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Organisational capacity building: Understanding the dilemmas for foundations of intervening in small and medium size charities¹

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Abstract

There has been a growing trend for foundations to invest in capacity building to improve the effectiveness of third sector organisations. However, understanding of what makes for effective capacity building is not well developed. This paper contributes to the development of theory in this area through an in-depth examination of an innovative foundation, which has a longstanding history of capacity building with small and medium-sized charities in the UK. The findings from this research are related to the developing literature in this field to extend an existing typology of approaches to capacity building and to develop and refine a number of factors that have previously been associated with successful capacity building initiatives by foundations. In particular it argues that current prescriptions are too simple and that foundations face a number of tensions when pursuing capacity building programmes, which have to be managed and call for difficult judgements to be made.

Introduction

In recent decades there has been a continued expansion of the third sector in the UK (and internationally) as voluntary organisations and social enterprises have taken on new roles and responsibilities. In part this growth has been stimulated by changes in government policy, such as the contracting out of public services and the transfer of some activities to the sector, such as leisure trusts and social housing (HM Treasury, 2002; Home Office, 2004; Spear et al, 2007 and 2009). This process shows little sign of slowing down as the government continues to encourage the third sector to play an even greater role in delivering public services and to increase active citizenship (Cabinet Office, 2006; Wilding et al, 2006; Reichart et al, 2008). At the same time the sector faces many new opportunities and challenges: changes in the funding environment and more competition for resources; pressures for greater professionalisation; increased demands for accountability; and new regulatory requirements, to name just a few.

Alongside these changes, both within the sector and government, concern has grown about the capacity of many third sector organisations (TSOs) to meet these new challenges. In particular, there is concern that the sector is becoming increasingly polarised between large, well-resourced organisations, and small to medium-sized organisations that find it increasingly difficult to compete for contracts and other resources (Wilding et al, 2006). As a result, government, infra-structure bodies and funders have become more focussed on finding new ways of building the capacity of the sector and in particular the capacity of smaller voluntary organisations to allow them to respond to these new challenges (e.g. Home Office, 2004; Bolton and Adby, 2007).

However, understanding of what makes for effective capacity building is not well developed. Within the academic literature the concept itself has often been criticised for being too broad, nebulous and ill-defined (e.g. Honadle, 1981; Harrow, 2001; Cairns et al, 2005). Yet the term persists and is often embraced by practitioners, perhaps in part because it is broad ranging and hence potentially allows a more systemic approach to meeting organisations' development needs. Within the literature there have been calls for more rigorous evaluations of capacity building programmes to learn what approaches are effective and for these programmes to become more 'evidence' led (e.g. Blumenthal, 2003), though many important evaluation problems remain (Wing, 2004; Hailey et al, 2005; Sobek and Agius, 2007). Nevertheless a

number of authors have sought to identify factors associated with successful capacity building by foundations (e.g. Backer, 2000, 2001; Blumenthal, 2003; Buteau et al, 2008).

This paper focuses on the role of foundations in organisational capacity building in the third sector. It presents the results of research into the Charities Aid Foundation's (CAF) Grants Programme, which is an innovative and long-standing capacity building programme in the UK. The programme provides consultancy and financial support to help develop the capacity of small to medium-size charitable organisations. The research, commissioned by CAF as a process evaluation, aimed to understand both the advantages and challenges of their innovative approach to capacity building and to draw out wider lessons for other funders and infra-structure bodies that engage in similar forms of organisational capacity building.

The paper contributes to the development of theory about organisational capacity building by foundations in two ways. First it shows that CAF's approach to capacity building does not fit Blumenthal's (2003) typology of capacity building approaches by foundations, and suggests this typology be extended by adding a new type of 'engaged capacity building'. The main characteristics of engaged capacity building are described, and its advantages and disadvantages are outlined from different stakeholder perspectives. Second it analyses CAF's experience of capacity building to throw further light on a number of factors that US research has suggested are associated with successful approaches to capacity building. The research lends only qualified support to these findings. It uncovers serious tensions and challenges that foundations face in their implementation, which have to be managed and call for difficult judgements and new skills.

Organisational capacity building

The term capacity building has been used in such a wide variety of different contexts; at different levels of analysis, ranging from the individual to the nation state, and to refer to different types of interventions, so that some authors have questioned the value of the concept as an analytical or practical tool (Harrow, 2001; Potter and Brough, 2004; Cairns et al, 2005). For example, in the field of development studies Land (1999) suggests it is a 'slippery' concept, and that capacity building is a risky business with contested goals, unpredictable outcomes, uncertain methodologies, many unintended consequences and long time lags. As a result Harrow (2001) suggests greater precision is required about how the term is used. It is important therefore to be clear about what is meant by capacity building, the level it is being aimed at, the different types of capacity that may be built or developed and to understand the different forms it may take.

At the heart of many academic definitions of capacity building is a concern with developing the capabilities of a system so that it performs effectively i.e. it better achieves its goals or mission (Cairns et al, 2005; Gazley and Christensen, 2007). Other authors go beyond this to suggest it is not just a matter of improving a system's effectiveness, but also its robustness and sustainability, so that improvements are sustained over time (Letts et al, 1999). Looking more specifically at foundations that engage in capacity building in the third sector Backer (2000: 8) in a study of US foundations defined it as 'strengthening nonprofits so they can better achieve their mission'. Similarly, Blumenthal (2003: 5) in another study of US foundations defines

it simply as 'actions that improve nonprofit effectiveness'. For the purposes of this research organisational capacity building was defined as *developing the capabilities of an organisation to improve its effectiveness and sustainability*.

