible threat to consistency of support BIG staff may require substantial training
2. BIG employs a pool of consultants to provide support	Quality No conflict of interests One-to-one support	Wary of consultants Bad experience of consultants
3. BIG signposts organisations to other support agencies	"*They are in touch with the needs of small organisations on the ground*"	CVS support can be varied Support agencies may not have the capacity to provide one-to-one support
4. BIG gives organisations resources with which to purchase their own support	Site-specific support Empowering One-to-one support Local providers	Organisations may not know where to access support Organisations may select support that does not match their needs "*Support is only as good as the person giving it*"

5.3.3 Online survey of BIG applicants

The survey asked respondents if they had ever accessed support from a variety of sources, which are listed in Figure 12 below.

Figure 12: Possible sources of support and percentage of survey respondents who have accessed support from them

Source of support	% of respondents who have accessed support from this source
Internet	76.9
Local authority officer	74.8
In-house – volunteers	73.6
In-house – management committee	71.2
Local VCS infrastructure organisation (eg CVS)	65.2
In-house – staff	64.6
Private consultant	63.6
Other*	52.6
Local businesses	52.5
National support organisation	47.1
Umbrella organisation	47.0

* ‘Other’ includes: the Charity Commission; local forums and partnerships; trust funds; beneficiaries; and members of the local community.

Survey respondents were then asked to rate the support that they received. Figure 13 shows the percentage who rated the support as ‘excellent/good’ or ‘fair/poor’.

Figure 13: Survey respondents' ratings of support received

Support provider	Excellent/good %	Fair/poor %
Other	88.9	11.1
Private consultant	87.0	13.0
In-house staff	86.9	13.1
In-house volunteers	86.7	13.3
National support organisation	80.9	19.1
In-house management committee	78.1	21.9
Local Council for Voluntary Service (eg CVS)	76.6	23.4
Umbrella organisation	72.9	27.1
Internet	70.8	29.2
Local businesses	70.8	29.2
Local authority officer	68.9	31.3

The majority of survey respondents were pleased with support they received. The three most highly rated sources of support (excluding the ‘other’ category) were:

- private consultant
- in-house staff
- in-house volunteers.

The prominence of 'in-house' support, either from staff or volunteers, reflects the findings of the BIG applicant interviews.

The survey also asked respondents about the type of support they had received and to choose their preferred option regarding BIG's future role in providing capacity building support. Survey results are shown in Figures 14 and 15 below.

Figure 14: Focus of support received, and number of survey respondents who received this type of support

Focus of the support	Number of respondents who received this type of support
Fundraising (general)	79
The structure and constitution of your organisation	71
Writing applications and tenders	69
Clarifying organisational aims and objectives	58
Strategic planning	51
Financial planning	50
Roles and responsibilities of trustees	46
Skill development (eg leadership/management)	36
Employment regulations	34
Recruitment procedures	29
Volunteer management	28
How to be user-led	16
Other	14

Figure 15: Survey respondents' preferences regarding BIG's future role in capacity building support

Options	% of respondents who prefer this option
1. BIG provides the support itself	14.8
2. BIG employs a pool of consultants to provide the support	15.6
3. BIG signposts organisations to other support agencies	27.9
4. BIG gives organisations funding with which to purchase their own support	41.8

The most popular option was Option 4. Reasons cited included:

- *"You don't have to wait for another organisation's schedule to fit your needs, which may be immediate."*

- *"Demand-led provision would bring about healthy competition."*
- *"One-size fits all may not be successful."*
- *"The support can be responsive and sensitive to local needs."*
- *"I would want to avoid an over-complicated process."*

5.4 Barriers to capacity building

5.4.1 Perspectives of BIG staff

During interviews, BIG staff raised a number of barriers to delivering capacity building in small organisations, which included:

- inadequate time and resources to attend, take part in and/or embed the support
- a lack of organisational buy in – because of particular personalities or because the organisation is unclear about the term capacity building
- reluctance to engage due to a fear that it will influence the assessment of their application (if the capacity building support is delivered by the funder)
- trustees and staff have different views about the importance of capacity building.

Interviewees felt that BIG could help overcome these barriers by:

- making organisations aware of the range of support available to them
- explaining to organisations why capacity building is important to BIG
- giving more time and thought to the handling of rejections
- being increasingly open and honest about BIG's decision-making processes
- ensuring that BIG consultation events are accessed by smaller organisations in order to obtain their views.

5.4.2 Perspectives of BIG applicants

Interviewees from BIG applicant organisations highlighted barriers which had stopped or prevented their organisations from accessing support, including:

- time and resources (attending training means time away from service delivery)

- cost (professional training can be particularly expensive)
- lack of trust (organisations may not know the support provider and may find it difficult to judge the quality of the support)
- supply-led training (training does not always correspond with the needs of the organisations)
- lack of demand (some of the organisations did not feel they needed extra support).

5.4.3 Online survey of BIG applicants

The issue of barriers to capacity building support was not covered by the online survey.

5.5 Applicants' reflections on the BIG application process

Finally, we asked BIG applicants (in interviews and through the online survey) about the application process.

Summary

- Completing the BIG application process was a capacity building activity for some organisations.
- BIG needs to give further consideration to how it might support and engage (remotely and face to face) with applicants at key stages of the application process.
- There are widespread concerns about the complexity and length of the application form, as well as the assessment and decision-making process. These need to be addressed, possibly through a formal review of all stages and elements of the application process.
- BIG needs to use language and terms which can be understood by applicants.

5.5.1 Perspectives of BIG applicants

Irrespective of whether their organisation had their application accepted or rejected, all interviewees described the application process as: time-consuming (the majority took five months, and one took 18 months, to complete), lengthy and difficult: "*You've got to give your pound of flesh"*. Applications were often completed by one person; in the smallest organisations this was often a volunteer.

Two interviewees described the application process as *horrendous*; another described it as being like a *mental trauma*; some saw it as a test:

- "*Why should there be an exam? You either deserve the money or you don't..."*
- *"Either the concept for the project is viable or it's not – don't test us to see if we're going to fall into a dark hole."*

In terms of the application form, interviewees said that "...*it was like learning another language"*. Most interviewees were "*not quite sure what it was asking for*" and found it difficult to articulate their value in words. One organisation said that they were unsure how to 'pitch' it, particularly in terms of their size and way of working: "*We weren't sure whether to play up our formality or informality."* Others found the form repetitive: one interviewee specified that they found the outcomes section difficult because: "*...there was a problem defining outcomes where you have different actions leading to the same outcome… It can get a bit repetitive"*. Some felt that BIG could just as easily assess them face-to-face: "*Just come and have a look at us"*.

A small number described the BIG application process as *exclusive* and *elitist* because they questioned whether small, local groups would realistically be able to apply: "*Ordinary working people and small groups without knowledge of dealing with government or funders would find it difficult."* This was, for some, the first time that their organisation had applied for such significant amounts of money and they lacked confidence.

There were positive comments, too: some interviewees felt that the application process was appropriate – and not too onerous – given the amount of money involved. They attributed their ability and confidence in the process to their previous experience in bid writing. Linked to this, a small number of interviewees suggested that the application process should be commensurate with the level of funding involved. Some organisations felt that this already takes place; those who had applied for a smaller grant found the application process empowering and felt that volunteers could get involved, which builds their capacity.

Organisation IX – 'Outcomes' and the BIG application process

Organisation IX provides services for people with disabilities and mental health issues. It tries to involve members as fully as possible to influence and shape the organisation, but volunteers do not necessarily want, or are not always able, to take issues to the organisation's decision-making board level. The organisation accesses support mainly through its trustees: "*We have very high-calibre board members who are in charge of organisations themselves – for example, a hospital, a housing association. Their own organisations have strong in-house capacity, and they can link us to people that can advise us".*

Organisation IX had positive experiences of completing the application for small grants (from *Investing in Ideas*): volunteers could get involved in the drafting and they with guidance and advice from the development worker: "*This process is good for user ownership of the project, as it is the people that the project will benefit who are actively involved in writing it*. *The process provides real value that builds individual capacity as volunteers are involved in the whole process, and feel empowered when they get the funding."*

However, they found applying to the *Investing in Communities* programme a much more difficult process, partly because they were reallocated to a new strand part-way through the process, and also because the grants officer did not have a social care background: "*The problem was that when it came to outcomes these aren't black and white in social care like they are in IT. I struggled a lot with the outcomes, and BIG changed them. This was all done over the phone – we didn't always understand each other, and I'm not convinced that the grant officers themselves know what these [outcomes] are supposed to say – it's all about their policy or guidelines of what outcomes should say."*

The majority of interviewees felt that BIG staff should provide more one-to-one support during the application process. Many were critical of the telephone interview process for two reasons: first, it was hard to judge what the grant officer was thinking about the application and second, most of the interviewees would have preferred BIG to visit the organisation (if they had got far enough through the application process):

> "*If I was giving someone this amount of money I would want to meet them for an interview, not rely just on a paper sift... Why not come and spend a day with us and see what we do? I don't feel we've had a chance to sell ourselves."*

Most organisations felt that a face-to-face visit, which some but not all applicants received, demonstrates that BIG is interested in their work and at the same time provides an opportunity for constructive criticism. They also felt that it would give them a chance to highlight their value in a way that cannot be adequately illustrated on paper.

