**LITERATURE REVIEW ON CAPACITY BUILDING FOR THE
VOLUNTARY AND COMMUNITY SECTOR**

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Introduction

A definition of what constitutes a voluntary and community sector organisation is an essential starting point to any discussion of capacity building for the sector. Economically, organisations would be defined as generating the predominant proportion of their revenue from private contributions as opposed to market transactions or government support. Legally, organisations would be defined as exempt from taxes and described as a Charitable Trust, Foundation or similar. In terms of purpose, organisations would be defined as those that focus on promoting public good/well-being, encouraging empowerment and participation, or those that seek to address the core factors resulting in poverty and distress (*Salamon et al 2003).* An organisation might not necessarily fit all of these descriptors. For instance, informal organisations that have no legal status, but act to meet a defined community need would fall into the sector.

The voluntary and community sector is at the heart of building strong, sustainable, connected and empowered communities (*Sector Development Policy Team 2004).* Organisations within the sector often work with people closest to the margins of society and at greatest risk of social exclusion *(De Vita and Fleming 2001).* Yet many of these organisations are small and possess limited resources when measured against the challenges and critical issues they address. The *Sector Development Policy Team (2004)* noted that organisations spend a considerable amount of time pursuing short-term grants to provide services to tackle problems that are complex and take years to address.

Therefore, despite their place at the forefront of service delivery many voluntary and community organisations survive year-to-year and in some cases month-to-month in an ongoing battle to raise adequate funding, to recruit sufficient numbers of volunteers and to meet the demands of a wide range of other operational challenges *(Family and Community Services 2005)*. This lack of stability and sustainability can impact on people working in voluntary and community organisations by increasing stress levels and reducing the time they have available to focus on the core role of the organisation – meeting the key needs of the community they serve – because they are focussed more on survival *(Boris 2001)*. This in turn impacts on the community as they often lose continuity as organisations come and go or because the quality of service provision becomes inconsistent. Therefore, there is the potential risk that without adequate capacity building many communities may not receive consistent quality of service from the voluntary and community sector organisations within them.

In addition, there are questions about the long-term planning and evaluation processes within the sector which creates the risk that organisations established to meet specific needs may not have the capacity to adjust their programmes and activities to the changing socioeconomic and demographic circumstances of their communities. There is also a follow on risk that funders may be supporting programmes that have no direct relevance to the current needs and aspirations of communities.

Existing research and anecdotal evidence suggests that many voluntary and community sector organisations struggle to cope with myriad issues including fundraising, governance-management relationships, evaluation and planning, developing policy and strategy frameworks and responding to changing legislative and social requirements. However, there appears to be little coordinated effort to meet such fundamental needs across the sector. In many cases networks exist, but how effective are they? Most offer opportunities to share the work of various organisations, but few seem to tackle the capacity building agenda.

The purpose of this paper is to provide an overview of existing literature in this area. The review will attempt to summarise the key themes and conclusions emerging from

this literature with regard to the capacity building needs of the voluntary and community sector, the quality and breadth of existing capacity building provision and potential models for improving the consistency and effectiveness of capacity building delivery.

It should be noted that this literature review attempts to analyse and include examples from both the New Zealand and international context to enable a more in depth comparison to be achieved. However, New Zealand's unique social and cultural make-up should remain a key factor when reviewing the applicability of conclusions drawn from the literature. Successful capacity building within New Zealand's voluntary and community sector will need to acknowledge and respond to the specific needs, kaupapa and whanau based structures of Maori and Pacific Island organisations.

Capacity building defined

Within the context of the voluntary and community sector capacity building as a concept can be described as enhancing the ability of organisations to fulfil their missions in an effective manner *(McPhee and Bare 2001)*. Specifically, capacity building is an 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 and service delivery (*Sector Development Policy Team 2004)*. In other words it is a dynamic and continuous process that achieves increasing self-awareness, internal evaluation and development and continuous forward momentum towards a goal or vision.

However, capacity building is a process unique to each organisation because it must address the needs of the organisation at a particular stage of development, taking into account the context within which that organisation operates and the aims it is trying to achieve. Moreover, capacity building cannot be imposed on organisations, rather, voluntary and community organisations must embrace the capacity building journey and this requires an open and learning focused attitude. Above all else, it requires energy and commitment, not just to delivering a service, but to reviewing, evaluating and developing that service provision.

Why Capacity Build?

Organisations within the voluntary and community sector provide services that meet fundamental needs of communities. They also play an essential role within society by identifying and advocating on behalf of unaddressed problems (*Salamon et al 2003).* It is imperative that they are able to offer these services to the highest of standards and to do this requires that organisations have access to effective capacity building that ensures their operating practices are efficient and well targeted. In addition, organisations within the sector operate using funding from grants and donations as opposed to profits. Therefore, they have a significantly higher moral and ethical responsibility to utilise this funding as effectively as possible.