Different types of capacity

One of the complexities in conceptualising capacity building is that different authors have identified different types of capacity to be developed. In a systematic review of the literature on organisational capacity Gazley and Christensen (2007) concluded that organisational capacity is a multi-dimensional concept referring to different levels of analysis, whether the factors affecting capacity are internal or external, and whether they concern resources and structures or strategies and processes. In addition they found that different types of capacity are discussed in the literature. Commonly these refer to different organisational functions or resources such as leadership, management, human resources, technical or financial capacity. Other authors have identified capacities relating to organisational goals or processes, often linked to the ability of the organisation to adapt and change, such as adaptive, absorptive, innovative, entrepreneurial, and transformative capacity. An example of a framework that combines both these approaches is put forward by Bolton and Adby (2007:43) who identify four types of organisational capacity that foundations may attempt to build: leadership capacity, management capacity, adaptive capacity and technical capacity.

What is clear is that organisational capacities can be divided up and categorised in a number of different ways. A number of authors also stress the inter-dependent nature of the different capacities (e.g. Potter and Brough, 2004) so that the success of developing capacity in one area may depend on developing capacity in another, for example developing a new fundraising strategy may not be successful unless staff have the skills and resources to implement it.

The complex and inter-dependent nature of organisational capacity has a number of important implications for practice. First, it suggests that any diagnosis of capacity building needs ought to be *systemic*, because developing capacity in one area alone may not be effective if there are problems in other areas. Second, that capacity building is likely to be an iterative process, with work in one area often exposing weaknesses in another which also have to be addressed (Potter and Brough, 2004). This again raises important questions for research. Interestingly Buteau et al (2008), based on large survey of grantees that had received assistance beyond the normal grant from US foundations, found evidence to support the need for a systemic approach to diagnosis and the provision of multiple sources of assistance. They conclude that providing grantees with only two or three types of assistance was often perceived to be ineffective.

Approaches to capacity building

Two different orientations towards capacity building are distinguished in the literature: the 'deficit' model versus the 'empowerment' model (Harrow, 2001). In the deficit model the emphasis is on an external intervention to diagnose weaknesses or gaps in capacity and then to fill those gaps. This is contrasted with the 'empowerment' model, where the emphasis is on empowering actors to identify and address problems they face themselves. The empowerment model has been particularly emphasised in the fields of community development (e.g. Noya et al,

2009) and international development (e.g. Fowler, 2000) where large inequalities of power and resources often exist and can undermine capacity building processes. In reality these two orientations are perhaps best regarded as opposite ends of a spectrum, with many approaches to capacity building lying somewhere in between, and combining aspects of both.

At a more descriptive level different approaches to capacity building by foundations can also be distinguished in terms of who the intended beneficiaries are and the type of support that is provided by the foundation (Bolton and Abdy, 2007: 17). The beneficiaries can be distinguished in terms of levels and might be individuals working in the third sector, voluntary or community organizations, a particular community, a group of organisations working in a particular field, or the sector as a whole. The type of support might be consultancy, training, direct financial support or some other form of advice and assistance. Figure 1 summarizes these different approaches to capacity building and locates CAF's approach.

[Figure 1 here]

The CAF consultancy and training grants are aimed primarily at increasing the capacity of particular organisations primarily through funding a range of consultancy support. Their larger strategic or collaborative grants often provide a mixture of support, which always includes consultancy but may also include direct financial support, training or mentoring and other support and advice. These grants are often aimed at umbrella bodies or support organizations that have similar goals to CAF. As well as developing the organisation's capacity they are often intended to have a wider benefit within a particular field of activity by making the umbrella body or support organization more effective.

Lessons from capacity building in the US

Even in the US where many foundations have been engaged in capacity building for a number of years, there is a shortage of rigorous research on the process of capacity building and its impact, particularly long-term impact. Nevertheless there are some useful studies that have attempted to survey the field and draw out some general lesson. Two studies are of particular note. Backer (2000, 2001) carried out what he called an environmental scan of the field, reviewing the practical and academic literature and interviewing a wide range of foundation staff, academics and consultants involved in the field. Blumenthal (2003) carried out a similar study reviewing research on capacity building and related topics, and interviewing many people working in the field of capacity building.

These studies identify a number of characteristics associated with effective capacity building programmes:

1. *A comprehensive but targeted service.*
Backer (2000: 31) suggests that while narrowly defined interventions can work, those capacity builders that have most impact are able to offer a range of services such as assessment, technical assistance, financial aid and other kinds of support. Blumenthal (2003: 201) does not contradict this but also suggests in addition that foundations do need to choose a primary focus for their work and the size and type of grantee they are targeting.