Finally, some interviewees commented on the decision-making process. They were mainly critical of the length of time it takes for BIG to make a decision, which makes it hard for organisations to plan ahead and can have significant implications for the sustainability of the organisations. Interviewees were also critical of the limited amount of feedback they received; they would prefer more feedback because this would help them if they were to apply again in the future.

5.5.2 Online survey of BIG applicants

Survey respondents were asked whether they agreed with a range of statements about the application form drawn from the earlier interviews (their responses are shown in Figure 16).

Figure 16: Respondents' perception of the BIG application form, based on comments made in applicant interviews.

Statement	Agree or strongly agree (%)	Neither agree nor disagree (%)	Disagree or strongly disagree (%)
"The application form was horrendous"	27.9	30.5	41.5
"The application form was too long"	43.8	26.4	29.8
"The application form took a long time to complete"	60.4	24.8	14.9
"The application form let me explain the value of my organisation"	66.6	16.7	16.6
"The length of the application form should relate to the amount of money applied for"	53.4	20.8	25.8

In the majority of cases, survey respondents' feelings about the application form were similar to those of the applicants we interviewed. The statement which caused most disagreement was the description of the application form as '*horrendous*' – 41% of online respondents disagreed with this statement.

They were also asked about future support they would like to see for completing a BIG funding application (Figure 17).

Figure 17: Survey respondents' replies to the question: 'What support would you like in order to complete the BIG application form?'

Support needs for completing the application form	% of respondents who would welcome this type of support
Understanding 'outcomes'	50.8
Setting realistic project targets	49.2
Showing what the need for the project is	38.5
Budget planning	25.4
Other*	12.3

* 'Other' support needs identified included support to understand the language or jargon preferred by BIG (unfortunately no examples were given) and support with sustainability planning.

Part 4: Discussion

6.1 Introduction

The aim of this study was to '*provide evidence to BIG on how best to target its efforts to build capacity or to support capacity building in [small] groups that apply to it.'* (BIG, 2009)

In this part of the report, we build on the findings set out in Part 2 to identify key questions for BIG to address in developing a capacity building strategy and some of the tensions that may be involved. We then inform those decisions by outlining possible options for capacity building with suggestions about who to target, what to provide, and when and how to provide it, based on the preferences expressed by study participants and the wider literature. We end by outlining the implications of these options for BIG, in terms of: its grant-making processes; its data management; its staff relationships; and its relationship with the wider field.

Outline of the discussion section

Some key questions for BIG:

What is the purpose of capacity building for BIG?
What is the relationship between capacity building and risk?
What will increased capacity look like?

These questions will then…

Some options for the future, and their main challenges:

Who to target?
What to provide, when and how?

And these options will each have…

Implications for BIG in terms of:

Staff expectations
The grant-making process
The relationship between BIG and third sector infrastructure

6.2 Some key questions

6.2.1 What is the purpose of capacity building for BIG?

Existing literature on capacity building underlines the importance of having clarity on the purpose of capacity building. As such, it is important to start by asking what BIG hopes to achieve by engaging in capacity building and the implications this has for targeting. We need to identify BIG's theory of change.

We know that resources for capacity building are finite and likely to become more constrained over the coming years – possibly within BIG and certainly in the wider field. This in itself is a strong argument for targeting. So what further questions does BIG need to address in relation to its capacity building strategy for funding applicants?

Decisions about an appropriate strategy will depend on how BIG sees its responsibility in relation to capacity building and the outcomes it is looking for from any capacity building it seeks to carry out.

A capacity building intervention may adopt a deficit or empowerment model of change. A deficit intervention aims to increase the organisation's capacity to deliver in line with agendas which are important to the funder. The empowerment model , on the other hand, emphasises building intrinsic capacity in the organisation and the sector, building resilience and supporting organisations to achieve their own, self-defined goals (Howard et al, 2009). Following this distinction, we can group some of the (potential) purposes of BIG's investment in capacity building as follows:

i. The deficit model

- To attract more applications from organisations that are currently excluded (in order to deliver BIG's desired programme outcomes)
- To protect BIG's investment by ensuring that the money is well spent
- To improve the sector's capacity to provide services and contribute to policy making.

ii. The empowerment model

- To support the individual organisations BIG funds to develop and become more adaptable and resilient, and to survive beyond the BIG grant
- To support communities by developing the capacity of organisations to serve their beneficiaries effectively
- To strengthen the third sector and/or particular fields within which it operates.

It is likely that BIG's aims will encompass a number of these purposes, but being clear about their relative importance will not only help BIG to make decisions about targeting; crucially it will also help it to evaluate the success of whatever strategy it chooses by forming the basis for a 'theory of change'.

Questions also need to be addressed about the relationship between capacity building and BIG's approach to risk, and about what capacities BIG wishes to build.

6.2.2 What is the relationship between capacity building and risk?

BIG is concerned with protecting its investment, therefore it is important to ask further questions about the relationship between capacity building and risk. For example, does BIG seek to use capacity building to reduce risk and minimise the chances of things going wrong? Or will investment in capacity building allow it to take more risks in the kinds of application it accepts? The former might imply a conservative funding strategy with a deficit model of capacity building targeting those in most need of support to protect the BIG investment; the latter would imply funding groups or projects which are more risky, using an empowerment model of capacity building to make sure the support is there to allow them to grow and reach their potential.

6.2.3 What will increased capacity look like?

BIG is concerned with developing the capacity of organisations. This raises a further set of questions about what it is BIG actually wants to help organisations do – does it want to:

- build capacity by helping those in most need to 'get up to speed' and compete on a more level playing field with more experienced organisations?

- help organisations to 'get by' – to build resilience in terms of adaptability and sustainability beyond the BIG grant?
- help those in the sector with most potential to 'get on' – in terms of developing their capabilities to achieve up to and beyond their potential?

6.3 Some options for the future

Our research findings show that BIG has various options for the future, which we discuss in this section. These include: who to target, what to provide, and when and how to provide it.

6.3.1 Who to target

Figure 18 outlines some of the options for targeting and the kind of capacity building that each option implies. The questions of who, what and how are all intimately connected. We appreciate that BIG is unlikely to have the resources to support all these options, so we also suggest why BIG might make a particular choice.

In line with our study findings, a flexible 'mix and match' approach is likely to be the most appropriate, as organisations have different needs according to their stage of development. Some need support even to apply; by targeting them before they even make an application or before a grant is agreed, BIG might reach organisations that other funders do not. Others may need support: to manage their first major grant and the change this implies; to prepare for the end of a grant; and to plan for future sustainability. BIG may also wish to target some of its more promising grantees later in the funding period to 'raise their game' and make the most of their promise.

If BIG adopts a 'mix and match' approach, some organisations will wish to take the opportunity of different forms of support at different stages in their development. The advantages of adopting a mix and match approach have to be weighed against the likely administrative costs as well as the question of equity, as some organisations will potentially benefit at the expense of others.

