ALTERNATIVE APPROACHES TO CAPACITY BUILDING – PRACTICES IN THE PUBLIC AND PRIVATE SECTORS

FINAL REPORT FOR CAPACITYBUILDERS' LEARNING AND RESEARCH PROJECT

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EXECUTIVE SUMMARY

This study aims to examine alternative practices in capacity building found in the public and private sector and to examine how these can be used to benefit third sector organisations.

This report is structured around three themes:

a) Reviewing the different interpretations of capacity building in the public, private and third sector.
b) Selection of eight case studies of public and private sector capacity building programmes that have raised the capacity of organisations supported.
c) Identifying a range of alternative practice from which implications for the third sector can be drawn.

The study has examined a range of approaches to capacity building in the private and public sectors, drawing on existing literature, key informant interviews and eight case studies. Key issues related to capacity building are drawn out and implications for the capacity building in the third sector are identified. Finally recommendations are made of how lessons from the private and public sector can be adapted for the third sector context.

While capacity building is defined as the range of support activities that help organisations develop their skills and resources, this study examines the different types of approaches and makes a distinction between those approaches that can help organisations improve on what they are currently doing, the support that allows them to make more radical change or start new activities.

The case studies selected include the following

1. South Yorkshire Employment Consortium (SYEC) Department of Work and Pensions City Strategy Pathfinder – partnerships and coordination of a wide range of providers
2. Brent in 2 Work – innovative partnerships for outreach for employment support
3. Aim Higher Routeback, Easington County Durham, linking health and employment support
4. East Midlands Improvement and Efficiency Partnership – Collaboration for procurement
5. Women into the Network (WIN) and Centre for Entrepreneurial Learning – Training bankers to understand the needs of different types of small businesses
6. Rockstar Group – improving access to finance and coaching
7. Reflex Community Based Business Advisors – training community group members to offer enterprise support to other parts of their community
8. South East Enterprise Gateway – Building Business Confidence, encouraging start up and enterprise growth amongst disadvantaged groups

Recommendations

1.   Transferability of models

Transferring models is unlikely to be successful - what needs to be transferred is the approach to developing innovation and adapting ideas from elsewhere. In this way we recommend that the alternatives presented in the report are a catalyst for CB in the third sector to develop context specific support

2.   Capacity building through coaching for encouraging radical change

This report makes a distinction between CB for building skills and CB for more radical strategic change. Coaching approaches are more likely to be effective for the latter although these are found to be more expensive.

3.   Selective and intensive work with 'gazelles'

There is a need to therefore be more selective with who is offered this more intensive support. This requires difficult decisions concerning who is included and excluded, with the acceptance that many supported TSOs will produce only limited results, while a small number may have much larger impacts.

4.   Recognising risk

All forms of change entail some form of risk although this is not always accepted in public sector funded support. While private entrepreneurs take particular risks with their own financial capital, individuals in the third sector starting or changing organisations also take risks - with their reputations, time and 'social capital'. A key role for support providers may be to advise against change, start-up or even continued existence. This requires performance measures of CB operations to recognise these benefits and not measure impact only in terms of the number of organisations and growth in their turnover.

5.   Community groups as providers of advice to grassroots organisations

Traditionally, support to TSOs has been seen as a role for 'well-set-up' organisations, often amongst the larger and more formally organised TSOs in their area. It *is* likely and desirable that this should continue. However, it is also clear that learning is a social experience and that it is often more digestible and paid more attention if it comes from a member of one's peer network. These issues are particularly acute amongst new arrival and refugee communities. This suggests that much support to TSOs would valuably come through other similar groups – but this would mean, of course, that they would have to be given some training, or at least coached, to act in this capacity. This is a 'coaching the coaches' approach, parallel to the more familiar 'training the trainers'.

6.   Training of service providers

There is much capacity building support provision by private service providers such as accountants, solicitors and banks. While some specialise in providing services for the

third sector, there are others which are more generalist. There is an opportunity to encourage the training of these generalists to have a greater understanding of issues facing different types of TSOs. This should be funded by the companies themselves although award ceremonies and events that celebrate attempts to offer better services to TSOs are highly valued by these businesses wanting to raise their profile and win more customers.

7. Use resources provided by public and private sector CB initiatives

There is potential to draw on CB activities provided for the private sector and for the public sector. However, these are usually not appropriate in their existing format for TSOs and may need 'translation'. This might be done through joint development – e.g. Capacitybuilders might work with IDeA on programmes for Board members, using some of IDeA's material for helping elected members to play their roles as Board members of organisations which work with the council.

8. Coordination of support to avoid duplication

There is a need to have a proper balance between reducing confusion (which means keeping things simple) and having targeted support (which means making a quite complex offer). The Business Link one stop shop and brokerage model is not likely to be suitable for most TSOs. However, existing mechanisms for reducing duplication seem quite weak in the world of third sector capacity building. It might be valuable to add a third sector element to the Total Place initiative announced in the 2009 budget as part of the Operational Efficiency Programme (chaired by Sir Michael Bichard). There are 13 pilots currently starting and at least some of these could be encouraged to focus particularly on bringing TS capacity into the Total Place Commissioning model.

9. Greater involvement in public sector partnerships

TSOs need confidence to ensure that they can keep their advocacy role within public sector partnerships, particularly if they are becoming more reliant on contracts as a form of income. More attention to capacity building for the advocacy role would not only be helpful in itself, but also act as a signal that the TS continues to value this role highly. It should also be recognised that the move to give greater power to partnerships can be disempowering for smaller organisations that are not included in these groups. Capacity building needs to ensure smaller organisations increase tier capability to lobby and shape the context in which they operate.

1.   INTRODUCTION

1.1   About the Project

Capacitybuilders is committed to investigating new ways of building the capacity of the Third Sector Organisations (TSOs). This research focuses on identifying useful methods of Capacity Building (CB) in the public and private sectors that could be applicable in the Third Sector (TS), given that there are programmes in place which are specifically intended to build the capacity of businesses, and the capacity of government organisations. These include independent advisers or Business Link for the private sector and the Improvement and Development Agency (IDeA) for local authorities.

This report is structured around three themes:

> (i) Reviewing the different interpretations of capacity building in the public, private and third sector.
> (ii) Selection of eight case studies of public and private sector capacity building programmes that have raised the capacity of organisations supported.
> (iii) Identifying a range of alternative practice from which implications for the third sector can be drawn.

The conclusion will draw out further issues related to the transferability of concepts between sectors, the practicalities of applying alternative practice in the third sector and potential for cross sector partnership work between support providers. Recommendations are made concerning how alternative practices might be adapted and developed in the third sector.

1.2   Defining capacity building

This report provides a review of current and recent literature relating to Capacity Building (CB), drawing on an understanding of CB in the public and private sectors and highlighting the main factors that influence CB outcomes.

Essentially, this report demonstrates the range and breadth of CB initiatives undertaken in the UK in the public and private sectors, ranging from large scale sector-wide programmes (e.g. IDeA and Business Link) to specific individual initiatives (e.g. Nissan Training), providing evidence of good practice and potential for application in the third sector, or for future cross-sector working involving the third sector (TS).