2. *Assessment led.*
Both authors suggest that capacity building work should start with a systematic assessment of the needs of the organisation in order to accurately diagnose the type of support that is needed. Blumenthal (2003: 171) argues that assessment using a skilled consultant is more likely to uncover underlining problems than self-assessment.
3. *Client readiness and competence*
Backer (2000: 34) suggests capacity building is more likely to be effective if the 'client' is ready to receive the support, for example they are not in the middle of some major project or crisis where they are unable to devote sufficient time and attention to the intervention, and has the capacity or competence to manage the consultancy and other support they receive. Blumenthal (2003:186) goes further and suggests capacity builders may want to choose clients not with the greatest needs, but with the most potential to improve such as those with a good record of success, or with particularly innovative or effective programmes.
4. *Competent providers*
Not surprisingly both authors note the importance of having well trained foundation staff and consultants. Blumenthal (2003: 145-165) in particular is critical of the quality of much consultancy support in the US and argues for the importance of process skills and consultants who are able to take a developmental approach, developing the capacity of the organisation to address its problems rather than providing expert solutions. She suggests one of the major challenges to capacity builders is find a way of assuring the quality of consultants.
5. *Customised and contextualized service*
Backer (2000: 32) suggests that effective capacity building services are tailored to the needs of the particular organisation for example, the type of organisation, the environment it works in and the stage in the organisation's life-cycle. He also suggests that capacity builders should look at what other support might be available in the particular context and perhaps help bring other support if it is needed.
6. *Timely*
Getting the timing right both in terms of when the support starts and it duration is important for successful capacity building (Blacker, 2000: 33). For example, delays in awarding grants can mean missing opportunities for effective intervention. Equally setting too short a time scale for grants can undermine opportunities to develop staff or see long term changes through.
7. *Peer support*
Backer (2000: 33) suggests that building up peer support networks for sharing information and mentoring can also greatly enhance the effectiveness of capacity building interventions. This view is supported by Sobeck et al (2007) in their case study of one US foundation's work to build the capacity of grassroots youth organisations.

Research Methodology

The research was commissioned as a process evaluation by the CAF Grants Programme and had two main aims:

- i. To develop a better understanding of the advantages and challenges of CAF's approach to capacity building and to examine ways in which it could further improve its effectiveness.
- ii. To draw out and disseminate practical lessons about capacity building that might have wider relevance to other grant-makers and support organisations across the voluntary sector.

The two main research questions were:

- What are the advantages and challenges of CAF's approach to capacity building from the perspectives of different stakeholders in the process?
- What factors and processes are associated with effective capacity building interventions?

The research adopted a qualitative research strategy (Bryman and Bell, 2003) using mainly interviews and group discussions to collect data. The approach was a form of engaged research (Van de Ven, 2007) with regular discussions and feedback to participants in the research process to check interpretations and develop shared understandings. A project advisory group was established at CAF, and met at regular intervals throughout the project to guide the research process and facilitate mutual learning. In addition discussions about emergent findings were held with various stakeholder groups including consultants, CAF staff, and members of CAF's Advisory Council and Grants Panel.

Data gathering for the research occurred in two main phases using a mix of methods. The purpose of first phase was to gain a better understanding of processes involved in CAF's Grants Programme, the context in which it operated and to identify any issues that deserved further examination during the main data collection phase. Initial interviews were carried out with members of the CAF grant-making team and other key stakeholders in the programme, including experienced consultants working with the programme. Secondary data about the programme was collected and analysed, including annual reports, past reviews of parts of the programme, minutes of meetings, monitoring data and completed applications.

The second phase was divided into two parts. The first part consisted of further interviews with stakeholders, two focus groups with consultants and observation of meetings of the Advisory Council and Grants Panel. This enabled the research team to build up a fuller picture of the grants programme, and to explore in more detail how different aspects of it work, such as the grant-making protocols, decision-making processes and monitoring systems within CAF. It also enabled the team to draw upon the accumulated experience of important groups of stakeholders, such as the consultants, to see what they saw as the strengths and weaknesses of the current programmes and where they could be improved.

The second part involved examining eight grants to organisations to provide illustration of the grant-making process in action. Over the years CAF had given hundreds of grants and it would have been impossible to have selected any 'typical' or representative grant. Instead grants were selected so that there was variation in the type of grant, the size of organisation supported and the outcomes. With the grants officers, we selected four organisations that had received consultancy and training

grants and four that had received larger collaborative grants. The reason for this was to understand how the grant-making process operated across the whole programme. For each type of grant two organisations were chosen that were perceived by grants officers to have had successful grants and two that were perceived to be problematic or less successful in some way. Although it was recognised by grants staff that these distinctions were seldom clear-cut, and that different people may view success in different ways. Data was gathered for each grant by interviewing the grants officer(s) and consultant(s) involved with the case and interviewing relevant staff (usually the grant applicant) within the organisation who had been involved with grant. Paper work and monitoring data associated with each grant were also examined.

Where participants gave permission, which was in the majority of cases, interviews and focus group discussions were recorded. Researchers always have to balance what is ideal from a methodological point of view and what is practical (Buchanan et al, 1988: 33). The limited financial resources for this project meant that it was not possible to transcribe the interviews and discussions. Instead field notes were written based on notes and observations taken at time and by listening to recordings. These summarised the main content of the interview or discussion, noting emerging issues or themes, and including some quotes to illustrate important ideas. In most cases interviews and group discussions were attended by two members of the research team so that interpretations could be checked. In addition interpretations were checked at focus groups with various participants and with the project advisory group.

Data analysis took place throughout the project, and involved both inductive and deductive approaches. Inductively we sought to identify different stages and processes involved in CAF's approach to capacity building and what participants saw as the main strengths or challenges associated with these processes. For example one broad theme that emerged concerned some of the difficulties that could arise when you had a three way relationship between grant-maker, consultant and grantee. In addition we also adopted a deductive approach examining how the data compared with other approaches to capacity building and the factors associated with successful capacity building identified in the literature. In doing so the research team were aware of the dangers of 'fitting' the data into a pre-existing framework and tried to be sensitive to evidence that might challenge or contradict existing ideas.