Figure 18: Options for targeting capacity building support

Who	Refining targets	How	Why	Content	Aim	Challenges/risks
1. Potential applicants	Cold spots Particular population groups	Supporting the supporters – targeting support through intermediaries	Survey results suggest that most organisations *do* know where to go Infrastructure most likely to identify 'hard-to-engage' groups, but intermediaries or support providers are most likely to be hit by recession	Support with the application process, defining outcomes, etc.	Getting up to speed	How would BIG handle increased demand? Still might miss the most excluded groups Capacity of supporters
2. Most needy grantees	Those identified as most needing support (assessment process would need to be refined	Money to buy in support Signposting where necessary Supporting the supporters NB. There may be a case for some of this work taking place before the grant is released (see 3.3.1 on p 59)	Allows more risk to be taken with applicants Reduces risk of failure	Basic technical support as required and indicated in the assessment process Embedding project management systems	Addressing fundamental or basic needs Getting up to speed Avoiding and allowing risk	Identifying needs Capacity for diagnosis among BIG assessors Capacity of support providers Achieving positive outcomes

Who	Refining targets	How	Why	Content	Aim	Challenges/risks
3. Groups managing first major grant **Those for whom getting this grant moves them to a different level**	Grant relative to income Identified as part of assessment process	Regional workshops Networking (could link in with regional infrastructure like empowerment partnerships) Money to buy in consultancy on budgeting, employment etc Signposting where necessary Guide to 'what to think about'	This comes out of our fieldwork as an issue Allows more risk to be taken with applicants	Embedding project management systems	Getting by Allowing risk	As above Resources for more intensive inputs Take-up (may only be able to target relatively few recipients)
4. Groups who want to develop their capabilities further	Organisations in Year 2 who are interested in the offer but do not have other support Self-selected or nominated by BIG staff	Regional workshops or networking (could involve 1+ person from each organisation) As above with regards links with infrastructure	Sustainability, thinking beyond the end of the grant Building capabilities and resilience Begins to address the need for multilevel support	Reflection and whole organisation development	Developing capabilities and resilience Getting by and getting on	Resources for more intensive inputs Take-up – as above May be criticised if not open to everyone
5. Groups facing the end of the grant	Cold spots Particular hard-to-engage population groups	Money to buy in support Signposting where necessary Supporting the supporters	Sustainability Thinking beyond the end of the grant	Marketing and fundraising Accessing support elsewhere	Developing resilience Getting by	Demand

As Figure 18 indicates, some of the options are extensive and would give greater breadth, allowing BIG to support more organisations. Other options are intensive and would give greater depth, requiring further targeting. Extensive options would normally involve the transfer of specific skills and short-term interventions and are more likely to be amenable to organisations buying in their own support through training courses or one-to-one consultancy. Intensive options, on the other hand, involve more sustained holistic organisational development, often delivered through a peer group. A mix is likely to be desirable.

6.3.2 What to provide, when and how to provide it?

The extensive option: buying in support

Our study findings suggest that many groups do know where to go for support and are reasonably happy with the support they get. Indeed, buying in their own support was the preferred option. So, for applicants in need of technical skills, the most relevant way of targeting capacity building support is by providing funds so they can buy in the support they need and attend the necessary training courses and/or supporting the infrastructure bodies to provide specific programmes. This is particularly the case in a recession, when both frontline organisations and infrastructure bodies are likely to struggle for funding.

However, a key challenge is that effective capacity building partly depends on effective diagnosis. While there is a danger of assuming that small organisations are incompetent or ignorant, earlier research does suggest that many may not be fully aware of their capacity building needs. In particular, they may be unaware of the range of issues they might need to know about – for example, to comply with regulatory requirements or contract provisions – or that could be useful to make their life easier, their work more effective or to create more of a difference.

Our experience elsewhere suggests that access to an experienced and sympathetic consultant could help to ensure an informed diagnosis of need. Giving groups money to buy in their own capacity building support will help those who know where to go to access this support. But BIG may also wish to recruit a small pool of experienced consultants for those without this knowledge. Such an approach may be particularly appropriate for organisations where the BIG grant is their first major grant. At this stage, there may also be value in a reference guide or inventory to alert recipients to the kinds of problems they may experience and how to address them. Later, as groups move towards the end of their BIG grant, they are likely to want support in addressing sustainability issues and, again, a fund to buy in external support or a programme to support existing infrastructure to provide it would seem appropriate.

The intensive option: holistic development

For some less experienced organisations that have little access to their own support, a true diagnosis of needs might rest on ongoing one-to-one support that could assist them through their organisational development processes. Such an approach enables everyone in the organisation to participate (rather than the single member of staff who goes to an externally provided training workshop). Support can be tailored to the organisation's particular challenges and context; it can be flexible and be adapted as new challenges and capacity needs emerge. It would be of great value when targeted at organisations in groups 2 and 3 in Figure 19. However, this is a costly approach to capacity building, and can only reach a few organisations.

There are, however, some less resource-intensive ways of supporting this holistic approach. Bringing beneficiaries together in networks and facilitated events has considerable value in making them more aware of the potential for capacity building, helping them assess their own capacity building needs and developing their capabilities. Networking and peer-to-peer learning are both effective ways of providing capacity building support and embedding learning; research elsewhere has suggested that a number of funders are moving in this direction (Cairns and Chambers, 2008; Howard et al, 2009). There is a risk that such an option (especially if the help is to benefit trustees and volunteers involved in small organisations) might have limited appeal, since many small organisations are likely to find it difficult to take valuable time out away from the frontline or may simply not see the point of it. Giving grant-holders access to further support to build their own networks might be a more productive way of engaging people.

A recent international study of capacity building approaches for *Capacitybuilders* suggested that some of the most exciting contemporary developments in capacity building involve this more intensive approach, bringing organisations together over the longer term in a holistic developmental programme (Howard et al 2009 – see box on p 67). As suggested in the fourth row of Figure 19, such a programme (not dissimilar to Northern Ireland's *Development and Support* programme, funded by BIG and delivered by Northern Ireland Council for Voluntary Action) could build organisational capabilities and encourage organisations to 'get on'. This more intrinsic, empowering approach addresses the 'whole organisation' based on an understanding of the wider context in which organisations operate. It can also build the potential for peer-to-peer support, which in turn contributes to sustainability. While strengthening leadership, it also has the potential to allow capacity building to be spread beyond individuals to their organisations. Finally, it might help overcome the deficit/empowerment divide. Although BIG itself may approach capacity building specifically in relation to project outcomes, as organisations become more confident they will begin to learn from each other. This, in turn, may reduce their dependence on – and deference to – BIG.

A holistic approach to capacity building

In a recent study carried out on international approaches to capacity building (Howard et al, 2009) it was suggested that a particularly valuable funder-driven model was demonstrated by the **James Irvine Foundation** and **the California Wellness Foundation** in the US:

"Mindful of the complexity of the tasks we were asking our community action grantees to undertake, we have included resources specifically for technical assistance or capacity building in each of our initiatives. We have tried a number of mechanisms along the way. We have created a pool of dollars that community action programs could access to buy the time of a prescribed cohort of consultants. We have also built funds directly into community action grants so that agencies could diagnose their own needs and purchase whatever consultation they deemed most necessary on the open market. We have also funded intermediary organizations specifically to provide technical support across the entire cohort of community action grantees in an initiative. In some cases they also played the role of 'coordinating grantees', in essence managing the entire process for the Foundation".

Some funders have brought groups together at the beginning of their funding period or instituted awards ceremonies to celebrate their achievements. This is a simple way of giving groups confidence and making them aware of the support that is available locally or regionally. Later on, bringing groups together at regional level to further develop their thinking about sustainability and how they want to develop beyond the BIG grant in a way that builds peer-to-peer support could provide a valuable resource to organisations that are growing in confidence and want to develop their capabilities.

As a more intensive approach, it would inevitably be focused on a few organisations, who might be self-selecting, given the point made above about the resistance of some smaller organisations in taking time away from the front line. But BIG might want to consider either introducing such a programme that grant recipients could apply to, or funding networks or infrastructure bodies that want to engage in such a programme. BIG applicants and grantees could also be encouraged to create their own support network to share learning and pool capacity building opportunities. A practical suggestion for a first step in establishing such a network came from an interviewee from one of the organisations in this research. It may be a good idea for BIG to include a box on the application form or at the offer stage which organisations can tick if they are prepared to allow others to contact them for advice or visits.

6.4 Some of the main challenges

6.4.1 Diagnosis

The first major challenge remains that of diagnosis:

- Who identifies needs?
- Is this a top-down or bottom-up process?
- Are the capacity development demands of either a funder or a grant recipient necessarily what the organisation really needs?
- How do we address the ‘unknown unknowns’?

Both the literature and our own earlier research in this area suggest that the ‘presenting problem’ is seldom the whole story. The risk to BIG is that simply meeting expressed needs and/or leaving it to recipients to define their own needs will not address more deep-seated issues (and therefore may not protect BIG’s investment). But deep diagnosis can be resource-intensive and there is an obvious tension between committing the required level of investment and reaching an optimal number of organisations. While there is potential for some diagnosis to be done at the assessment stage, this has implications for trust and for BIG staff, both of which we address below. The best compromise seems to be a ‘mix and match’ approach, which addresses expressed needs but provides options, either through one-to-one support or developmental programmes for organisations to dig deeper.

6.4.2 Trust

The issue of diagnosis also raises questions of trust. Trust is important for capacity development, and there are two important issues for BIG to consider. The first is that the options outlined above envisage a certain amount of assessment of capacity building needs at the grant assessment stage – and the possibility of attaching conditions to the grant. This recognises that BIG staff can and must make judgements about the needs and capacities of the organisations that apply for funding. However, there may be tension between funder and recipient if the latter feels that definitions of capacity building need are being defined from above.