ODPM defined CB in a public sector context as:
"The right organisation, systems, partnerships, people and processes to deliver against a particular agenda or plan" (ODPM 2003:8).

National Audit Office (2009) expanded on this to define capacity building (CB) as the wide range of support activities that help organisations to develop skills and resources so that they can achieve their objectives and serve their stakeholders more effectively. For the Third Sector, performance can be defined in a range of social, environmental and financial ways. The CB activities can therefore relate to both the organisational and individual scale and include improved governance (accountability systems and leadership), administration (human resources, financial management, and legal matters),

planning (positioning, strategy development, innovation, project management - including project initiation, development and implementation), improving access to funding and income (marketing, fundraising, procurement and income generation) and more effective delivery of services (sector specific skills, partnerships and collaboration, advocacy and policy change).

This approach to Capacity Building was unpacked further by ChangeUp, which defined CB as 'empowering activity that strengthens the ability of voluntary and community organisations" to build their structures, systems, people and skills so that they are better able to:

- define and achieve their objectives,
- engage in consultation and planning,
- manage projects, and
- take part in partnerships, social enterprise and service delivery (Skinner, 1997).

There are a range of capacity building and support activities within the private and public sector, typically including such activities as training and skills provision, information provision, mentoring, encouraging/facilitating networking and communications, incubators and start-up workspace, distance support (via ICT) etc.

1.3   Capacity building, capabilities and competences

The process of capacity building involves organisations developing the capabilities and competences which can allow them to create value for their service users, citizens and other stakeholders (Bovaird, 2004). This is illustrated in Figure 1. In the private sector, the concept of 'value' is often relatively straightforward – it mainly refers to the set of benefits which are sought by the firm's shareholders. In the public sector 'value-added' typically has rather more dimensions, incorporating user value, value to wider groups (such as family or friends), democratic value, social value and environmental value. This is equally true for the third sector.

Capacity is built through mobilizing and then using resources from stakeholders within and outside of the organisation. The challenge for capacity building programmes is centred on finding ways to support organisations in adding more value through improving their effectiveness and assisting in the process of developing the strategy of these organisations. Possible approaches to strategies based on capacity building include:

Strategy based on resource advantage – this would focus on upgrading the tangible, intangible and human resources.

Strategy based on core competences - Core competences are defined as 'a bundle of skills and technologies which bring a benefit to customers in a way which is distinctive to a particular organisation (Hamel and Prahalad, 1994). Organisations could be helped to choose between the options:
- deepening existing core competences in existing markets
- finding new core competences for existing markets
- finding new markets to serve with existing core competences

- finding new core competences to serve new markets

Figure 1: Organisational capabilities and competences built upon resources
(Adapted from Grant, 1998)

COMPETITIVE
ADVANTAGE
WITHIN EACH
SECTOR

ABILITY TO WORK
IN SEVERAL
SECTORS

CORE COMPETENCES

ORGANISATIONAL CAPABILITIES
Activities
Processes
Functions
Services

RESOURCE

TANGIBLE
* Financial
* Physical
* Contracts

INTANGIBLE
* Technology
* Customer relationships
* Contract relationships
* Partnership relationships
* Reputation and 'brand'
* Culture

HUMAN
* Specialised skills and
  knowledge
*Communicative and
  interactive abilities
* Motivation

Strategy based on developing dynamic capabilities - In recent years, a further refinement of strategic capability and core competence analysis has emerged (Teece, 1997; Foss, 1997) – the search for dynamic capabilities, defined as capabilities which allow the organisation to create new capabilities and update existing capabilities at least as fast as its rivals. Since this concept covers the creation and updating of capabilities, it essentially explores the wellspring of innovation within an organisation. A capacity building programme which focused on this aspect of capacity would clearly be particularly aimed at supporting and enhancing innovative capacity in the third sector.

1.4   Learning from capacity building in the public and private sector

The challenge for support providers is applying good practice in different contexts. The issues raised later in the report all demonstrate important processes by which good practice has been developed and learnt.

These are found across different government departments and both with local delivery (e.g. for local authorities and health care) and at a national level. There are many

examples of good practice coming out of capacity building initiatives such as the Beacon scheme found across the country and cutting across a range of activities. The ability to transfer these to the third sector will vary, although those parts of the third sector working closely with the public sector may find that there are fewer obstacles to sharing good practice.

In reviewing private sector CB initiatives, consideration has been given to how such initiatives might be applied to TSOs seeking to increase enterprise capacity in deprived areas. Lyon and Vickers (forthcoming), reviewing the challenges of assisting private enterprise, suggested that more successful approaches have "specifically focused on removing barriers to local enterprise cultures, recognising the role of place and local values. This suggests the limitations of a centrally dictated 'one size fits all' approach and the need for more of a catalytic approach to encouraging enterprise as a form of community activism that can be taken forward in both for profit and not for profit organisations." However, many of these approaches are also available to social enterprises but with lower levels of take up at present.

The overly simplistic replication of models is unlikely to be successful. The innovative approaches set out here are intended rather to be useful ideas that can be the focus for further adaptation by TS support organisations. In this way they are catalysts for learning from different scenarios and sectors, providing space for reflection. Many of the ideas, frameworks and approaches discussed are already found within the Third Sector, although the diverse nature of the TS and the diversity of CB provision mean that there is a need to highlight how these practices shared more widely in the TS.

Such a flexible and responsive approach to capacity building means that there are unlikely to be 'off the shelf' approaches which are appropriate for capacity building in any specific context – to some degree, each capacity building programme needs to be innovative. Moreover, it is appropriate that CB has a built-in innovative dimension, since one of the capacities which it often seeks to impart to organisations is the ability to stimulate change. Thus in terms of improvement and change CB for local authorities aims to:

> *"Enhance and develop councils' confidence, leadership and skills to advance improvement as well as developing their capacity to learn, innovate and share knowledge about what works and how"* (ODPM, 2005).

While this is widely recognized in principle, in practice the concept of innovation and development of dynamic capabilities is often missing (Mulgan, 2007).

Capacity building for third sector organisations needs to consider both the upgrading of capabilities of the organisation (human resources, skills etc) and also helping organisations to strengthen and even establish new core competencies. There may also be a need to identify areas where the lack of core competences mean that the third sector organisation should not operate.

Capacity building can therefore be seen on two levels. Firstly, support may relate to the building of skills and knowledge in different areas (e.g. human resource management, finance, marketing). A second level relates to supporting organisations to develop their future strategies to maximise their impact and improve productivity. The alternative practices identified in this report include approaches at both levels and also include practices related to how capacity building is organised.

2. METHODOLOGY AND SELECTION OF CASE STUDIES

2.1 Methodology

2.1.1 Literature review:

This drew on the literatures on capacity building in the public and private sectors to highlight the main factors that influence CB outcomes and provided an analytical framework for comparing CB initiatives. It covered both 'grey' literature reports and academic papers relating to CB activities in the private and public sectors in the UK. It considered evidence of good practice CB in operation and highlighted programmes/ projects for further review. This was presented in the interim report.