Background to the case: the CAF Grants Programme

The CAF Grants Programme started in 1976 and from the outset focussed on improving the capacity of small to medium-sized charitable organisations. Between 1976-2007 it distributed about £32m to hundreds of organisations, and in 2006-7 annual spend was about £1.2 m. The programme has evolved over the years, as it has sought to be responsive to changing needs in the sector and to be a pathfinder in developing thinking about capacity building. One general trend has been to award a smaller number of larger grants, between 2003/4 and 2006/7 the number of organisations supported fell from just under 300 organisations to just under a hundred. In 2007 these grants fell into two main categories:

- i. **Consultancy and training grants**, which are aimed at increasing the capacity of charitable organisations, primarily through consultancy support but occasionally with additional financial support or training. They provide a package of support up to £20,000 including up to 20 days with a CAF

consultant, financial support for external training and funding for additional costs.

- ii. **Collaborative grants**, which are aimed at organisations that share CAF's mission to increase effective giving and the effectiveness of charitable organisations, including other grant-makers, membership or umbrella bodies. These grants consisted of a package of support including up to £100,000 flexible funding, up to 50 days consultancy support and joint working/advice with other parts of CAF.

CAF uses a network of independent consultants based in different parts of the country, which it recruits and supports, to provide capacity building support to grantees. Grants officers play an ongoing role in managing the process. When a new grant is awarded consultants are alerted to the opportunity and can express an interest in carrying out the work. Grantees can then choose from a small number of consultants that CAF has 'matched' to their needs. Any reports based on the consultancy have to be agreed with grants officers.

CAF's consultancy and training grants are relatively limited in scope and duration, whereas CAF's collaborative grants typically involve a mix of support over a longer timescale, with grants officers playing an important part in agreeing and coordinating the various aspects of the programme. Again, though, CAF uses its own network of consultants to provide support.

An analysis of CAF's approach to capacity building

The analysis is in three parts. First, in order to locate CAF's approach to capacity building it is compared with other approaches to capacity building identified by Blumenthal (2003). It is argued that CAF's approach does not fit with the Blumenthal's typology, and it is suggested that it represents a new type of engaged capacity building. Second, in order to draw out wider lessons about successful capacity building CAF's experience is analysed and compared with a number of characteristics of successful capacity building processes emerging from research in the US (Backer, 2000 and 2001; Blumenthal, 2003 and Buteau, et al 2008). This analysis is used in order to further refine and develop these characteristics in particular by identifying some of the important dilemmas and challenges posed for foundations and consultants. Finally, the distinctive advantages and disadvantages of the CAF's 'engaged' approach to capacity are outlined from the different perspectives of the foundation, consultants and grantees. The constraints of presenting these findings in a short journal article means that they are necessarily abbreviated. A fuller presentation of the finding can be found in the project report (Cornforth et al, 2008).

CAF's 'engaged' approach to capacity building

In order to locate CAF's distinctive approach to capacity building it is useful to compare its main characteristics with those of other common approaches to capacity building by foundations. Blumenthal (2003) in her research on US grant-makers distinguishes between three main approaches to capacity building, what she calls: *capacity grants*, *development partner* and *structured programmes*, the main features of which are described in Table 1.

[Table 1 here]

Blumenthal's typology appears to conflate two key dimensions. The first concerns how the capacity building intervention is delivered, either through a grant that allows the organisation to employ its own consultant, or by funding a development partner to work with the 'grantee'. The second concerns the nature of the intervention: whether it is short-term and relatively narrow in focus as is the case with most capacity grants or whether it is a longer term, developmental or structured intervention. CAF's method of delivering capacity building support differs from both the capacity grant and the development partner approach in important respects.

There are three main parties involved in organisational capacity building by foundations: the foundation or grant-maker, grantees and consultants, which can be represented diagrammatically as the capacity building triangle (Figure 2). Some of the differences in delivering capacity building support can be explained with reference to this triangular set of relationships. In a capacity grant the grant-maker has little or no relationship with the consultant selected. Once the grant is awarded it is up to the grantee to select and manage the consultant. Conversely in the development partner approach the grant-makers main relationship is with the development partner, who takes control of the capacity building process. Successful grantees are referred to the development partner, who then works with the organisation to develop its capacity.

[Fig. 2 here]

A distinguishing feature of CAF's approach to capacity building is its use of a specially recruited and managed *consultancy network* to deliver support and its ongoing engagement in managing the process. This engaged approach to capacity building has important differences from both *capacity grant* and a *development partnership* approaches. In CAF's approach the foundation plays a greater role in selecting and managing individual consultants and overseeing the capacity building process than appears usual in either capacity grants or the development partner approaches. As a result it has to maintain relationships with *both* the consultants and grantees. This changes the relationship between the different parties. In CAF's approach the ongoing triangular relationship meant that the grantee and the consultant had to factor in CAF's views at various stages in the process in a much more direct way than appears to be the case in the approaches Blumenthal describes.

As will be discussed later this 'engaged' model of capacity building has certain strengths, but also create some new challenges for the different parties in the triangle. This suggests that Blumenthal's typology may usefully be extended to include this form of *engaged* capacity building, where the foundation is actively engaged in managing its own network of consultants and is often more engaged in overseeing the consultancy support provided to grantees. This was particularly the case with some of CAF's larger collaborative grants. The main characteristics of this engaged approach to capacity building are summarised below in Table 2.

[Table 2 here]

Factors influencing the success of capacity building

Being assessment led

The importance of capacity building being *assessment led* has been highlighted by Backer (2000, 2001) and Blumenthal (2003) in their research on US foundations. There was some support for this proposition from CAF's experience, but at the same

time the experience suggested some limits to this practice and difficult tensions in carrying it out.