The second issue is that both the literature and our own findings indicate that the triangular relationship between funder, capacity builder and grant recipient needs to be handled with care, especially if the capacity builder was appointed or recommended by BIG. Roles need to be clear and supported by a protocol that is clearly understood by all parties. It is possible to deliver such programmes in partnership with already trusted infrastructure bodies, as already happens in Northern Ireland. This would allow infrastructure bodies to extend their services, but there would clearly need to be some form of quality control. There might also be issues around ring-fencing the money.

6.4.3 Risk

We have already discussed risk in relation to capacity building. If BIG decides to take a more risk-allowing approach, it will need to do so on the basis of informed judgements by its staff, while balancing this with the need to meet outcomes in a competitive environment, and being publicly accountable. This approach would mean actively choosing to target rather than reject organisations which may have capacity limitations, but which have been judged to have the potential to contribute an unmet need in their community or perhaps to take a particularly innovative approach. Such judgements need to be based on the fullest possible information. Our research revealed that currently neither the Merlin database nor the application process provide useful information on capacity building. BIG might therefore need to reassess the tools it has for diagnosing need, how this information is recorded and shared within the organisation, and how it informs risk assessment.

6.5 Implications for BIG

Most of the options listed in 3.3 have implications for BIG, in terms of the expectations and capacity of its staff, its grant-making process, its relationship with wider third sector infrastructure and its communications with grant recipients.

6.5.1 Staff expectations

Our findings suggest there is no consensus among BIG staff about the organisation's role in capacity building. As BIG moves through the questions we have identified in this discussion – What is the purpose of capacity building? Whose capacity is being built? What is the most appropriate way to provide support? At what point? – it will need to acknowledge these different views.

BIG will also have to address further questions, such as:

- Should BIG continue to have a different role in each of the four UK nations, or must its approach become more uniform?
- How can the broader vision of capacity building be kept in sight at the same time as a project focus?
- What is the purpose of risk assessment?
- How can it be used as a capacity building tool?

It should be noted that, while all the organisations interviewed talked about capacity building in terms of community as well as organisational development, not all BIG staff made that link. These different understandings and expectations of the concept of capacity building and BIG's role in it will need to be reconciled.

6.5.2 The grant-making process

The options outlined in 4.3 envisage a greater role for BIG in assessing and diagnosing capacity building needs. This requires building the capacity of BIG's assessment staff to identify needs and perhaps of outreach staff to enable them to communicate to recipient organisations how these needs might be met, and to assess need during the duration of the grant. It would also need an improved system for gathering and storing intelligence on the capacity building needs of applicants. Our analysis of the Merlin database suggests that the reasons for rejection are not systematic: and while staff judgement is a necessary and important element (as discussed in 4.4.2 and 4.4.3), it needs to be supported by a clear and documented process that can inform organisational policy while providing structured and useful feedback to applicants.

There is also the question of building the capacity of applicants to make an effective application. Our findings confirm that applicants often find the form confusing; they are unsure what is required and many have needed help in preparing their application. Regardless of whether BIG decides to target capacity building at organisations that have to date been hard to engage, there are implications here for the design of the form and the language used.

In particular, there is an argument for clearer guidance on outcomes – many applicants struggled with this. There may be a case for greater flexibility about the actual wording of qualitative and quantitative outcomes — for example, the use of SMART outcomes is not always a requirement with other funders. BIG needs to consider whether it currently places too much on these at the expense of other ways in which an organisation can communicate what it expects to achieve through the funding.

The grant-making process itself has the potential to be a capacity building tool, which can support and empower organisations. It can build capacity insofar as it helps organisations articulate their aims. This not only benefits successful applicants but also those whose bids are not successful. In either case, it can help when applying for other funding. However, despite the learning potential, our findings suggest that the process of writing a bid can be demanding and difficult, with one or two individuals committing huge amounts of their (often unpaid) time to the task.

BIG needs to consider how this can be recognised in – and balanced with – its own requirements. This could mean greater flexibility in how outcomes are expressed or visiting new applicants at the second stage of the application process to give them face-to-face support. The latter would benefit both BIG and the applicant by helping to ensure a good application, but it would also have resource implications.

6.5.3 The relationship between BIG and the third sector infrastructure

Whatever decision BIG makes about its future capacity building strategy for small organisations, it will impact on the wider infrastructure of the third sector. This means developing a picture of the capacity building resources already in the field (including an analysis of the distribution, strength and sustainability of BIG's BASIS-funded projects in England) and how BIG's capacity building strategy would relate to this. This is partly to avoid duplication, but will also allow it to work with other support providers and infrastructure organisations to outsource capacity building programmes where appropriate or to signpost organisations to different kinds of support, according to their stage of development, including:

- in-house organisational development work for fledgling organisations which need help embedding project management systems
- networking events for organisations which are looking outwards and wanting to share learning
- surgeries for grant applicants, etc.

Part 5: Concluding remarks

7. Introduction

The aim of this study was '*to provide evidence to BIG on how best to target its efforts to build capacity or to support capacity building in* [small] *groups that apply to it'* (BIG 2009). In Part 2, we set out our study findings in relation to capacity building – its definitions, needs, delivery and barriers that need to be overcome. In Part 3, we identify the key questions BIG needs to address in developing a capacity building strategy; outline possible options for capacity building with suggestions about who to target, what to provide, when and how; and then discuss the implications of these options for BIG, in terms of its grant-making processes, its data management, its staff relationships and its relationship with the wider field.

In this final, concluding part of our report, we draw out some of the key messages for BIG to consider when planning its next steps, keeping in mind potential resource implications, the impact on the voluntary and community sector as a whole, and BIG's ability to achieve its strategic objectives as it moves from being a distributor to an intelligent funder.[15]

7.1 The primary purpose of capacity building

Within BIG there seem to be at least three priorities in relation to the purpose of capacity building:

- to ensure organisations are able to apply, receive and spend a BIG grant
- to ensure they are able to deliver their project outcomes
- to support wider skills development within the voluntary and community sector.

Although it is important to retain some flexibility in the definition of capacity building to ensure that it applies to the majority of BIG's funding programmes and to each of the four UK nations, our study findings suggest that BIG's primary objective is inevitably to protect its investment by ensuring that BIG is able to deliver its mission: *'We are committed to bringing real improvements to communities and the lives of people*

[15] See Big Lottery Fund (2009) www2.biglotteryfund.org.uk/bt_strategic_framework.pdf

most in need' (BIG, 2009a: 7). This is a useful benchmark to keep in mind when making decisions about the purpose of capacity building support for future programmes. While there is genuine interest in strengthening the voluntary and community sector *per se*, there is also a need to communicate and promote the direct focus of BIG's attention: programme and project outcomes.

7.2 Capacity building needs

It is clear from our findings that organisations primarily look to BIG for funding, which equips them to: deliver their intended outcomes; support communities; and develop their organisations. In future discussions about targeting capacity building in small organisations, BIG needs to be mindful of these and the following possible areas of support highlighted by our study participants:

- increasing organisations' ability to secure funding from BIG
- increasing the effective use of that funding
- adapting to the scale of change that BIG funding can create for some organisations.

It is important to note that organisational needs fluctuate and there may be value in organising capacity building over the lifetime of a grant, rather than confining it to specific milestones, in order to provide a more comprehensive response to performance and sustainability needs.

7.3 Delivery of capacity building

The first thing to note is that, despite technological advances and the increasing use of ICT to access support, small organisations still have a profound desire for personal relationships. Organisations appreciate direct contact with BIG when going through the application process, either face-to-face or on the phone. The power of these personal relationships should not be underestimated. Furthermore, they can legitimately be viewed as an integral component of a capacity building process – organisations can learn a lot through the bid-writing process and the support they get from BIG can help them apply for further funding in the future.

In addition to face-to-face contact, organisations in our study also indicated a preference for a more demand-led model of support, which would address needs more directly and framed support within the actual needs of frontline organisations. Some interviewees expressed interest in a voucher scheme which would allow them to purchase support directly from a local provider who might be better placed to understand their particular organisational context and needs. However, such a scheme may not be able to address other concerns raised in this study, including the (in)ability of some organisations to self-diagnose need, to choose where to spend their vouchers and to assess the quality of suppliers.

A more prudent development may be to increase investment to ensure that existing support providers become more attuned to the needs of frontline organisations and less preoccupied with their own perceptions of need and demand. This is something BIG has already pioneered – for example, through the support provided by 'funding advisers' across the English regions.

Another approach, also building on existing pockets of practice within BIG, might be to invest in creating more opportunities for peer learning. The post-award networks currently operating in a number of English regions have proved very popular with applicants and are in keeping with the preferences expressed by a number of study participants. Further research to explore how BIG can help stimulate or facilitate such peer learning networks may be a worthwhile investment.

In a period of limited resources offering capacity building support to all BIG applicants is potentially unrealistic. Therefore, some means of targeting support may be the best option, but this will involve a different balancing act to weigh up the tensions between targeting and being seen as an equitable funder.