However, despite their importance there has been a global trend that has seen social and political debate and action focused on only two sectors beyond the family – the market and the state (or business and government), largely omitting the third (voluntary and community) sector. This has contributed to a situation whereby understanding of the factors that contribute to the growth and decline of third sector organisations has been almost nonexistent (*Salamon et al 2003).* A follow on consequence of this situation is that effective and deliberate attempts to assess and respond to the operational needs of the sector have also been largely nonexistent. This has created a sector which has capacity building needs and little opportunity to meet them.

In recent years pressure to 'improve' and be more able to demonstrate effectiveness through more detailed outcome reporting has further increased the need for capacity building within the voluntary and community sector *(Boris 2001).* Funding bodies including government and independent philanthropic sources have begun to demand more rigorous monitoring processes, more definable outcomes and have introduced increasing levels of compliance to achieve this *(Sector Policy Development Team (2004).*

Moreover, while the demand for the services provided from the voluntary and community sector has increased over the past two decades the landscape within which organisations operate has changed markedly resulting in much tougher conditions

which make it harder for them to continue to meet these growing demands. Funding levels from individual donations are at risk. An ageing population is putting pressure on available taxable income which is resulting in predictions of reduced superannuation benefits which in turn puts pressure on working age people to save their money rather than donate it to the voluntary and community sector. Internationally, funding for the non-profit sector has reduced. In the United States federal and state funding for non-profits decreased 23% in the 1980s and continued to fall through the 1990s *(Johnson 2000)*. During the same period the number of voluntary and community sector organisations has increased dramatically. Global estimates indicate that 800,000 non-profit organisations were created between 1970 and the late 1990s (Bornstein 1998).

The voluntary and community sector is therefore finding itself in an increasingly competitive struggle for diminishing funding resources. A current and clear example within the New Zealand context is the response of the Family First organisation to the government's call for a multi-disciplinary approach to tackling child abuse in the wake of the tragic deaths of the Kahui twins in June2006. Family First point out that there are thousands of non-government and community based organisations already working at the coal face, but they require improved funding in order to become more effective *(Community Sector Taskforce 2006)*. The issue of securing adequate and long-term funding is one of the major drivers that confirms the need for capacity building efforts. To be successful and sustainable organisations need effective and innovative financial planning strategies, high levels of organisational competence and open evaluation techniques that ensure relevance as well as performance. These can only be secured through targeted and consistent capacity building support.

The sector has also been shown to be a major economic force. *Salamon et al (2003)* identified that come the turn of the new millennium in the 35 countries they surveyed the sector represented aggregate expenditure of some US$1.3 trillion and employed a total workforce of 39.5 million full-timer employees (57% paid and 43% volunteers). Such a major sector requires structures, consistent, well-planned and effective capacity building in order to ensure that its potential impact on global societies is maximised.

Common models within a complex sector

The voluntary and community sector contains tremendous diversity in terms of the size, function, resourcing and needs of its member organisations. On the one hand some organisations operate as part of national bodies and can access relatively high levels of support and resourcing. On the other hand there are single issue organisations operating within small communities that have access to relatively few resources and little support. These organisations can be as varied as social clubs, grassroots development organisations, environmental groups, counselling agencies, self-help groups, religious organisations, sports clubs, community groups, human rights organisations and so on (*Salamon et al, 2003).* Within New Zealand it is also important to acknowledge the specific structure and focus of Maori and Pacific Island organisations within the sector. On the basis of their cultural context these organisations are structured around a whanau based system. This results in a radically different focus and mode of operation to many other organisations in the sector. It also generates a set of unique capacity building needs and requires capacity building approaches that fit within the whanau based system of operation.

Added to this complexity is the variance that exists between organisations in terms of their readiness to accept and embrace change and a capacity building agenda. Some organisations, usually those with good evaluation processes and access to funding for development related activity, acknowledge and respond to the importance of capacity building within the organisation. Yet, there are many other organisations that continue to deliver the same activity year-in-year out with little attempt to assess to what extent it still meets a defined need within society. Such organisations do not engage effectively with capacity building. Such diversity requires that capacity building within the sector can be flexible enough to respond to the range of requirements that exist from one organisation to the next *(De Vita and Fleming 2001; Family and Community Services 2005).*

However, within the complex arena that is the voluntary and community sector it is possible to develop frameworks that address a range of common needs, themes and functions and which provide the infrastructure to support capacity building for each unique organisation within the sector. As *Salamon et al (2003)* noted, despite their diversity, the complex entities that are considered to be voluntary or community

organisations share important common features that justify thinking of them as a cohesive sector.

De Vita and Fleming (2001) identified five steps that could be applied to individual organisations within the sector and organisations seeking to strengthen the whole sector. These steps pick up common areas of need and common themes, but support organisations to determine their individual capacity building responses. A similar set of steps can be identified in the National Standards for Community Engagement *(Community Engagement Team 2002)* which were developed to support better working relationships between organisations and communities and to improve the quality and process of such engagement.