A key issue for CAF in awarding consultancy and training grants is assessing the needs of the applicant and whether they have the capacity to benefit from any intervention. However, their experience revealed that diagnosing whether an organisation will benefit from a capacity building intervention at the application stage is very difficult. The problems presented by an applicant may not fully reflect the problems or issues the organisation faces. This view was typified by a grants officer who observed *'Problems are often very different to what we thought when we originally got involved'* and a consultant who said *'Applications often don't bear any relationship to what you find on the ground'*

The research revealed several reasons why grant-makers face difficulties in assessing applications. First, grant applicants may only have partial or limited awareness about what their needs are and what kinds of interventions will be most likely to develop their capacities. An example comes from one of the failed grants where the consultant observed that it was only after he started the work that *'I realised the extent of the problems ... The whole consultancy was too late.'* The organisation had to go into administration. Secondly, an accurate diagnosis of an organisations problems and needs is only one part of the equation. The grant-maker also has to judge whether the organisation has the capacity to benefit from any intervention. As will be seen later this is also a difficult judgement to make at the beginning of the process.

As a result, the first stage of CAF's consultancy and training grants was a compulsory 'organisational review'. This involves the use of a structured assessment tool by a consultant to provide a systemic assessment of the organisation's development needs and the actions required to bring about desired changes. The review has been refined over the years and now covers areas detailing the work of the organisation, governance and management systems, planning, support and operating systems, financial management and tax effectiveness, funding, resourcing and income generation, communications and marketing. Consultants use a standard report format with headings to prompt them and produce a summary of recommendations.

While supporting the view that a systemic assessment of needs should be a first stage in capacity building this research suggests that it is not a panacea and that a number of constraints can pose tensions and challenges for foundations, which if not addressed will limit its utility. There can be a tension in carrying out reviews between following standardised procedures and the need for flexibility and creativity. There is danger that the former can become formulaic rather than creating a valuable learning experience for all parties involved, or use up time on unnecessary work. Conversely a more flexible approach can run the risk of becoming 'shifting sands' perhaps failing to identify important issues and set clear goals. This can also be hard for grant-makers to manage at arms length. Where grants officer were aware of problems with a review they would often allow a degree of flexibility. However, some consultants took matters into their own hands and got on with working on the organisation's problems.

Second, consultants have to balance the need for a thorough review with what they can do given the constraints on their time, resources and expertise. Consultants commented they were reluctant to raise issues that couldn't be properly addressed in

the time and resources available, as one consultant observed: *'You have to make a judgement – how long the job will take – but you have to finish the job.'*

Third the externally imposed requirement to undertake an assessment may reduce an organisation's commitment to and ownership of findings and recommendations. Grantees receiving Consultancy and Training grants do not usually have a choice about whether or not the organisational review happens. It is part of the CAF package and is normally a precursor of any further help. While most grantees welcome this approach, a few grantees felt they knew what their problems were and there was little benefit in this for them. One grantee in this second group observed: *'How does the organisational review benefit the organisation? For whose benefit is it? Is it for the organisations benefit or CAF's?'*

In some of the larger collaborative grants the situation was more problematic with grantees feeling that this requirement was inappropriate in what was meant to be an equal partnership. As a result this formal requirement had been dropped.

Customised and flexible support

Backer (2001) highlights the importance of *customising* capacity building services to the particular type of organisation being helped, the environment it faces and its stage in the organisational 'life-cycle'.

This research highlights additionally the importance of *flexibility* and the ability to customise services at a number of levels. No matter how good application processes and assessment procedures are, circumstances change, consultants may uncover deeper problems or actions may have unintended consequences. This was typified by views of two consultants who commented:

'Quite regularly you can go in on one problem and you realise in conjunction with the managers the real problem is something else.'

'You take the lid off and the jar can be quite deep inside'

As a result there needs to be enough flexibility for capacity building interventions to change from initial plans to meet new problems or circumstances. There also needs to be flexibility around the end of the process. For some organisations, a report and recommendations may be sufficient for them to act upon; others may need more help in interpreting findings and implementing the recommendations. Nevertheless, this poses a dilemma for funders in terms of how much freedom should be allowed to consultants and organisations to make changes from agreed plans. Too little flexibility and the capacity building intervention may stall or fail; too much freedom may strain the ability of the foundation to manage its resources.

This suggests that grants officer's need to have the power, confidence and skills to be able to adjust grants to meet new circumstances. It also means foundations need to have some resources in reserve, and the ability to react quickly to allow for changes in plans.

Client competence and readiness

There was evidence to support the view that *client competence and readiness* are important to success (Backer, 2001). For example in one of the 'failed' cases the new chief executive of the organisation after an initial meeting with his staff and the

consultant realised that his staff were not ready for an outside intervention and that other internal matters would need to be addressed first.

However, the research also highlights that judging client competence and readiness from the outside is difficult and again raises dilemmas for foundations. It can be expensive and time consuming to monitor all applicants thoroughly at the application stage; as a result problems may be difficult to spot until work has started. This highlights again the importance of an assessment stage, which looks not only at functional capabilities but the *culture and dynamics* of the organisation.