2.1.2 Key Informant survey:

20 Key Informants were qualitatively surveyed, face-to-face, or by extended telephone interview to get expert opinions on: (i) good practice CB in the private and public sectors; (ii) capacity in the TS; and (iii) to help select more detailed case examples of CB. Key informants were drawn from those funding, delivering and representing a wide range of forms of capacity building for the public and private sector.

2.1.3 Case Studies of CB practices adaptable to the Third Sector

From the literature review and key informant interviews, a set of 22 potential case studies were developed, across private and public sectors which illustrated different aspects of capacity building. These were presented to Capacitybuilders, which then chose eight of these for more in-depth investigation. The original 22 case studies were:

Private sector programmes

1. Start Right Programme:
Business Link London fully comprehensive business start-up support programme, providing on-line assistance, task training exercises, workshops, case studies and role models and specialist sessions for women's enterprise.

2. South East Enterprise Gateway: Building Business Confidence
Business Link (South East England) outreach work with deprived, disadvantaged communities/ neighbourhoods, encouraging good practice outreach activities, working with key local community groups to encourage enterprise development.

3. Enterprising Women:
Currently being piloted in the UK, based on the US Women's Business Centre model, this provides local centres to assist the development of women's enterprise and outreach work.

4. Women in Business:
This provides a highly effective networking model for private sector women's businesses and professional women, utilising breakfast meetings and cross fertilisation between different sectoral activities.

5. Rockstar Group:
A private sector on-line enterprise support organisation, providing start-up and business development support, sector-based mentoring and access to finance.

6. East Midlands Local Alchemy:
Local enterprise coach legacy training, providing training to local business support organisations based on lessons learned from the local alchemy pilot's local enterprise coaches.

7. Reflex:
Accredited business advisors providing outreach work to BAME and refugee communities in London. Business advisor CPD work undertaken through Institute of Business Advisors (IBA) accreditation and also using community based advisors.

8. Nissan Training:
The Sunderland Nissan plant is one of two global providers of 'train the trainer' courses for Nissan's production supervisors. This is recognised as a centre of excellence for motor vehicle production training.

9. Business Angel Finance:
Under the umbrella of the British Business Angels Association, there are a number of small-scale private sector funding equity investors, operating on 'Dragons Den' type principles, willing to invest sums of between £25,000 to £1m. Rockstar Group is a particularly effective example.

10. Centre for Entrepreneurial Learning:
This programme from Durham University trains bank lenders to better understand and engage with women entrepreneurs. An example of good practice private sector capacity building activity impacting on large private corporate businesses and individual small businesses, particularly those run by women.

Public Sector Case Studies

1. South Tyneside Neighbourhood and Community Champions – a Beacon Scheme initiative involving stimulating elected member activities in relation to promoting community participation and decision making. The IDeA assigns consultants to work directly with beacons to facilitate the sharing of information. Beacon Status is granted to those local authorities that demonstrate "a clear vision, excellent services and willingness to innovate within a specific theme."

2. Brent into Work Removing Barriers to Work – a Beacon Scheme initiative developing a 'seamless' approach to assisting people into work through a one-stop service.

3. Newcastle upon Tyne – Preventing and tackling child poverty - Sure Start Information and Resource Centre assisting service users to access work and training. A Beacon Scheme initiative.

4. *IDeA Leadership Development Strategy* Management development including peer based sector based support, through workforce development and leadership development programmes to form an integrated package.

5. *Northumberland County Council IDeA assisted CB programme for members and senior managers.* Jointly introduced by CLG/IDeA with the purpose to produce tool kits with test cases and worked examples as a way of improving the quality of senior management and leadership in local government. Through the peer review process the IDeA provides necessary support and guidance.

6. *London Efficiency Challenge Pilot, Regional Improvement and Efficiency Partnership (REIP) involving Camden, Ealing and Richmond London Boroughs* - Identifies and delivers further savings, to share best practice from around the capital, transfer knowledge, streamline services to residents and provide better value for money. The nine Regional Improvement and Efficiency Partnerships (RIEP) are established to increase capacity of local government and reach Local Area Agreement targets. The RIEPs are a network of councils, fire authorities etc.

7. *East Midlands RIEP* –leadership academy, member development, national graduate development programme, addressing skills shortages and promoting workforce development, innovation coaching and programme and project management development.

8. *North East RIEP* – a toolkit for partnership evaluation and assessment, which has been tested in several Local Strategic Partnerships (LSPs) and is made available via a website and through trained assessors.

9. *Health Leadership Academy* - developed within the Lancaster University Management School and launched in 2008, providing research training and development for NHS leaders and managers working with NHS Trusts within the North West of England.

10. *Cumbria Capacity Planning Tool* – developed by Cumbria County Council to help implement the commissioning strategy for older people, particularly in the Adult Service Directorate but also in partner agencies.

11. *Aim High Routeback (AHRB)* funded a number of pilot projects aimed at tackling worklessness in the most deprived areas of the Northern Region. The project involved a health/employment caseworker service, complementary therapy, money management, help to source work and training, and in-work support to participants and their employers. A key element of the project was to promote its service through outreach work.

12. *South Yorkshire Consortium Department of Work and Pensions* City Strategies
City Strategies have been a component of devolving responsibility and promoting better local partnerships within cities where there are high levels of worklessness. They are seen as a starting point from where local authorities and partners can work more effectively and also a way of assessing new capacities for innovative interventions. This case study involves establishment of Work and Skills Boards which are employer led and an important means by which employers can be more engaged with welfare to work partnerships and programmes.

2.1.4 Detailed case studies

The final set of 8 case studies chosen for in-depth investigation was:

1. South Yorkshire Employment Consortium (SYEC) Department of Work and Pensions City Strategy Pathfinder – partnerships and coordination of a wide range of providers
2. Brent in 2 Work – innovative partnerships for outreach for employment support
3. Aim Higher Routeback, Easington County Durham, linking health and employment support
4. East Midlands Improvement and Efficiency Partnership – Collaboration for procurement
5. Women into the Network (WIN) and Centre for Entrepreneurial Learning – Training bankers to understand the needs of different types of small businesses
6. Rockstar Group – improving access to finance and coaching
7. Reflex Community Based Business Advisors – training community group members to offer enterprise support to other parts of their community
8. South East Enterprise Gateway – Building Business Confidence, encouraging start up and enterprise growth amongst disadvantaged groups

These were selected by the project team and Capacity Builders to insure a cross section of types of organisations and range of different and innovative approaches. They are not considered to be fully representative and it is accepted that there are a wide range of other examples of innovative and interesting alternative practice from which other lessons could be drawn.

The case studies were undertaken through use of documentation and interviews with key actors from each case study to identify what specifically works well and what is likely to be transferable to the Third Sector.

2.1.5 Consideration of how CB practices can be piloted in the Third Sector

Eight interviews were undertaken with a range of Third Sector organisations, including umbrella organisations and frontline delivery organisations, in order to assess whether perceived good practice operations can be operational for the Third Sector and their practicality. Interviews covered their experience of previous initiatives, the extent to which various elements might be practically applicable and where cross-sector work might be suitable/applicable in order to pilot good practice. This work also identified the challenges of transferring elements between sectors.