Whichever option(s) BIG decides to pursue, there will be pressure to balance cost effectiveness with innovation, and targeting (to achieve greater impact) with equity. By their very nature, many BIG programmes are restricted to specific organisations or activities; thus, a practice of targeting already exists. The real test for BIG, in taking forward a more targeted approach to capacity building in small organisations, will be the presence of an unambiguous narrative which sets out the purpose and rationale of such an approach.

7.4 Internal and external communications

Finally, it is clear from our study findings – and most notably our interviews with BIG staff – that there is an abundance of intelligence and learning within BIG itself that needs to be more openly shared. For example, a central mechanism for collating repeated patterns of organisational problems in funded organisations would be invaluable when trying to develop an approach to capacity building that responds to needs articulated by the organisations themselves. The new IT system may be one way to collate such information; however, BIG also needs to encourage more internal reflection and communications. Over-reliance on informal or ad-hoc mechanisms to distribute learning across the organisation will prove insufficient at the point that strategies are being developed and budgets set.

Turning to external communications, our study highlights a need to provide applicants with more information about the rationale of the application process as well as the decision-making processing order to help them understand what is expected of them and why. Continuing to explain the meaning of terms such as ‘full cost recovery’ and ‘SMART outcomes’ is still a priority; a failure to address these issues is likely undermine any parallel initiatives to address organisations’ capacity to apply. A comprehensive review of all aspects of the application process might usefully link across to processes in use by other funders.

Overall, our findings support the move to a more stringent two-stage application process, ensuring that organisations do not engage with the full application unless it is very likely to lead to some grant funding. For applicants, bid-writing consumes a lot of time, resources and capacity which might be better spent directly supporting their communities and fulfilling their mission. For BIG, it may be time to be more upfront about the extent of its ability to meet demand and the restrictions on its capacity to engage in extensive communication with applicants.

Appendix 1: Full literature review and bibliography

Introduction

This paper summarises a body of literature on capacity building. In particular, it builds up a picture of the purpose and practice of capacity building as it relates to small organisations. The aim is to help shape and guide the critical thinking and methodological decisions that will underpin a collaborative piece of research, undertaken by the Institute for Voluntary Action Research (IVAR) in partnership with the Third Sector Research Centre (TSRC), University of West England and Cordis Bright on behalf of the Big Lottery Fund (BIG). The overall aim of the research is to '*provide evidence to BIG on how best to target its efforts to build capacity or to support capacity-building in [small] groups that apply to it.'*

The focus on small organisations arises from the argument that the nature and extent of the challenges faced by voluntary and community organisations can differ according to size. In particular, it has been argued that some agencies, on the cusp between informal grassroots association and more formal voluntary organisation, face a *'liability of smallness'* (Rochester 2003: 116-119); implying some vulnerability with both internal and external dimensions. Internally this involves a heavy dependence on the work of a small number of individuals and a self-reinforcing cycle involving the concentration of workload among an inner group of people; externally it typically involves heavy dependence on a single source of short-term funding. In consequence, small organisations tend to focus on everyday operational matters and find adopting a long-term or strategic perspective challenging. They also tend to rely on a limited range of knowledge and skills, lack the time and money to access external support and are typically isolated from other organisations.

The literature review provides the context for the study by addressing two questions:
What do we already know about the capacity building needs of small organisations?
What do we already know about trying to meet those needs?

Where appropriate this review draws explicitly on literature that focuses on the relationship between capacity building and funding, much of which is summarised in Cairns and Chambers (2008). It also draws upon our earlier work (see Cairns et al, 2005; Macmillan, 2004; Howard et al, 2009).

The review is organised in two parts. In Part 1 we examine the terminology and practice of capacity building in existing literature, considering in turn: what it is; its purpose; its focus; methods; and challenges. In Part 2 we discuss three potential new directions in thinking about capacity building: needs and wants; capabilities and resilience; and capacity building and risk.

Part 1: Capacity building in existing literature

1.1 What is capacity building?

Cairns et al (2005) provide a comprehensive discussion about the various ways in which capacity building is understood in literature and practice. For example, they highlight differences between types of organisational capacity, including either programme delivery, programme expansion or helping organisations to adapt to environmental pressures (ibid: 872). They also acknowledge the distinction that is sometimes made between building *capacity* rather than *competencies* or *capabilities* (ibid: 872). In broad terms, they recognise that some authors see capacity building as *'any kind of action or progress which improves abilities to perform activities or functions'* (ibid: 872). This is consistent with BIG's working definition of organisational capacity building as *'efforts to improve performance by developing skills and confidence'* (BIG, 2009).

1.2 Purpose of capacity building

In order to establish the purpose of a capacity building intervention, one has to be clear about its intended goal or outcome. Some outcomes of capacity building reported in the literature include:

- increasing credibility
- increasing skills and confidence
- increasing effectiveness
- helping organisations to access new networks
- developing a healthy and vibrant third sector

- helping the sector deliver better public services and influence decision making.

These outcomes span change at both organisational and community level. The literature suggests that these changes do not occur in isolation. In particular, Craig recognises that while capacity building focuses on capacity at an organisational level, it is also argued that *'building the capacity of organisations within deprived communities is… part of community capacity building'* (2007: 342). The extent to which the purpose of capacity building is to support the long-term sustainability of individual organisations or tackle social exclusion and empower communities is open to question.

A forthcoming review of international literature on capacity building suggests various reasons why funders provide capacity building support (Howard et al, 2009: 15-17). While some capacity building support is investment driven – initiated by funders who wish to ensure that their investment is put to optimal use – other interventions are driven by values or explicitly research-based, bringing academics together with practitioners to develop evidence-based practice. It is by questioning the *drivers* of capacity building support that one can more easily identify its *purpose.*

One issue that may influence the purpose of a capacity building intervention is the relationship between organisational characteristics – in this case an organisation's size – and the ability to successfully bid for, and deliver, the intended aims and outcomes of funding programmes. For some applicants, this relationship may be very clear: the aims of a funding programme may equate to, or fit closely with, their own organisational mission. For other applicants the relationship may be less obvious.

1.3 Focus of capacity building

Although the focus of capacity building will ultimately stem from its purpose, a number of focal points recur throughout the literature, including:

- strategic planning
- funding and fundraising
- human resources
- financial controls
- IT

- governance
- partnerships and external relationships
- marketing and communications
- research and information
- policy influence
- legal/constitutional advice
- leadership
- managing buildings or assets.

Support with funding, recruitment of volunteers and networking with other voluntary and public sector organisations are among the most likely issues for which organisations seek and access support (Allen and Gelder, 2006; Harker and Burkeman, 2007; Macmillan, 2004).

Locating the focus for capacity building within individual organisations requires some diagnosis of need (Cornforth et al, 2008: 27), which raises a number of practical questions, including:

Who should do the diagnosis?
When should the diagnosis take place?
What factors should be taken into account in the diagnosis?
How can organisational complexity be reflected in the diagnosis?
What is the relationship between capacity building assessment and grant assessment?

Current evaluations of capacity building grants provide some evidence of the different options available. For example, IVAR found that the process self-diagnosing need was straightforward and useful for some organisations, but for others it was less so, often because they were unclear about the meaning of the term capacity building (2008: 2). A review of a Charities Aid Foundation grant programme also found that voluntary and community organisations had varying levels of awareness of their own needs, meaning that self-diagnosis can have its limitations (Cornforth et al, 2008: 28). Saying this, the literature is cautious of overly paternalistic, top-down interventions in which organisational needs are redefined in the interests of powerful others (see Craig, 2007; Diamond, 2004; Girgis, 2007).

When thinking about the focus of capacity building interventions, the literature highlights the importance of organisational characteristics. For example, because small organisations are often heavily dependent on a small number of key people, recruitment and retention of staff and volunteers is usually of pressing concern (IVAR, 2008: 4). The literature also suggests that small organisations can face particular governance challenges (Rochester, 2000 and 2003; Madden et al, 2008), while Harrow found that the majority of small organisations saw *'the development of internal capacity within the organisation as a key practical goal'* (2001: 218). Organisational type can also impact on an organisation's needs. In particular, Mandeville focused on the specific capacity building needs of policy actors (2007). It should be noted, however, that in some instances key organisational actors – its founders, for example – may not necessarily acknowledge or recognise their lack of capacity.

This body of literature suggests that the diagnosis of capacity building needs should be deeply rooted in the organisations themselves. The extent to which this can be achieved depends on the model of capacity building in use: deficit or empowerment. Both models assume that organisations will have gaps in their capacity that need to be filled. The deficit model, however, is based on an external perspective about what those gaps are, and thus what is lacking within an organisation. In comparison, the empowerment model is committed to *'strengthening people's ability to carry out their own purposes and aspirations'* (Cairns et al, 2005: 873). In other words, the empowerment model puts forward the perspective of the organisation, while allowing space for facilitation and support. The extent to which an intervention reflects either of these models may influence the practice of diagnosis, and in turn, the foci of capacity building interventions.