Nevertheless even after an initial assessment problems may arise. On a number of occasions it was reported that internal conflicts and differences or personnel changes made it difficult to develop a coalition for change within grantee organisations, which could undermine the capacity building initiatives. For example, in one case the grant application was made by someone who was not the key player in the organisation and this meant the person who could make or allow change to happen was not closely engaged with the consultancy. When this person didn't like the direction the intervention was taking and refused to support the proposed changes the intervention faltered. The grant-maker is unlikely to be aware of these kinds of dynamics when engaging with an organisation. In these situations there can be difficulty in agreeing action plans and reports or threats to the entire process if commitment is low. Working with small organisations also means that they are very vulnerable to changes of personnel. If the funder's key contact leaves the organisation this may pose problems for the grant and the consultancy in terms of loss of support.

This suggests that although a key part of an assessment must be to assess the potential for change, and winning the backing of key personnel for any proposals, there will always be a possibility that proposed changes will stall or loose support. At CAF the ability to pause, stop or renegotiate a grant was helpful in dealing with these contingencies.

Competent providers

Similarly the research highlighted that *competent providers* are crucial to success. An important challenge for foundations is ensuring both the quality of their own staff and consultants they engage to carry out the capacity building interventions.

The triangular relationship between CAF, the consultant and grantee instead of the usual two-way engagement between consultant and client, places additional demands on grants officers beyond those usually involved in managing a small grant. There is a degree of 'ownership' and responsibility for the performance of the consultants that is not there in quite the same as in the 'capacity grants' and 'development' partner models that Blumenthal describes. Managing the relationship with consultants and overseeing their performance places quite difficult demands on grants officers and puts a premium on good, effective and timely communication. This is even more the case in CAF's larger collaborative grants where the grants officer is often quite heavily involved in managing the relationship with the grantee and a number of consultants working on different aspects of the capacity building programme. These grants, in particular, often posed communication challenges in making sure that everyone knew and understood the boundaries of their particular contribution to the project.

The more engaged the foundation or funder is with the capacity building process the more they are likely to need staff with skills that go well beyond traditional grant-making. CAF's experience suggests they will need skills in assessing organisational development needs, managing relations with consultants and client organisations, and in gathering feedback and capturing learning from capacity building interventions. Hence, organisations moving into the kind of engaged capacity building that CAF undertakes will need to develop and recruit people with these skills and manage some of the inevitable tensions that can occur between these very different roles. Buteau et al (2008) suggest that foundations that work in this way will need to give fewer and larger grants, which is the direction that CAF was moving in.

Ensuring the quality of *consultants* is also crucial to successful capacity building. Blumenthal (2003), in her research on capacity building by US foundations, found that the quality of consultancy support was crucial to success, but is often a weak link. She suggests that consultants in the US too often adopt an expert approach, which may be successful in addressing short-term or technical problems, but often do little to develop the longer-term capacity of the organisation to address the problems itself. However, this can also pose quite a difficult dilemma for consultants. Our research suggested that consultants often recognised the need to build the organisation's capacity to deal with problems themselves, but the short term nature of many training and consultancy grants and the need to deal with immediate problems often pushed them towards adopting a more expert approach:

'you can't claim to build capacity in 10 days'

'At least 50% are not capacity building, most are about survival'

In the CAF approach to capacity building a key challenge was to ensure that they have the *right mix* of consultants with the *right skills*, at the *right time* and in the *right place*. An important dilemma they experienced concerned the size of the network. Too large and many consultants may not get regular work, too small and there may not be consultants with the right skills in the right geographical areas. There is also the challenge of trying to ensure consultants have *process skills* as well as functional skills if they are going to be able to take a developmental approach, yet the former are often much more difficult to assess. One potential advantage of CAF's approach is that grants officers, particularly on the larger collaborative grants, have to work quite closely with consultants and hence there are some opportunities to share learning and good practice between themselves and consultants. CAF also organised some events where they brought consultants together in an attempt to share learning and good practice.

The success of consultancy interventions also depends on how well consultants are matched to an organisation's requirements and the quality of the consultancy itself. CAF's monitoring data suggests that most organisations are satisfied with the effectiveness of their consultant. However, there were times when, from the grantee's perspective, the consultant delivered what they were good at, rather than what the organisation felt they really needed. In some instances grantees criticised consultants for working to a formula or providing information that the organisation could have found quite easily for itself.

'It wasn't strategic in its thinking.' (Grantee)
'I was disappointed in the consultant we had. When we asked them to research governance issues, I think I expected a bit more than cutting and pasting material from the internet that we could have found for ourselves.' (Grantee)

However it should be noted that this is a problem common for any type of consultancy. There were also some instances where the initial assessment revealed problems that a consultant felt were not in their area of expertise and another consultant needed to be brought in.

Timeliness

The research also found that *timeliness* (Backer, 2001) both in terms of when the intervention starts and its duration can be important for success. As note above one of the potential weaknesses of relatively short-term grants like CAF's Consultancy and Training grants is they may be too limited in scope and duration to really develop new skills within an organisation or implement and embed change. Again this can raise dilemmas for funders – the appropriate duration may be difficult to judge at the outset of projects and there may be severe limits on resources. There may also be legitimate concerns that consultants or grantees will draw out projects longer than is strictly necessary. Again a degree of flexibility will be important to adapt to circumstances as they unfold.

A key output of the consultancy process for grantees is the consultant's report and recommendations. However, in the CAF approach to capacity building the consultant-grantee relationship is mediated by the grants staff. The consultant sends their report, detailing the work done and any final recommendations, to CAF for a quality check and review before it is approved and released to the grantee.

This process has a number of strengths. The final report is important in drawing together the work and signalling the end of organisational review phase or the end of the grant. It is an important record for CAF and the grantee of the work done. The fact the CAF checks the report and may suggest changes to strengthen the document, which is an important element of quality control for a report that is going out in their name.