3. SUMMARY OF 8 CASES

3.1 Introduction

Drawing on the initial review of good practice capacity building (CB) activity in the first stage of this research project, eight case studies, four private sector and four public sector, were selected by Capacitybuilders for closer scrutiny. The eight case studies are summarised in this section – more detailed analysis drawn from a series of in-depth interviews with key staff delivering these CB services are provided in a separate Annex Case Study Report.

3.2 Department of Work and Pensions City Strategy Pathfinder South Yorkshire Employment Consortium (SYEC)

The City Strategy Pathfinder (CSP) pilot, run by the Department of Work and Pensions (DWP) was established in 2006 with the primary aims to tackle worklessness in the most disadvantaged areas and raise employment rates for the most disadvantaged groups, using bottom-up process. South Yorkshire Employment Consortium (SYEC) is selected as a case study due to the fact that it has involved "radical changes to the commissioning, planning and provision of services." The report provides an overview of the South Yorkshire model with a more detailed assessment of how the Consortium approach has worked in Sheffield. The strategy is primarily capacity building in nature as it tests out how to combine the work of local and national government agencies and local partnerships to provide the support for jobless people who need to find and progress to work. Key achievements have included: establishing a community based key worker responsible for adopting a 'whole person' approach to the needs of individuals and who support each individual through necessary stages into employment; Jobnets established and run by the TS functioning as outreach centres, which act as 'one stop' shops for employment and skills programmes; sharing of data between local organisations, including Jobcentre Plus.

3.3 Brent in2 Work

Brent in2 Work, set up by Brent Council in 2002, aims to reduce levels of unemployment and deprivation within Brent and to take a strategic overview of employment needs within the area. It is a partnership-based approach that encourages strategic co-ordination across a wide range of employment and training organisations and providers that seek to help residents make the transition from welfare to work. Key CB elements include: drawing together disparate funding streams to become the central repository for public funding related to non-mandatory employment provision; Brent Local Labour Agency, created in 2000; partnership initiatives such as the Building One Stop Shop (BOSS); establishing a clear political mandate from the outset building upon close working relationship with key strategic partners, to develop a strategy that sought to identify the needs of employers, job-seeking residents and gaps in existing provision.

3.4 Aim Higher Routeback Easington County Durham

Aim High Routeback (AHRB) is a Pilot or 'demonstration project' run by Durham Primary Care Trust which aims to test whether it is possible to encourage Incapacity Benefit claimants to seek and enter work using an enhanced 'Pathways to Work' model. One of the core elements and guiding principles to the project is that health service professionals are the first point of contact for people with long term health conditions as opposed to employment advisors. Following the AHRB, the PCT developed competences which were normally the domain of Jobcentre Plus by being the first point of contact for people on Incapacity Benefit. The pilot entailed a cultural as well as organisational shift within the Easington PCT in relation to its engagement with outreach and community services and GP practices as well as other partners in terms of employment and health issues.

3.5 East Midlands Improvement and Efficiency Partnership

Regional Improvement and Efficiency Partnerships (RIEPs) were set up in 2008, following the publication of the National Improvement and Efficiency Strategy by the Department for Communities and Local Government (CLG). A key strategic objective is specifically "Building capacity through enhancing leadership skills and sharing knowledge and expertise". The case study highlights a shared services initiative and a procurement programme which evidence how a 'change agency' can encourage and support capacity improvements. Particular attention is given to the how capacity building can encourage collaboration for efficient procurement. A key lesson from this case study, is that the 'change agency' needs to respect the roles of the other players and, particularly, to understand the other players must feel they have an important degree of ownership and influence (admittedly, never amounting the level of 'control' which many of them would prefer) over how the capacity building initiative develops.

3.6 Women into the Network (WIN) and Centre for Entrepreneurial Learning – Banker Training

Women Into the Network (WIN) is a well established, market leader in offering capacity building support services to women's enterprises in the North East Region and has recently spun out of the Centre for Entrepreneurial Learning. As well as being a very successful women's networking membership organisation, WIN has successfully developed and delivered capacity building training programmes which have uniquely assisted large corporate business service providers and women entrepreneurs. This case study focuses on the relationship banking training programme "Developing Effective Working Relationships with The Small Business Customer" delivered by Centre for Entrepreneurial Learning with WIN. This specifically addresses the women's enterprise market segment and involves practical casework for bankers working directly with women entrepreneurs. Additionally, WIN runs training courses for women entrepreneurs in how to better manage their bank managers. Taking the training model as a whole, it appears that WIN is creating a win-win scenario of capacity building for the business service provider and the women's enterprise clients which could be adaptable to a Third Sector context.

3.7 Rockstar Group

Rockstar Group, established in 2005, has been selected as a case study example of innovative, high quality, good practice, capacity building work by a private sector organisation for the private sector. Rockstar Group is entirely self-funded, generating their entire income from a growing membership client base. Two key elements of CB work highlighted in this case study are business mentoring delivered by various methods (e.g. on-line via website and Facebook, email, text, telephone and face-to-face) and provided by a wide range of successful business owner-managers with mentoring experience and small-scale seedcorn equity investment support (£20,000 up to £100,000) for businesses. It is believed that both of these elements could be developed in order to assist Third Sector enterprise start-up and development.

3.8 Reflex Community Based Business Advisors

In 2001 the London Borough Council of Islington's 'Reflex' project formed a broad local partnership of public, private and third sector organisations, to pilot and establish community based business advisors, using European Union (EU) Equal programme funding. This led to the formulation of Association of Community Based Business Advisers (ACCBA) as an umbrella organisation, with widespread membership from BAME organisations in central London (represent 27 different ethnic groups). The aim is to improve support for Black, Asian and Minority Ethnic start-ups and existing small and medium enterprises. There is particular support for refugees and new arrivals. Services provided include: fund raising; networking with monthly meetings between advisors to share experiences and problem solve; Business Advisor CPD, working with the Institute of Business Advisors (IBA) and a published business advisor guide (2008); monthly newsletter; website resource for advisors, library and client stories; information on business support (e.g. planning, marketing, research, access to finance).

3.9 South East Business Link Enterprise Gateway Service – Building Business Confidence

The South East region's Business Link Enterprise Gateway Service is managed by Sussex Enterprise Services Limited, funded by SEEDA and first implemented in 2003. It has an important role in promoting enterprise in disadvantaged communities and supporting individuals who require more intensive assistance to overcome barriers to enterprise. This support can be described as Transformational Business Support (TBS) reflecting the belief that through appropriate interventions it is possible to create a step change in the economic circumstances of individuals and areas. The case study exhibits novel and innovative CB elements, including: start-up assistance; partnership working and the ability to 'piggy back' on other organisations; coaching systems for building confidence; successful role models; a wide range of media and events to show others what can be done; and recognition of the risks for starting an enterprise.