1.4 Methods of capacity building

Practitioners debate principles of good practice in relation to capacity building. These include being people centred and ensuring that interventions are locally appropriate, carefully planned and well managed (Howard et al, 2009: 6-7). Delivering capacity building interventions that are aligned to these principles can be done in various ways – Cornforth et al (2008: 12) outline three delivery models of capacity building available to funders as highlighted by Blumenthal (2003):

- a capacity grant: the grantee selects a consultant from the marketplace
- a development partner model: the funder provides funds for external support such as a consultancy firm, who deliver the capacity building intervention(s); the grantee is referred to the development partner; a longer-term relationship can often be established.
- a structured programme: a mix of support such as consultancy, mentoring and coaching; focuses on helping grantees set long-term goals and continuous support based on progress towards those goals.

The three models highlight some of the key decisions that are required when thinking about methods of capacity building. The first of these decisions is about the relationship between the funder, delivery partner and the grantee: the *'capacity building triangle'*. One point to be considered is how to select the delivery partner. In some cases, the grantee may buy in their own support; this can be empowering for an organisation and may meet the need for consultants to understand the particular culture and context of an organisation. However, this model can raise concerns for a funder about how the money is being spent. Striking the right balance can depend on establishing a relationship of trust over time. Taylor et al (2007) found that relationships worked particularly well when groups were given the resources to develop a relationship with delivery agents they already knew as it gave some continuity.

Alternatively, a funder may have a network of consultants to deliver the intervention. This requires grant officers to match consultants with applicants on the basis of organisational need. This can be a challenging task and can place extra burden on the grant officer role. However, Cornforth et al concluded that this model can be *'very helpful for small organisations that are inexperienced in managing relationships with consultants or for organisations with little insight into the nature of the problems they face'* (2008: 29). A similar model was used in the JRF Neighbourhood Programme, with the additional element of regional facilitators who were able to support regional networking around identified local issues (Taylor et al, 2007).

So far, it has been assumed that consultants are the preferred delivery agent, yet we must not forget the role of advisors, researchers, analysts, facilitators and intermediary or infrastructure organisations, and their own respective relationships and networks (Cairns et al, 2005). The way in which a delivery agent intervenes – and builds relationships – with an organisation is also important. Girgis, for example, describes the difference between friendship work and dependence work (2007: 357-359), describing the former as ‘constructive’ and ‘empowering’ and the latter as ‘corruption’ and ‘manipulation’. In comparison, the method of action learning is put forward in the literature as a way of enabling an organisation to develop their own understanding and ability to critically reflect on their working practices and management challenges (Cairns et al, 2005; Taylor et al, 2007).

Girgis argues that the method of intervention, and the type of relationship developed between the grantee and the delivery agent, depends on the resources, time and culture of the environment within which the practitioner works (2007). This highlights the need to think about the practical arrangements of any capacity building intervention. In the case of smaller organisations, these may include: the timeliness of the intervention; the delivery agents’ understanding of the particular challenges of small organisations; and the degree of flexibility or standardisation built into the delivery process.

The application process adopted by the *Community Chests* programme offers a useful practical example of the need for flexibility:

i. Applicants were initially referred to a development worker to work through their idea *before* putting in an application.
ii. If they were awarded a grant, they were then invited to a briefing meeting that offered the chance of networking with other groups and identifying training needs.
iii. Groups who were not constituted could still have their applications put forward and, if a grant was agreed, were given the help they needed to establish themselves before receiving the grant.

(Communities and Local Government, 2005).

Both funders and organisations need to explore the costs of capacity building. Capacity building involves time and effort, and evidence suggests that frontline organisations tend to prefer closer or more intense methods, such as face-to-face consultancy support, which can be sensitive to specific organisational contexts and tailored accordingly. However, this can be very resource intensive in terms of both money and time (Macmillan, 2004; Reid and Gibb, 2004:13; Consortium Solutions, 2006; Harker and Burkeman, 2007). The ChangeUp framework for capacity building and infrastructure noted this preference and concern by referring to the potential for 'low cost' models of consultancy, including peer support (Home Office, 2004: 24-5).

The capacity to access and make good use of capacity building support thus becomes a significant issue, opening up the prospect of self-exclusion. Macmillan (2004) found that on average organisations with paid staff are around twice as likely to have accessed external support in the past, than organisations without paid staff, suggesting that smaller organisations in particular may tend to 'opt out' of accessing support – or indeed, they may have no idea how to access it.

1.5 Challenges of delivering capacity building

The literature points to a number of challenges that can arise when planning and delivering capacity building, such as:

- time delays between delivering the intervention and realising its impact (Wing, 2004)
- managing the relationships between the grantee, delivery agent and funder (Cornforth et al, 2008)
- scepticism and ambivalence towards the capacity building intervention, or different understandings of what is needed (Harrow, 2001)
- additional workload for the organisation, who may see capacity building as a luxury (Reid and Gibb, 2004; IVAR, 2008)
- a lack of clarity about an organisation's role and responsibility in the intervention (Cornforth et al, 2008; Reid and Gibb, 2004)
- organisational readiness (Cairns and Chambers, 2008)
- getting beyond the gatekeepers (Taylor et al, 2007).

In summary, these challenges show that achieving organisational buy in, developing trust between the funder, delivery agent and the organisation, and establishing an appropriate evaluation framework are very important for the success of any capacity building intervention. Running through the literature is also a sense that it is important to establish coherence between the purpose, focus and method of capacity building interventions. In fact, Cairns and Chambers conclude that this coherence – or in their words this *connection* – is critical to any successful capacity building programme (2008: 10). However, achieving such coherence may be especially challenging when focusing on small organisations; their needs are likely to be highly varied and their preference for particular delivery methods may differ. In practice, it may be appropriate to think in terms of entire support packages to ensure a more holistic approach and to get the opportunity to address acknowledged and unacknowledged needs.

Part 2: Capacity building – new directions?

In Part 2 we attempt to introduce some new ways of thinking about capacity building in the light of some of the issues and challenges raised in Part 1. Three potentially fruitful new directions are signalled:

- needs, wants and 'unknown unknowns'
- needs, capabilities and resilience
- capacity building and risk.

2.1 Needs, wants and 'unknown unknowns'

There is a useful distinction to be drawn between capacity building support that is wanted (or demanded) and capacity building support that is needed (Harker and Burkeman, 2007). Because wants and needs are not necessarily the same thing, a potential gap opens in discussing the specific purposes of capacity building support, throwing up many questions, including:

How is the focus of capacity building determined, and who decides what capacities are to be built?

Should capacity building be primarily responsive to the concerns of individual groups or organisations, on the grounds that 'they are in the best position to know what support would help'?

Or should others – for example, funders or outside experts (capacity building support providers) – determine what support is needed, on the grounds that individual groups and organisations are not necessarily in the best position to know what support would help?

What might be the scope and role for some form of deliberative space in the co-definition – involving both support providers and supported organisation possibly through peer-to-peer support networks – of problems, issues or concerns that might be addressed by capacity building?

If accepted, how might such a space be implemented?

There is an implicit debate around the power relationships currently involved in capacity building activities. This focuses on how capacity building needs are raised, and whose concerns prevail. On the one hand, there are arguments suggesting that frontline organisations, particularly small ones, do not get sufficient opportunity to determine the nature and quality of the support they receive (Harker and Burkeman, 2007). In this view, decisions about capacity building services and support are made by support providers and funders, and may not always reflect the needs of the frontline organisation. This has led to a recurring debate around the possibility of resourcing frontline organisations directly to enable them to purchase the support they require from a competitive market of capacity building suppliers. Another issue is whether needs should be determined on a piecemeal basis or whether there should be a long-term relationship which allows development of understanding on both sides.

Others highlight the essentially reactive (or more favourably, responsive) nature of support provision (Osborne, 1999). Support providers are rarely in a position to do anything other than respond to those that make capacity building demands on them, and many struggle even with this. Inevitably the picture is more complex, but the distinction between needs and wants, and how they are expressed, filters through this debate. Arguably, a great deal of capacity building has responded to support needs as expressed or wanted by frontline groups and individuals, rather than those that are actually needed. This may occur reactively – in the case of support providers responding to direct requests or enquiries from frontline organisations – or proactively through some form of survey-based needs analysis.