However, this more complex process can have weaknesses, which may limit its value. Some consultants felt it made their task more difficult, as one observed: 'There can be a tension – you are writing the report for two audiences: CAF and the project'. There was also a concern that it could lengthen the reporting back process. Usually the process of agreeing reports is not contentious, but at times there can be discussion between CAF, the consultant and sometimes the client where exact wordings are fought over. Even where the process is less contested there can still be a time delay between completion of report and the client receiving a final copy. This can lead to frustrations from the grantees and consultants, as it may not always be clear why some delays are occurring.

'The report did what I wanted but it took too long.' (Grantee)
'It was ages to wait for the official CAF report, but in this case it wasn't an urgent thing.' (Grantee)

The advantages and challenges of CAF's approach to capacity building

The model of 'engaged' capacity building practised by CAF has its own distinctive advantages and challenges for the three main parties involved in the capacity building process. For *grant-makers* it has the advantages of giving them a *greater degree of control* over the choice of individual consultants, the opportunity to oversee the quality of their work, and potentially enables them to work with the consultants to develop shared approaches and practices. It has the challenges of being more demanding in terms of the foundations' *time and resources*. Also the more engaged a grant-maker is in the process of capacity building the more it will require *new skills* among its staff that go well beyond those normally involved in grant-making, including skills in organisational diagnosis and development, and managing relationships with both consultants and grantees.

For *grantees* it has some similar advantages and challenges to those of the development partner approach compared with capacity grants. It reduces the difficulty of *finding and selecting an appropriate consultant* to work with, which can be problematic for small organisations without previous experience of working with consultants (Sobeck et al, 2007) or in geographical areas where there are few consultants with relevant experience. However, it has the inevitable disadvantage of giving organisations *less control* over the selection and management of the consultant. Compared with both the development partner and capacity grant it may also give grantees less control over what consultants produce as reports have to be approved by the grant-maker, which can reduce their sense of *ownership* over the process and lead to delays in receiving the consultant's reports. It also has a potential disadvantage that it is dependent on the quality of the individual consultant engaged and it is not possible to draw upon the combined expertise of a development partner. However, it has the advantage that it is not dependent on the particular location of any development partner.

For *consultants*, in comparison with the capacity grant, it has the advantage of reducing the need to *solicit and tender* for work and there is potential for *mutual learning and support* from grants staff and others in the consultancy network. It has the challenge in comparison with both the capacity grant and the development partner model of some loss of control, as their relationship with the grantee is partly mediated by the grant-maker. These advantages and challenges are summarised in Table 3.

[Table 3 here]

Conclusions

The research suggests that CAF's Grants Programme offers an approach to capacity building that differs in important respects from both the capacity grant and development partner models identified by Blumenthal (2003), and suggests a new model of 'engaged' capacity building. The main distinctive feature of this model is that capacity building support is offered through a consultancy network that the foundation or grant-maker actively recruits, supports and manages. This has advantages, but also raises new challenges. It has the potential advantage of giving foundations more control over the quality of consultants and the capacity building processes. However, it has the challenge that it demands more of foundations than the capacity grant, where control is passed to the grantee, or the development partner

model, where control rests largely with the development partner. There is also the danger that involving grants officers in the process may alter and possibly weaken the relationship between consultant and client, and lead to delays that can damage the capacity building process. To work effectively this engaged model of capacity building requires foundations staff with new competences in diagnosing organisations' development needs, managing relations with consultants and grantees, and being able to intervene effectively if things go wrong.

The research also lends qualified support for a number of factors that various US studies suggest are associated with successful capacity building initiatives. This suggests that successful capacity building initiatives are likely to be *assessment led*; offer *customised* support; take into account the *competence* and *readiness* of grantees to be able to respond to any intervention; be delivered by competent *grant staff* and *consultants*, who are capable of developing the organisation's competences rather than just providing expert advice; and be delivered in a *timely* manner. This is important as it suggests that these findings are replicable in a different country context.

However, support is qualified because these seemingly simple prescriptions are in danger of masking some difficult paradoxes and tensions for foundations concerning the degree of *flexibility* of their capacity building initiatives; the *size and timescales* of grants and the degree of *control* they exert over consultants and grantees.

Even if an intervention is assessment-lead, clients are ready and committed, and competent consultants are employed it is very difficult to predict in advance how capacity building interventions will turn out. New problems may be uncovered, actions may have unintended consequences, support for the initiative may change. As a result there is no guarantee that adopting these practices will lead to success. This means that it is important that *flexibility* is built into capacity building initiatives to allow them to change direction, to provide additional resources, or to stop projects if they are not progressing. This can call for difficult judgements by consultants and foundation staff. Too little flexibility and capacity building may be ineffective, too much and foundations may not be able keep control of their resources and adequately account for their use.

Second, for foundations there is a tension over the number, size and duration of capacity grants to give. Giving a large number of small grants spreads the benefits of any programme and the risks of any grant not being successful. However, this research suggests that small grants are often not long enough to develop new skills and competences in an organisation, so may be more appropriate for providing a degree of technical assistance rather than longer-term capacity building. In addition they increase the administrative burden on the foundation and hence make it more difficult for foundations to take a more engaged approach to capacity building. Giving larger grants may overcome many of these problems, but means inevitably that fewer organisations can be helped and concentration of risk. CAF was continuing to move in the direction of providing fewer, larger grants, but there still remained difficult judgements to be made about what is an appropriate size and timescale of grants and the degree of engagement.