4. HIGHLIGHTED ALTERNATIVE PRACTICES AND THEIR TRANSFERABILITY TO THE THIRD SECTOR

The eight case studies were selected in order to provide detailed examples of a range of different types of capacity building initiatives in the public and private sectors. They demonstrate innovative elements which could prove adaptable and useful for future Third Sector (TS) capacity building work. Key innovative elements of the case studies are summarised here, in order to draw attention to what might be suitable for future TS capacity building activity.

The following sections will explore how some of the key learning points from the case studies could be applied to enhance TS capacity building.

4.1 Community groups as support providers to 'below the radar'

Delivery agencies can reach some disadvantaged groups through working closely with, or 'piggy backing' on, community organisations that have the trust of these groups. In this way, grass-root organisations, or those not formally constituted ('below the radar') can be supported to grow and have a greater impact.

The Reflex Community Based Business Advisor (CBBA) initiative establishes accredited business advisors within community organisations. This progresses from initial local mapping of organisations and services through to training members of local community organisations to become accredited business advisors. This goes beyond forms of peer support that are part of many CB programmes and are vital informal forms of learning for both private and third sector organisations.

Key good practice elements of Reflex partnership working include:

- Close partnership working with local community organisations in order to find suitable delivery organisations and to assist with the selection of business advisors and build on existing community services and networks.
- Creating business advisor training packages and establishing a nationally recognised vocational training and accreditation process for community based business advisors. This requires working with existing mainstream business support providers (Business Link and enterprise agencies) and national accreditation organisations.
- Inclusivity; working with a wide range of local community organisations and appropriate private and public sector organisations on an equal footing.

Implications for TS: This approach can be used to encourage both start up and existing TSOs. There has been some experience of training of trainers but there is the opportunity to develop this with accredited training. There is also the opportunity for more established organisations to build on their existing capabilities and offer CB related support to grassroots organisations that are emerging or not formally registered.

4.2 Breaking professional boundaries

Partnership working is also required to offer client focussed services that cut across professional boundaries. These reflect funding sources and governmental boundaries. Such partnerships also require cross agency working, as found in the South Yorkshire Employment Consortium case study and the Enterprise Gateway in the South East of England case study. This also brings together people from the public, private and third sector. In the case of Aim Higher Routeback (AHRB) the boundaries between health promotion and employment support were relaxed.

The Aim Higher Routeback (AHRB) initiative in East Durham is an excellent example of joined-up partnership work aimed at improving pathways into work for long-term out of work and Incapacity Benefit (IB) claimants. The initiative involves partnership between Jobcentre Plus employment services, health sector professionals (local Primary Care Trust (PCT) and GPs) and the local community and voluntary sector (e.g. as trainers and job providers). Key innovative good practice elements include:

- The establishment of a clear pathway into work for IB claimants through a case management approach including initial health sector assessment, intermediary training and therapy and referral to Jobcentre Plus employment services and training programmes, leading to appropriate job placements.
- Partnership was established between the PCT and their contracted local GPs, Jobcentre Plus and a key local voluntary sector umbrella organisation.
- AHRB received widespread promotion through the PCT network, assisted by the installation of clear referral networks and the operation of a Project Information Officer undertaking drop-in consultation work (e.g. with GPs at their surgeries).
- Uniquely, health sector professionals and GPs acted as the 'gateway to work', taking the lead in assessing IB claimants through a healthcare specialist caseworker process, allowing them to be the first port of call and providing them with the tools to progress the client past health and psychological barriers, before referring them to Jobcentre Plus for their job training and placement schemes.
- A GP champion was appointed in order to promote the initiative and handle queries amongst colleagues.

Implications to TS: *Although the TS has a tradition of offering holistic support to its clients, there is potential for offering seamless support, using forms of case management and pathways to ensure clients are supported over time. The current dependence on poorly joined up commissioning can compromise some of these approaches. There is a need for funders and commissioners to understand pathways to outcomes more clearly and to find ways of exploiting the potential of local TSOs to contribute to these pathways. However, capacity building for partnership working requires different skills to capacity building for internal organisational improvement and therefore different support programmes.*

4.3 Coordination and avoiding duplication

With a diverse range of providers operating in both the public and private sector support infrastructure, there is a need for partnerships to avoid duplications. This is particularly important when there are a range of support providers providing similar services. They may be due to a range of funding sources being used, or it may be due to commissioners wanting to encourage competition. The Enterprise Gateway case study has avoided

duplication through working closely with other providers, ensuring the clients benefit through referring people to providers who can offer the best choice of services.

The South Yorkshire Employment Consortium (SYEC) case study represents elements of innovation and good practice in coordinating CB work at the sub-regional scale across four local authorities. Here the focus is on how partners and stakeholders can co-ordinate their local labour market activities around shared priorities in order to improve the alignment of services and generate synergies to assist local jobless people. Key elements of good practice include:

- The creation of partnership 'Consortia' including local authorities, private sector employers and TS in order to align policy priorities and focus on the requirements of the most deprived, hard to reach, jobless people.
- SYEC is well networked and utilises joint marketing and sharing of good practice amongst the four LSPs, as well as with the other 14 UK Pathfinders.
- A key innovative development is the sharing of data across local agencies, including Jobcentre Plus, in order to assist with community outreach activities.

Procurement Lincolnshire provides an example of a group of local authorities which have traditionally worked quite independently of each other but which have come to recognise that they could significantly improve the efficiency of their operations by sharing some functions and services. In doing so, they have been able to improve the level of expertise in specialist functions which are now available to all local councils, well above what was previously available. However, the initial suspicion of local actors was only overcome by courageous leadership in the various organisations concerned, together with a convincing business case which all the agencies bought into.

Implications for TS: consortia help to get over issues of territoriality, and allow use of shared knowledge management systems – however they require good social relationships, which take time to establish. Consortia which work across local boundaries are likely to take even longer to establish and be productive but have the advantage that they usually bring in some new actors who are not 'tarred' with the past history of poor local relationships.

4.4   Outreach working beyond existing networks

Outreach work is an essential element of several of the case studies, particularly with initiatives that are targeted at hard to reach market segments, such as BAME, refugees, women and disabled groups, which are often under-represented in mainstream support agencies work. This has to be more proactive than the reactive approach of seeing who comes through the door. Community groups cannot be seen as a proxy for all residents. Brent into Work (Bi2W), managed by Brent Council, is a well established example of good practice in a local labour market initiative, developing projects for specific difficult to reach market segments such as refugees and BAME groups facing cultural and linguistic barriers to work.

'Enterprise Gateway Building Business Confidence' case study provides a clear example of innovative good practice work by the mainstream national private sector business support provider, Business Link. This initiative targets more intensive business support services at disadvantaged groups in the most deprived locations. Reflex is also a prime example of

outreach work, through its targeting of hard to reach target markets by working in partnership with local community groups.