More specifically, if one reviews available research it is possible to determine a set of common areas of capacity building need within the sector. These can be summarised as:

a. Governance
b. Management
c. Fundraising and Financial Management
d. Developing Strategy and Policy
e. Recruitment and Development of Volunteers
f. Employing and Developing a Workforce
g. Improving Performance
h. Evaluation, Monitoring and Quality Assurance
i. Meeting Changing Frameworks
    i. Information Technology
    ii. Legislation
    iii. Regional and National Trends

(Family and Community Services 2005; Sector Development Policy Team 2004)

This goes some way to answering the question raised by *De Vita and Fleming (2001)* what are we building capacity for? However, this question should not simply be seen as requiring a list of capacity building areas to be answered, it remains a crucial point of caution for a number of other reasons. Capacity building requires time, effort and money to be effective. Therefore, capacity building should not be delivered across

the sector free of any evaluation or assessment criteria. Indeed, there must be a proven need for an organisation's work prior to commencing a capacity building endeavour. In many ways this becomes the first stage of capacity building – evaluating existing activity against existing needs to determine that the work of the organisation in its current form is still an essential requirement within the target community. This is perhaps best expressed by *Boris (2001)* "Capacity building efforts should not be about saving a dying organisation; rather they should focus on evaluating community needs in relation to non-profit organisation needs".

Existing capacity building activities

McPhee and Bare (2001) note that capacity building is now a popular term and that there are growing calls for attention to be given to the capacity building needs of the non-profit sector. However, as they point out, the rhetoric is still far ahead of the actual work.

Organisations within the voluntary and community sector regularly confirm that the most effective form of capacity building is through face-to-face support with real people. However, feedback indicates that these face-to-face support structures are diminishing *(Family and Community Services 2005)*. Within New Zealand one can highlight the Community Resource Kit developed by the Department of Internal Affairs as a clear example of this. It is available as a high quality web based tool or a hard copy booklet, but is not associated with actual people delivering support. The demise of the Community Employment Group and the change in focus for the Department's Community Development Advisers towards advice on funding applications has further eroded access to capacity building support. In addition, a major capacity building project run by a partnership of Family and Community Services (Ministry of Social Development), the Office of the Community and Voluntary Sector and the New Zealand Federation of Voluntary Welfare Organisations resulted in Managing Well. This is a publication that lists resources available for the voluntary and community sector. While it is an extensive resource it is once again only accessible to organisations that request it and it comes with no ongoing face-to-face support.

Furthermore, the capacity building that does exist appears to be ad hoc in its strategy and approach with seminars, workshops or courses organised on an irregular basis year-to-year. Much of this training is organised through 'networks'. Some networks are large scale such as the New Zealand Federation of Voluntary Welfare Organisations or the New Zealand Council of Social Services and some are much smaller, consisting of issue specific organisations from a particular community/area. While these networks are seen as an essential source of support and knowledge because they generate peer relationships, they do not provide a constant or well resourced source of capacity building *(Aimers and Walker 2003)*. This lack of consistency undermines the ability of capacity building to develop sustainable changes across the sector. The ad hoc provision of training benefits small numbers of people and organisations at distinct times, but over the longer-term continues to provide a sector lacking common standards and capabilities.

Organisations within the sector can and do access capacity building through service providers primarily targeting the private sector, such as local Chambers of Commerce and Management Institutes. However, costs associated with such support preclude access to all organisations within the sector.

It is often noted that capacity building for the sector is undertaken in a largely uncoordinated manner with action being left, for the most part, to the decisions of individual organisations or small issue specific networks. This raises the question of the role of funding providers and whether they have a responsibility to begin to define their compliance and monitoring outcomes still further by building in expectations of core areas of capacity within organisations they fund (and being prepared to support an organisation to develop such capacity where it is lacking). It has been suggested that funders should direct organisations to attend training if a need for improvement is identified, or to require organisations to invest a certain percentage of their budget in professional development *(Family and Community Services 2005)*. However, there seems little agreement on how organisations would be supported to fund or access such capacity building, nor is there a recognition that for small organisations fighting month-to-month to fund their operation professional development is a luxury that cannot be prioritised (moreover, a percentage of a very small operating budget will not go very far towards meaningful professional development).

Conclusions

Existing research and commentary supports the conclusion that capacity building for the sector is largely sporadic and uncoordinated. This results in a sector that continues to struggle to meet the fundamental needs of communities with minimal resourcing and support. A coordinated and well managed capacity building approach that responds to the core needs of the sector over a long period will make sustained improvements to the operation of the sector. It will guarantee better use of the funding provided to the sector and more effective outcomes in terms of the communities being served by voluntary and community sector organisations.

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