Third, there can be tensions over the degree of control that foundations exercise over consultants and grantees, which relate to debates about capacity building and empowerment (Harrow, 2001). Too little control by foundations over the selection and monitoring of consultants may mean some poor quality consultants are engaged. Too much control and consultants may feel disempowered, or that the foundation is interfering in their relationship with the grantee. Similarly there may be tensions over how much foundation staff should get involved in monitoring and approving the outputs of any capacity building intervention. There was some evidence that CAF's requirements for standard assessments and its involvement in agreeing reports from consultants could frustrate both consultants and clients, altering the relationship between them, slowing down the process, and occasionally diminishing a grantees sense of empowerment and ownership of the process. Getting the balance right is a difficult challenge.

There has been a growing recognition in the management and organisation studies literatures in recent years that many management problems are paradoxical and require a move away from linear thinking and simple either/or choices (e.g. Hampden-Turner, 1990; Handy, 1995; Lewis, 2000). Adopting a paradox perspective means recognising and managing tensions and differences rather than choosing between them. Our findings above suggest that foundations that engaged in capacity building also face difficult paradoxes and tensions that have to be managed. An important direction for future research would be to pay much greater attention to identifying the paradoxes and tensions that organisations that engage in capacity building face and how they attempt to manage them.

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<i>Beneficiary</i>	<i>Individuals</i>	<i>Organisations</i>	<i>Field or Community</i>	<i>Sector</i>
<i>Intervention</i>				
<i>Training</i>				
<i>Consultancy</i>				
<i>Financial support</i>				
<i>Other support</i>				

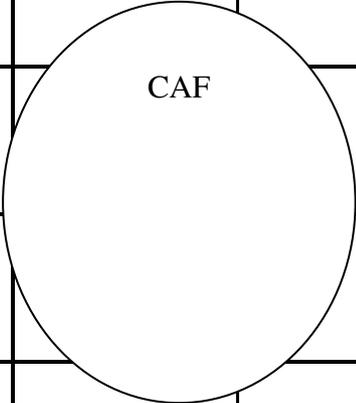
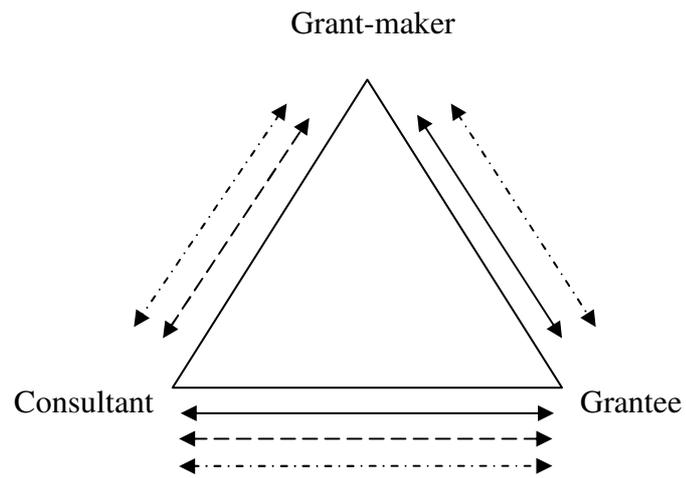


Figure 1: Approaches to capacity building (adapted from Bolton and Adby, 2007:18)

Delivery method	Key features
<i>Capacity grant</i>	<ul style="list-style-type: none"> • Applicants define project and apply for grants • Grant-maker reviews applications and awards grants • Grantee selects consultant from market place. • Projects generally short-term.
<i>Development partner</i>	<ul style="list-style-type: none"> • Grant-maker funds development partner e.g. a consultancy firm to provide support • Successful grantees referred to development partner • Development partner involved in diagnosis • Development partner can develop a longer term relationship with the grantee and provide assistance and coaching when needed.
<i>Structured programme</i>	<ul style="list-style-type: none"> • Grantees helped to set long-term goals and receive mix of support • Grantees required to engage in structured a programme of support with emphasis on education and learning • Continued support depends on progress towards goals.

Table 1: Three approaches to capacity building (summarised from Blumenthal, 2003)



Key:

- ◄——► main relationships in a 'capacity grant'
- ◄---► main relationships in a 'development partner' approach
- ◄.....► main relationships in an 'engaged' approach

Figure2: The main relationships in different approaches to capacity building

Delivery method	Key features
Engaged	<ul style="list-style-type: none"> • Grant-maker recruits, oversees and supports 'network' of consultants • Grant-maker identifies some suitable consultants for each grant • Grantees able to select from small number of possible consultants • Consultant involved in diagnosis • Any reports and recommendations approved by grants officers.

Table 2: Characteristics of the 'engaged' approach to capacity building

Stakeholder	Strengths	Challenges
<i>Grant-maker</i>	<ul style="list-style-type: none"> • Greater control over choice and quality of consultant • Potential for shared learning 	<ul style="list-style-type: none"> • Demands new staff skills • More demanding of staff time and resources • Problems of communication and learning
<i>Grantee</i>	<ul style="list-style-type: none"> • Takes away problem of finding suitable consultant 	<ul style="list-style-type: none"> • May reduce control and ownership of process • Have to deal with funder and consultant
<i>Consultant</i>	<ul style="list-style-type: none"> • Reduces need to solicit and tender for work • Access to small orgs. that might not be able to afford consultancy 	<ul style="list-style-type: none"> • Reduces control over process • Relationship with grantee mediated by grant-maker • May increase focus on report and delay feedback

Table 3: The strengths and challenges of ‘engaged’ capacity building