These initiatives demonstrate that good practice outreach capacity building is achieved through:

- Widespread local-scale consultation work in order to identify disadvantaged groups within deprived neighbourhoods.
- Working closely and in partnership with local communities and gateway organisations in order to establish a trusted relationship and access to difficult to reach groups. Partner contacts include churches and religious organisations, ethnic minority organisations, women's groups, local community groups and community leaders.
- Undertaking specific awareness raising events and activities (e.g. roadshows), including taking advisors and service promoters into the community, into community centres, schools and places where hard to reach groups are located and feel more comfortable in receiving information and assistance.
- Specifically tailoring assistance to include cultural and linguistic requirements. This includes training advisors with regard to cultural sensitivities, as well as developing specialist training elements, including face-to-face and intensive one-to-one assistance.
- Building on the existing community based support network, where it exists, whilst also plugging gaps and ensuring that existing groups are not excluded. Door knocking techniques as deployed in Brent into Work can ensure all parts of a community are covered.
- To provide services which are appropriate, sustainable and accredited to the highest nationally recognised standards.

Implications for TS*: outreach to 'hard to reach groups' is often said to be difficult but case studies also suggest that large organisations can be 'hard to reach' by people in disadvantaged and marginalised groups – professional staff and managers often do not have good links to these groups, do not see their distinctive needs, do not understand their priorities and do not know how to communicate with them. Outreach should therefore be seen as establishing better two-way links and respecting the expertise of those people on both sides of this interface. Capacity-building often needs to involve establishing 'street-level' interfaces between communities and the organisations which are trying to serve them – this is often hardest for large TSOs, which are often the most professionalised and managerialist of TSOs. Reliance on local community groups can also be limited, as these organisations cannot be considered as a proxy for the whole community.*

4.5   Mentoring and coaching

Mentoring and coaching can play an important part in capacity building, but such approaches are not well developed or widespread in the third sector. For the private sector there are an increasing number of mentoring services on offer to aspiring and established entrepreneurs, providing guidance for enterprise start-up and growth. Whilst many of these services are highly specialised with sectoral, market or geographical emphasis, Rockstar Group provides an example of a private sector mentoring service which exhibits many innovative, good practice elements, including:

- Innovative on-line, web-based mentoring services, including firm web and Facebook discussion forums.
- Mentoring services are offered through a diverse range of media sources, including via e-mail, text and one-to-one telephone conversations, as well as face-to-face meetings.
- Mentors are selected based on their proven track record of successful business management and business mentoring. Coaching skills are provided to those offering support.
- The mentoring service covers a wide range of specialist sectoral (e.g. manufacturing, retail, creative industries, internet) and business management skills (e.g. finance, marketing, HR) and has broad geographical spread across the UK.
- Mentors come from a diverse range of socio-economic backgrounds, ensuring that there are mentors who will be appropriate and attractive to market segments such as BAME and women entrepreneurs.
- Mentoring performance is tracked and mentors have regular bi-monthly meetings in order to share experiences, good practice and resolve problems.

Implications for TS: *mentoring is a more personalised way of getting managers and professionals to think about their practice and comparing themselves with others. As such, it is both more likely to be relevant to the person receiving the support and to be more vivid in its impact on that person. However, it is also more time-consuming for both parties. Moreover, the fact that the mentor has more expertise and experience sometimes means that they are used in problem-solving roles, rather than to help the person supported to build up the capacity to prevent and tackle problems for themselves. Coaching aims to overcome this through empowering those supported to solve problems themselves.*
Mentors partially make up for the lack of strong networks, so they are likely to be most valuable in the third sector in bringing expertise from public and private sectors, where TSOs networks are generally less strong.

4.6   Access to finance

Access to finance is frequently a key requirement for new and potential growth enterprises and third sector organisations. There is also a considerable amount of work going on this area with such organisations as Future Builders, Charity Bank and Venturesome. While much has been written, this is still an area of capacity building involvement that is being developed. Private sector enterprise support typically contains assistance for finding and obtaining external finance through bank loans, grants or soft loans. Capacity building initiatives include work on the supply side, training bankers to understand the needs of small businesses of different kinds, as provided by the Women into the Network/Centre for Entrepreneurial Learning case study.

There is also good practice in building capacity to access finance by enterprises. The Enterprise Gateway case study builds confidence amongst its client and gives them the skills to present their case to bankers. They also identify community figures such as retired bank managers who are willing to support start ups from disadvantaged groups in their early stages.

In recent years, there has been a growth in 'Business Angel' type equity finance provision, but this is often not available at the small-scale seedcorn finance level (e.g. £20,000 to £100,000) which many small enterprises might consider. Furthermore, a combination of

owner manager reticence towards offering a share of their business ownership to unknown outsiders and owner managers' inability to effectively pitch their ideas to equity investors has led to relatively few businesses securing this type of external finance.

Rockstar Group provides a business angel style equity investor service which effectively 'hand-holds' the owner manager through the whole process and exhibits a number of innovative good practice aspects:

- Carefully selected owner-managers are provided with intensive training support, provided by a specialist training agency that is experienced in assisting businesses to obtain equity finance.
- Pre–pitch assistance includes: an assigned mentor with appropriate sector specialism who can assist with developing the business plan; attendance at a workshop in which full training for the business pitch is provided, including ensuring that the content addresses what the equity investors will expect to be told and that presentation skills are thoroughly rehearsed and filmed to improve confidence and fluency.
- Post-pitch assistance includes negotiations, particularly with regard to the structuring of equity finance deals and on-going mentoring support to help develop the business.
- Provision of access to a select small group of trusted business angels who are willing to provide relatively small-scale equity investment.

Implications for TS: *successful applications for finance require careful preparation and specialist skills. This can partly be bought in through use of consultants, advisers, etc. However, this can mean that the skills needed never become embedded in the TSOs which need them. It also means that the professional cases prepared and presented by professional consultants for TSOs actually fail to identify and build on the distinctive competences of those TSOs. Consequently, it is important that a group of TS specialists are developed in this field and that they work closely with a larger group of staff in TSOs who acquire the expertise to make the best use of support for applying for finance, not simply relying on external consultants.*

4.7   Organisational improvement and leadership

There has been considerable attention given to organisational improvement and capacity building within the public sector, particularly through the work of the Improvement and Development Agency for Local Government (IDeA). In 2008 Regional Improvement and Efficiency Partnerships were established by the Department for Communities and Local Government (CLG) to oversee organisational improvements and capacity building within Local Authorities and their associated partner agencies (e.g. Fire and Rescue Authorities). East Midlands Improvement and Efficiency Partnership has been selected as a case study example of how this innovative work has been taken forward. Key innovative good practice elements include:

- The establishment of a three year strategy, based on consultation with all Local Authorities (LAs) and associated partner agencies which sets out improvement and efficiency objectives.

- A key priority for building organisational capacity through enhancing leadership skills and sharing knowledge and expertise in order to improve LAs' and partner agencies' capacity to deliver.
- Clear targets for capacity building work based around Equalities Standards, Investors in People, Member Development Charter and reduction of staff sickness days.
- Development of clear work programme streams and project based initiatives with designated leaders/leadership teams acting as focal points for activities. Work streams contain standard practice requirements including core information, sharing best practice, networking and benchmarking.