The argument around the disjunction between needs and wants tends to be raised in relation to issues around funding information and advice (Harker and Burkeman 2007: 26). Given the opportunity, many groups will say they require assistance or support with: funding information; advice on funding proposals; training around fundraising techniques; and funding strategies. But, the argument goes, a request for help around funding is often a presenting problem which, in discussion with expert advisors, reveals a range of other issues and concerns that require attention. Organisations see an immediate need for funds – and the support that would enable them to access funding – but cannot necessarily see the relevance or importance of the range of organisational development issues which underlie the organisation's purpose and activities, for which they require the funding. Typically this is argued to involve downplaying or failing to recognise needs arising around governance and management, and failing to pay sufficient attention to financial management systems and procedures. This is arguably why offering a package of support can be a useful device.

From an 'expert' perspective, therefore, there is a significant capacity building challenge around unpacking the degrees of knowledge and awareness of things that are regarded as essential or significant, with potentially four states of knowledge or awareness, as identified by Hannabuss (2002:402):

> *'Knowing consists of many states. These include knowing that you know, knowing that you do not know, not knowing that you know, and not knowing that you do not know.'*[16]

The last of these states of knowledge – *not knowing that you do not know* – is arguably of most concern for those involved with capacity building in the sector. The four states described by Hannabuss are a variation of a 2x2 matrix based on consciousness/awareness and either competence or knowledge. The 'conscious competence learning model' involves providing support to learners in progressing through a four-stage linear journey as follows:

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[16] A more recent (and infamous) variation of this comes from a press briefing on 12 February 2002 by former US Defence Secretary Donald Rumsfeld: *"Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns – the ones we don't know we don't know."*

- Stage 1: *unconscious incompetence* – I am not aware of a competence, of whether it is relevant and do not know if I have it
- Stage 2: *conscious incompetence* – I am now aware of the existence and relevance of this competence, and I know that I do not have it
- Stage 3: *conscious competence* – I can use a competence with effort and concentration
- Stage 4: *unconscious competence* – my use of a competence has become second nature.

Support through this journey involves awareness-raising (from stage 1 to 2), demonstration (stage 2 to 3) and practise (stage 3 to 4).

It could be suggested that many groups and organisations, not all of which are new and/or small, occupy a space in and around stage 1 – a state of more or less blissful ignorance. They are unaware of the range of issues they might need to know about – for example, around compliance with regulatory requirements or contract provisions – or could usefully know about, which would make their life easier, their work more effective or enable them to create more of a difference. Clearly, though, there are dangers in working with groups and organisations with an assumption of incompetence or ignorance. This is likely to perpetuate a deficit model of capacity building, where the attempt to identify and force recognition of weakness, ignorance and incompetence not only imposes a particular perspective of what matters but runs the risk of wholesale self-exclusion from capacity building support.

However, the very idea that the sector might be characterised by 'unknown unknowns' to some extent undermines the kind of aggregate needs analysis used for planning capacity building services and support. So when funding information and advice regularly tops the list of support needs, one response could be: *"Well, they would say that wouldn't they?"* The existence of 'unknown unknowns' also calls into question the idea that resourcing frontline organisations to purchase support services directly could operate without perverse consequences.

In parallel with the debate around choice in health services, any efforts to create a market in a particular kind of service may require knowledgeable and informed 'consumers', who can assess the need for a service, as well as the value, price and quality of the competing services on offer. If groups do not fully appreciate what they need, they might choose not to purchase a particular service, or decide to put their capacity building vouchers to more immediate concerns, such as fundraising.

For BIG, this represents a specific example of the potential problem with regards to how needs come to be recognised and determined, who decides this, and how the needs can be met.

2.2 Needs, capabilities and resilience

When considering support needs, we must ask ourselves whether there is a hierarchy of need for support in the voluntary and community sector. So, are some needs more important than others? For example, if they underpin organisational functioning and the prospects for thriving/flourishing activities, would they be considered more important, regardless of the purposes of the organisations concerned?

For capacity building purposes, we might like to think of three kinds of needs:

- *generic* needs – those potentially facing all organisations in the voluntary and community sector
- *typical* needs – those potentially facing particular types of organisation – smaller versus larger, younger versus older, or those in different fields of activity
- *specific* needs – those potentially facing each individual organisation as a unique setting, based on: a mission, historical and context-sensitive understanding of where the organisation has come from; any internal and external challenges; any field-specific needs; and its potential future direction.

So, can wider discussions of need – for example, in social policy and political philosophy – illuminate the discussion of capacity building and support requirements?

Focusing on individuals rather than organisations, Doyal and Gough (1991) outlined a theory of human need as *'universal pre-requisites for successful…participation in a social form of life'* (ibid: 8). They identified two pre-requisites: sufficient physical health to enable participation and autonomy of agency, or *'the capacity to make* *informed choices about what should be done and how to go about doing it'* (ibid: 8). In this framework these two issues are regarded as universal and foundational: they are necessary in any culture or context before individuals can act or participate to achieve anything else they have reason to value.

There are some parallels between this kind of theory and the kinds of concern circulating in debates around capacity building. Translating this into a voluntary and community sector context, in which by analogy the units might be regarded as groups and organisations rather than individuals, we might suggest that the basic needs for any voluntary or community organisation are organisational health, for continued operation of whatever activities they pursue, and autonomy, or the capacity to set a purpose and decide how to pursue it. Organisation health addresses the issues of survival and resilience, while autonomy addresses concerns around clarity of purpose, mission, recognition and independence.

Along similar lines, it may be useful to think of supporting organisational development in terms of Sen's discussion of 'capabilities' and 'functionings' rather than 'capacity building' (Sen, 1999; Burchardt, 2008). Again this involves translating a theory of individual development into an organisational context. Sen distinguishes between:

- *Capabilities*: what an individual, or in our case a group or organisation, can do or be. This is about potential, or the range of choices that are open to an organisation.
- *Functionings*: what an individual, or in this case a group or organisation, actually manages to do or be. This is about achievement, or what an organisation manages to accomplish.

Controversially, Sen argues that the focus of economic and social policy (in relation to poverty alleviation) should be about developing capabilities, rather than simply redistributing resources. In a voluntary and community sector context, although there are concerns about inequality in resources between organisations, there is no serious debate about redistributing resources directly from 'haves' to 'have-nots'. There is, however, a vibrant debate about building capacity, as seen in Part 1, which is not too far removed from the idea of capabilities.

The capabilities framework may be a better way of framing the discussion since 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. As such the framework veers towards the empowerment rather than deficit model of capacity building.

Furthermore, the term *capacity* tends to involve a conflation of *amount* – for example, of time – with its actual *use*, or deployment of a skill. It also implies *volume*, which has an immediate quantitative, more-or-less dimension and might therefore need to be topped up. *Capability*, on the other hand, 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.

Developing capability within frontline organisations could be oriented towards the pursuit of a mission, purpose or objectives, and/or applied more instrumentally, in terms of preserving and advancing the position of an organisation against others in a competitive field. It should not be forgotten, however, that simply helping an organisation to be more competitive may not be the ideal end-goal. Rather, organisations should be seen as part of a wider system that can respond and engage to users and members. Networking and bridging skills within the sector should, perhaps, be viewed as a critical component of any capacity building.

If *capabilities* is a term that can be used to describe a focus on potential – getting *on* – the idea of *resilience* has recently become a salient means in the sector to describe coping in adversity, or getting *by*. Anyone who has been involved in, or had the opportunity to listen to, the concerns of frontline voluntary and community organisations, will recognise how life in the sector is often characterised as a combination of purpose (getting on) and struggle (getting by).

The current preoccupation with the potential impact of the recession on the sector has brought the idea of *resilience* to the fore in voluntary and community sector discussions. The resilience literature is helpful in raising questions of (a) exposure to adverse circumstances, and (b) the range of protective factors, coping mechanisms and strategies deployed in response to such circumstances. Bartley (2006: 4) defines resilience as: *'The process of withstanding the negative effects of risk exposure,* *demonstrating positive adjustment in the face of adversity or trauma, and beating the odds associated with risks.'*

In the voluntary and community sector, the term has primarily been deployed to express a concern with organisational survival, and as such is close to the first of Doyal and Gough's basic needs. Much of the discussion has focused on financial resilience, viewed as an ongoing struggle to maintain healthy finances, rather than the holy grail-like end state implied by sustainability (Venturesome, 2008: 2). Carrington (2009) has draw attention to the need to develop sufficient reserves to fund organisational development and withstand falls in key income sources.

It may be useful to think of capacity building in terms of the capabilities required to build more resilient organisations, although it is arguable that we do not really have a clear understanding of what these might be. It is also worth asking what a capacity building framework expressed in terms of capabilities and resilience can actually offer, other than a different, potentially even less accessible language for the kind of support the sector was just beginning to understand and get used to. One possible difference is that the process would be longer term and interventions would be less 'off the shelf'.