Implications for TS: *the national programmes developed to enhance organisational improvement in local government have mainly been delivered at a local level. This suggests that capacity building programmes may often work best through locality-based initiatives which have a local face, even though they are based on programmes designed and developed at national or regional levels.*

4.8   Recognising risk

All forms of capacity building are supporting organisations to introduce or cope with change. With any change programme comes elements of risk, on top of the need for an organisation to manage risks coming from changing external contexts. For those support providers encouraging businesses to start up, this requires care as they may be encouraging already vulnerable people to put their own money at stake with the potential for debt. The Enterprise Gateway case study and the Reflex case study, both worked with clients to help them make these complicated decisions. At times this required them to advise against setting up a business as it was likely to fail. This issue is even more important in the present economic climate. These programmes were able to undertake this approach as they had a range of performance measures beyond the number of businesses created.

Implications for TS: *helping TSOs to be realistic in the face of the risks involved in their activities is a key aspect of capacity building, especially for new start-ups, as over-optimism can tempt enthusiastic founders to over-invest and attempt to grow too fast. Capacity building needs to support organisations to design resilience into their systems, to cope with the almost inevitable setbacks which will occur. Given that many TSOs work on issues which require 'demarketing' rather than 'marketing', i.e. trying to prevent certain behaviours or to encourage people to do less of certain activities, their fundamental goal is not growth but to work themselves out of a job – and this requires a different approach to risk management in the longer-term planning of the organisation.*

4.9   Training of service providers

While training is a core part of capacity building for most support providers, there is also a need to consider building the capacity of the support providers themselves. The Enterprise gateways case study demonstrates the importance of having training in coaching skills for the staff working directly with potential entrepreneurs.

The Women Into the Network (WIN) case study was selected because their training work with business banking relationship managers and women entrepreneurs has helped bring these two parties closer together, with CB benefits for both parties. Key elements of good practice exhibited by WIN in their training work with private sector business service providers (e.g. banks and accountants) include:

- Undertaking business health checks with service providers in order to understand how the organisation operates and to establish what their diversity and equality practices are.
- Provision of specialist intensive training courses, customised to the requirements of the client and developed through pre-delivery consultations with the client.
- Training courses are residential, typically held over several days (although condensed one day courses are also available) and held away from the usual working environment, which helps participants to think outside of their usual working role.
- It is important that participants (e.g. business banking relationship managers) are able to break out of the large corporate mind-set that may pervade their working environment and open their minds to the mind-set of their target markets.
- Training workshops involve gaining practical insight into the target market, based on considerable background research, the productions of real life case studies (e.g. of women's enterprises) and practical role play exercise meetings with target market cases (e.g. women entrepreneurs).
- There is an opportunity for workshop participants to undertake follow-up on-site meetings with target market cases (e.g. women's enterprises) – allowing them to gain further insight into the mind-set and day to day operations of their small business clients.
- The impacts of training are followed up through initial client feedback and on-going client feedback over time from the business service providers.

Implications for TS: *given the importance of local professionals (accountants, solicitors, bankers, etc.) for supporting TSOs, a similar programme of awareness raising and training for these professionals dealing with TSOs at local level may be appropriate – or, alternatively, a series of events which widens and deepens the networks between the sectors. This could allow professionals to become aware of a wider range of ways in which they might be able to support local TSOs and also become more sensitive to which types of approach to their business are more likely to help TSOs and to increase their clientele as suppliers of professional services to the TS.*

4.10   Networking for exchanging good practice

While good practice may be developed, there is potential continually to adapt and draw on good practice and the experience of others. The incentive for the Beacon Scheme is that exchanging good practice, ideas and developing networks is a CB technique which enables organisations to innovate and develop services and possibly expand competences. This approach has also been deployed in the DWP City Strategy Pathfinders.

Similarly, the Reflex Community Based Business Adviser case study demonstrates the importance of partnership working between community based organisations in order to pool resources and to enable advisors to learn from each other's experiences.

Implications for TS*: 'benchmarking and 'benchlearning' have been seen as key elements in the transformation of public services over the past two decades. However, research has continually shown the slowness and imperfect nature of knowledge transfer between organisations. The Beacon Scheme (which has been running for 10 years in local government and was used for some time in health, schools, FE and central government) has had to design in significant incentives for 'best practice' cases to make themselves available to other organisations to learn from and the whole programme has been extensively revised several times (most recently in Spring 2009) in order to make the knowledge transfer elements more vivid and more effective. A similar awards scheme for innovation and knowledge transfer in the TS, with similar incentives built in, would be an interesting possibility to explore.*

4.11   Collaboration for procurement

There are large efficiency savings to be made through joint commissioning and procurement, particularly by larger organisations. How these forms of collaboration require strong commitments from leaders as well as much work by procurement and finance officers. A key challenge is overcoming concerns such as staffing changes and the loss of control in a particular organisation. The leadership skills necessitate a brave approach that encourages the building of relationships at all layers within organisations as was found in the East midlands Regional Improvement and Efficiency Partnership. In one area of shared legal services contracting, savings of £2.5 million are expected.

Implications for TS: *Collaboration for procurement offers a huge potential cost saving for TSOs. Coordinated procurement processes can also be used develop longer term working relationships with suppliers. These may be with the private or third sector. There is also potential to develop procurement strategies that support other third sector organisations or businesses supporting disadvantaged goods and therefore maximizing the impact of organisations. These forms of collaboration are challenging in TSOs and there is a need to support leadership to navigate the tensions between competition and collaboration.*

5.   CONCLUSIONS

5.1   Introduction

This project aims to examine the alternative forms of capacity building that are being used by the public and private sector, and then to assess whether they can be transferred to the third sector. This project has demonstrated that capacity building is a key issue in all three sectors and that there are many similarities across the sectors with approaches to capacity building drawing on the experience in other sectors already. At the same time, it continues to be problematic, in that no 'magic bullet' has yet been devised which makes CB likely to work in all circumstances. This raises important questions about the transferability of models from one context to another. The alternative practices highlighted here should therefore be considered as catalysts for learning in different contexts and not immediately transferable models.

5.2   Types of alternative practice of capacity building identified

Section 2 of this report examines the different approaches to capacity building, making a distinction between two levels. On the one hand there is support to enable organisations to build skills and knowledge to meet their current strategies. The other level relates to support that helps organisations adapt and develop their strategies, drawing on their core competences and developing new competences.

Most TSOs are likely only to aim for and be able to achieve the former, and CB programmes to help them are therefore more likely to be 'off the shelf' and able to be designed in standard formats at national and regional levels, to be delivered locally.

However, CB for the much smaller group of TSOs which demand more radical changes to their strategy is likely to be much more bespoke, organisationally and geographically. It is likely to be developed from the outset to take advantage of the unique resources and opportunities of a specific organisation, rather than through pre-designed packages. This kind of CB provides 'transformation' through the identification of distinctive resources and capabilities which lead to breakthroughs in outcomes, outputs, processes and costs.

The alternative practices identified in the previous section include examples of these two approaches to capacity building as well as identifying ways of delivering and organising capacity building. The cases of alternative practices can therefore be grouped along these lines.

Types of alternative practices

> **CB for strategy development**
> Recognising risk
> Organisational improvement and leadership
> Mentoring and coaching
>
> **CB for building skills**
> Access to finance
> Collaborative procurement
>
> **Delivering CB**
> Community groups as support providers to grassroots
> Training service providers
>
> **Organising CB**
> Breaking professional boundaries
> Coordination and duplication
> Outreach working beyond existing networks

5.3   Transferability to the Third Sector

A further objective of this study is to examine the extent to which the alternative practices identified can be transferred to the third sector. It is also important to note where practices cannot be transferred, the practicality of using approaches with third sector capacity building, and how the ideas presented need to be adapted.

This review of capacity building in the public and private sectors has demonstrated the major uncertainties around any CB programme, given that it requires intervention in processes which are still only imperfectly understood within organisations, never mind in networks between organisations. Moreover, by definition, the results of capacity building are likely only to become evident after significant periods of time. Capacity building is a form of organisational investment and, like all investments, is likely to be most successful when undertaken in a portfolio of activities, where it is recognized from the outset that only a proportion of the portfolio is likely to be successful. Consequently, rapid evaluation is not possible and premature attempts to learn lessons are likely to be counter-productive. The lessons suggested from the cases reviewed here should therefore be interpreted as tentative and subject to review.

While there is a need to continue to build the skills and experience in a range of areas in the third sector (the first level of CB examined above), the current economic climate and future threats to funding make it even more important to make more structural changes and give more attention to the need for changes in strategy. In the current situation of many TSOs seeking to merge and integrate their activities in order to provide some shelter from the recession, CB involving structural change is likely to need more attention than it has received in the past.

The challenge facing CB aiming to encourage TSOs to make more radical strategy changes and develop distinct new competences for new markets, is how to select those to

work with. This form of support involves a much higher level of risk (which will not be popular with CB funders) and also specific focus on potential 'winners' (which will not be popular with those who are not singled out to benefit from the programme). Whether or not this latter approach is potentially feasible needs to be investigated further (there are strong parallels to the research into 'picking future winners', which has been one of the most debated issues in small firms policy over the past 15 years) but has not been the subject of specific research in this project.

This raises key questions over the transferability of approaches between the private sector support and CB support for TSOs. Public policy for small firms support generally takes for granted that a large proportion of start ups will fail within five years and that a large proportion of the remaining small firms will be stagnant for much of the rest of their life cycle. It is relatively uninfluenced by the levels of failure in the sector, taking these for granted, and focuses rather on generating the conditions of success in the small number of start-ups which will survive, and in the (relatively) small number of existing SMEs with significant growth potential.

This strategy is not available, at least in its purest form, to those seeking to promote CB in the TS, since many of the TSOs with little growth potential are providing significant benefits to people who are vulnerable. The failure of such TSOs would have significant negative impacts on service provision for vulnerable people and on the public agencies involved in providing capacity building support.

On the other hand, full protection for 'failing' TSOs in the style often afforded to failing public sector organisations is also rarely acceptable, so that TSOs will rarely benefit from the extensive and expensive programmes commonly found when 'special measures' are put in place to deal with a 'failing' school, social care department or other public agency. However, some parallels may be valuable here. Ministers, in the codes of practice which currently govern the circumstances in which they can call for 'special measures' for public agencies, have to give proper consideration to the supporting role which TSOs (and organisations from other sectors) can play in helping those public agencies to transform their performance. By the same token, CB for 'failing' TSOs (if it is to occur at all) might pay special attention to reinforcing the networks with public agencies and other organisations which might help them to survive.

5.4   Recommendations

5.4.1   Transferability of models

Transferring models is unlikely to be successful - what needs to be transferred is the approach to developing innovation and adapting ideas from elsewhere. In this way we recommend that the alternatives presented in the report are a catalyst for CB in the third sector to develop context specific support

5.4.2   Capacity building through coaching for encouraging radical change

This report makes a distinction between CB for building skills and CB for more radical strategic change. Coaching approaches are more likely to be effective for the latter although these are found to be more expensive.

5.4.3 Selective and intensive work with 'gazelles'

There is a need to therefore be more selective with who is offered this more intensive support. This requires difficult decisions concerning who is included and excluded, with the acceptance that many supported TSOs will produce only limited results, while a small number may have much larger impacts.

5.4.4 Recognising risk

All forms of change entail some form of risk although this is not always accepted in public sector funded support. While private entrepreneurs take particular risks with their own financial capital, individuals in the third sector starting or changing organisations also take risks - with their reputations, time and 'social capital'. A key role for support providers may be to advise against change, start-up or even continued existence. This requires performance measures of CB operations to recognise these benefits and not measure impact only in terms of the number of organisations and growth in their turnover.

5.4.5 Community groups as providers of advice to grassroots organisations

Traditionally, support to TSOs has been seen as a role for 'well-set-up' organisations, often amongst the larger and more formally organised TSOs in their area. It *is* likely and desirable that this should continue. However, it is also clear that learning is a social experience and that it is often more digestible and paid more attention if it comes from a member of one's peer network. These issues are particularly acute amongst new arrival and refugee communities. This suggests that much support to TSOs would valuably come through other similar groups – but this would mean, of course, that they would have to be given some training, or at least coached, to act in this capacity. This is a 'coaching the coaches' approach, parallel to the more familiar 'training the trainers'.

5.4.6 Training of service providers

There is much capacity building support provision by private service providers such as accountants, solicitors and banks. While some specialse in providing services for the third sector, there are others which are more generalist. There is an opportunity to encourage the training of these generalists to have a greater understanding of issues facing different types of TSOs. This should be funded by the companies themselves although award ceremonies and events that celebrate attempts to offer better services to TSOs are highly valued by these businesses wanting to raise their profile and win more customers.

5.4.7 Use resources provided by public and private sector CB initiatives

There is potential to draw on CB activities provided for the private sector and for the public sector. However, these are usually not appropriate in their existing format for TSOs and may need 'translation'. This might be done through joint development – e.g. Capacitybuilders might work with IDeA on programmes for Board members, using some of IDeA's material for helping elected members to play their roles as Board members of organisations which work with the council.

5.4.8 Coordination of support to avoid duplication

There is a need to have a proper balance between reducing confusion (which means keeping things simple) and having targeted support (which means making a quite complex offer). The Business Link one stop shop and brokerage model is not likely to be suitable for most TSOs. However, existing mechanisms for reducing duplication seem quite weak in the world of third sector capacity building. It might be valuable to add a third sector element to the Total Place Initiative announced in the 2009 budget as part of the Operational Efficiency Programme (chaired by Sir Michael Bichard). There are 13 pilots currently starting and at least some of these could be encouraged to focus particularly on bringing TS capacity into the Total Place Commissioning model.

5.4.9 Greater involvement in public sector partnerships

TSOs need confidence to ensure that they can keep their advocacy role within public sector partnerships, particularly if they are becoming more reliant on contracts as a form of income. More attention to capacity building for the advocacy role would not only be helpful in itself, but also act as a signal that the TS continues to value this role highly. It should also be recognised that the move to give greater power to partnerships can be disempowering for smaller organisations that are not included in these groups. Capacity building needs to ensure smaller organisations increase their capability to lobby and shape the context in which they operate.

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