The main response to this is the suggestion that existing capacity building discussion is based on a rather static and insular notion of organisations and their purpose. Thinking of capabilities and resilience might encourage responses to a rapidly changing environment which can, as fears of the impact of recession suggest, quickly turn hostile. This approach might also encourage organisations to:

- look *outward* towards a landscape of opportunities and threats, and develop the interpretive skills they need to 'read' them, rather than be concerned primarily with internal governance and management issues

- develop the capabilities required for a flexible and adaptable orientation to a changing environment, and the ability to maintain the core of an organisation's purpose in the face of change – as Mohaupt says: *'Resilience is a process rather than a static concept or an individual characteristic. There is an interaction and adaptation process that occurs after the individual is* *exposed to an adversity. This process perspective often requires* [a] *dynamic assessment over time.* (2009: 65).

2.3 Capacity building and risk

Alongside discussions of how capacity building should most appropriately be conceptualised and delivered, there is perhaps merit in recognising the different interests and concerns involved in capacity building in practice. Thinking of capacity building in terms of empowerment and capability sounds very laudable, but pragmatically, how can we make sure things do not go wrong? This might be regarded as a bottom line for funders, and potentially for frontline organisations, especially small, new and/or under-confident ones.

Funders make payments to organisations in order for them to carry out what are regarded as worthwhile activities. Funders act as ‘principals’; funded organisations act as ‘agents’. As a result, an element of trust cuts across the funding relationship, alongside a range of more or less demanding conditions. This is supplemented by pre-award screening processes, including applications, interviews, assessments and due diligence testing. As with all principal-agent relationships, it is characterised by information asymmetry: funding applicants have more information about their organisation’s strengths and weaknesses than the funding body; they also have an interest in talking up their proposal and downplaying any difficulties.

Because the outcomes of a funding decision are uncertain, and the power to determine and control those outcomes are limited, funding decisions involve risk (Fitzpatrick 2005: 73) – for the funder and funded alike. Although there are risks for both parties to a funding relationship, they may not be the same, and may not be regarded with the same degree of importance.

Capacity building may be regarded as a useful means of managing or mitigating risks. It is like an insurance policy to ensure money is spent without problem and with effect, providing the conditions in which a funding investment might be safeguarded and/or used to best effect. It can be regarded as a precautionary (‘upstream’) investment to prevent subsequent (‘downstream’) problems.

Understanding capacity building in these terms may be useful in recognition of concerns that funded organisations may ‘run off with the money’, mismanage it or otherwise use it for purposes other than those intended, or that the money is somehow wasted through sub-optimal outcomes in ineffective organisations. The former is a minimal concern that an investment will be secure, while the latter is a more demanding concern that an investment should make a substantial difference given scarce resources and high competition for funds. Additional risks include damage to the reputations of both the funder and the funded organisation, which may impair the prospects of attracting further resources.

For BIG and its applicants, thinking of capacity building in terms of risk might imply the need to explore and understand the nature, likelihood and impact of the risks involved in the particular project proposals, the organisational setting in which they are to be implemented, and the external circumstances in which they may be undertaken. Thus, rather than thinking positively about the mission and values of a funded organisation and how it may be supported and developed, this approach strikes a somewhat more cautious or pessimistic note by asking what could go wrong and what capacity building support might prevent such things from occurring.

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Appendix 2: The aims and intended outcomes of five Big Lottery programmes

***Reaching Communities*: England**

This programme aims to achieve the following outcomes:

1. People having better chances in life, through access to training and development to improve their skills
2. Stronger communities, with people working together to tackle their problems
3. Improved rural and urban environments, which more people are able to enjoy
4. Healthier and more active people and communities.

***Reaching Communities*: Northern Ireland**

This programme aims to achieve the following outcomes:

1. People have the opportunity to achieve their full potential
2. People can actively participate in their communities to bring about positive change
3. Community ownership of better and safer rural and urban environments
4. Improved physical and mental health for all people.

***Investing in Ideas*: Scotland**

Once an ideas shows signs of becoming a well planned project, further funding may be considered so long as the ideas fits one of the following investment areas:

1. Help communities own or control their own assets
2. Enable people to handle the transitions they go through in life
3. Give people the means to cope with 21st century life, its stresses and the pace of change
4. Build dynamic and inclusive communities by encouraging voluntary organisations to engage more fully with local communities and play a stronger part in developing them.

***Investing in Communities*: Scotland**

This programme aims to achieve the following outcomes:

1. People have better chances in life
2. Communities are safer, stronger and more able to work together to tackle inequalities
3. People have better and more sustainable services and environments
4. People and communities are healthier.

***People and Places*: Wales**

This programme aims to achieve the following outcomes:

1. Revitalised communities
2. Improved community relations
3. Enhanced local environment, community services and buildings

Appendix 3: IVAR's ethical code of conduct

IVAR is committed to adhering to the highest principles of research practice, including ethical behaviour in all our work. We do this simply because it is the right thing to do. But there are, incidentally, good pragmatic reasons for behaving ethically in the research process. Awareness of ethical issues by researchers ensures that the interests of research participants are protected; and that the reputation of IVAR and its partner organisations and institutions are protected.

There are two points in a project at which all researchers should be particularly self-conscious and reflective about ethical behaviour: when applying for and negotiating a project; and when developing research methods and approaches. In addition, all researchers should be aware of the possibility of ethical issues arising at any stage in a research project and of the need to consult senior colleagues and/or members of the IVAR Board immediately if they are in any doubt about the appropriate way to behave.

Statements about ethical codes of practice are available on the websites of the Social Research Association[17] and the ESRC[18].

It is the responsibility of every individual staff member and associate of IVAR to assure himself or herself that ethical principles are being adhered to at all times and to raise any concerns with a senior member of staff or the board.

There are four commonly accepted ethical principles for research practice:

- beneficence – seek only to do good
- non-malfeasance – never act badly, dishonestly or with ill-will
- informed consent – nobody should ever be involved in research unless they have consciously consented to do so and fully understand what is involved
- confidentiality – identity will not be revealed and what is said to the researcher will not be passed on to anybody else [without prior consent from the participant?].

i. Beneficence and non-malfeasance

- Malfeasance can include: emotional and mental distress; possible damage to financial and social standing; and physical harm.
- Research must be scientifically sound and adhere to accepted social research practice as set out in university textbooks.
- The purpose of research should be to contribute to knowledge by uncovering new knowledge or modifying existing knowledge.

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[17] Social Research Association (2003), Ethical Guidelines, http://www.the-sra.org.uk/documents/pdfs/ethics03.pdf
[18] ESRC (2010), Framework for Research Ethics, http://www.esrc.ac.uk/ESRCInfoCentre/Images/Framework%20for%20Research%20Ethics%202010_tcm6-35811.pdf

- Concern for the interests of the subject (usually practitioners and organisations in our case) must always prevail over the interests of science and society.
- Research should be undertaken and supervised by those who are appropriately qualified and experienced.
- Research should be preceded by careful assessment of predictable risks, compared with foreseeable benefits to the subject or to others.
- Research should not be undertaken where the hazards involved are not believed to be predictable.
- Adequate facilities and procedures should be in place to deal with any potential hazards.

ii. Informed consent

- Each potential participant must be adequately informed about the aims, methods, anticipated benefits and potential hazards of the research and any discomfort it may entail.
- Any documentation given to potential participants should be comprehensible. Participants should be given the opportunity to raise any issues of concern.
- Research work involving the participation of individuals requires consent in writing from said individuals. Records of the consent must be maintained.
- Potential participants must be informed that they are free to withdraw consent to participation at any time.
- There should be a procedure for making complaints. Participants should be made aware of this.
- All participants should be volunteers. Considerable care should be taken when seeking consent from those in a dependent position: it should be made clear to them that refusal to participate will not lead to adverse consequences.
- Any inducement offered to participants should be declared and in accordance with appropriate guidelines.
- Consent must be obtained from a legal guardian in the case of minors or any others who do not have the legal competence to give informed consent.
- Where participants are deceived, as is the case in some psychology research, there should be clear and justified reasons for the deceit. And there should be full and transparent explanation to participants as soon as possible after the research is completed of the aims, methods and outcomes of the research.

iii. Confidentiality and anonymity

- All research should conform with data protection legislation.

- Details that would allow individuals to be identified should not be published or made available to anybody unless the individuals concerned have given explicit consent or the information is already in the public domain. This applies to the revelation of information both to people outside the research team and to other research participants.

- All reasonable steps should be taken to ensure that confidential details are secure.

- Great care must be taken where there is an intention to use data collected for one study, for another study. It is important to follow relevant guidelines.

- Questionnaires that contain identifying information should not be stored in spaces where those other than the researchers would have access to them.

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