feature

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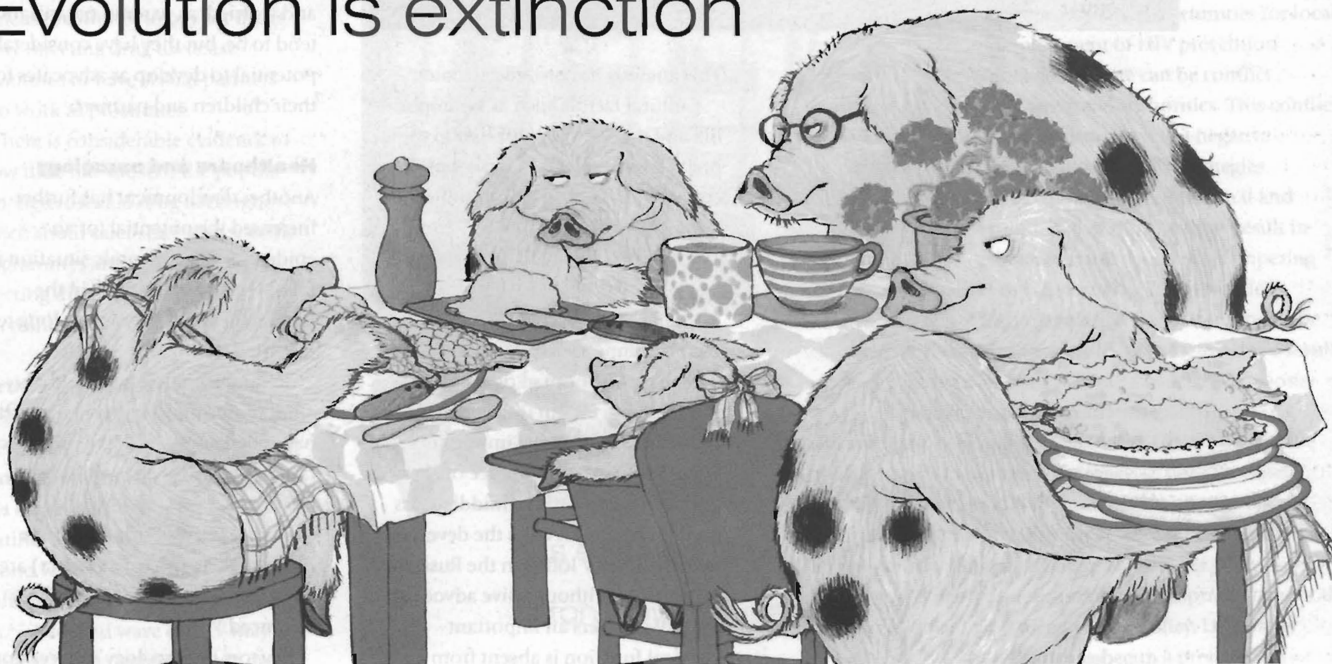
Service capacity crescendo

Evolution is extinction



As with innovation (see *Druglink* 1999 14(6), p.16), service expansion needs to be a deliberate policy to be successful

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The exhortation by Mike Trace, Deputy UK Anti-Drugs Coordinator, in *Druglink* (1999, 14(3), p.10) to drug treatment providers 'put yourself in the right position – get yourself ready to expand' would have brought the house down at many conferences. But voluntary sector providers have heard this all before.

A commissioner of drug services has said that with so many funding streams available voluntary sector providers are like 'piglets sucking on a sow', they don't care which 'teat' they go to as long as it's not dry. NHS services, however, will never give up what they see as their rightful place at the 'feeding trough'.

This may be part of the problem that plagues growth in the voluntary sector – funding sources dry up and the scurry to find new resources makes planning for growth difficult. Money is often diverted into the statutory sector.

Commissioners and government agencies are in control if they want to enlarge smaller programmes to get better results, but this must be done within an 'outcome framework'. Funders of the voluntary sector tend to think that their money strengthens programmes *and* the organisations that run them. Business investors know differently.

Investors' perspective

Investors are clear on the difference, for example, between investment in on-going programmes, or in innovation which creates new programmes. They are equally clear about the difference between expansion of general capacity or explicit assistance for growth to a new plateau.

The voluntary sector makes much of their inability to expand small projects into large programmes. The issue is not the lack of examples of effective projects. It is the inability to move from one project that serves a hundred to a major system, which serves thousands. Many isolated and brilliant small projects become ineffective when enlarged.

One reason that programmes with promise do not expand effectively is the lack of tools to enlarge the organisations that fund and run them. Simply pouring money into 'capacity building' in organisations does not necessarily build sustainable growth, often it's just another form of operating support. Internal processes (including 'total quality management' and strategic planning) rarely get a voluntary sector enterprise beyond incremental growth.

For years, there has been little interest in expansion. Many funders have held an implicit bias towards the

support of smaller projects, which they presume to reflect diversity. This allows money to be distributed among many groups, perhaps in local wards or other voting areas.

The recent focus on outcomes has put new energy in the quest for selective growth in the voluntary sector. As funders turn into investors they become dissatisfied with groups who have so many operating costs that they spend too much energy on survival. The reality is that larger voluntary sector projects can cost less to expand efficiently than smaller ones.

Selecting targets

Which projects offer the best bet for growth? The answer is complicated. Factors that predict success at an enlarged scale may not be those that explain success at the present size. One method of assessment is to look separately at capacity and readiness.

When looking at capacity for growth, investors consider the products and services of a business in terms of comparative advantage, market size, and current 'market share'. Looking at readiness, they consider the leaders and key stakeholders. Will current leaders be able to accommodate growth and lead it? Questions of capacity and readiness generally do not have yes or no answers, rather they are points to be reached along a continuum.

A second assessment method separates the questions 'can it grow?' and 'should it grow?' In some conditions the presence of a few large groups in a region may adversely influence human gain. There is also evidence that very large organisations find it difficult to sustain uniformly high quality client service at a larger scale.

Investors tend to look beyond questions of organisational survival and seek increases in quality to drive growth – maybe an increase in services to current clients, or supplying more individuals with services they cannot otherwise get. Qualitative improvement is what makes growth a preference rather than a necessity.

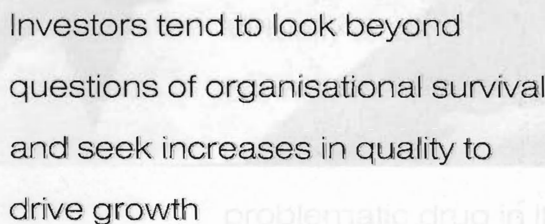
If a group is in the right time and place for growth, then a growth limit should be set. A size target is preferable to unlimited expansion, but setting the level for growth is not easy. It can be useful to think not of optimal size but of the next step up that makes sense for the organisation.

Sustainability

Often terms are used that do not sufficiently define size – one is 'sustainability'. Organisations should move from current fragility to future durability. Yes, but what does that mean?

To be sustainable an organisation often needs: more approaches and interventions to reach and keep more customers, a high number of funding streams to support core services, and proof of outcomes to show impact rather than just activity or process. They also need a clear means of recruiting, training and engaging their staff. Only when clearly identified can all these factors be addressed strategically.

Investment in growth for voluntary sector projects is similar to investment in growth for profits – they both develop and use an explicit set of principles.



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Here are seven proposed guidelines:

1 Differentiate between grants for gradual expansion and those for concerted growth to a target. An organisation without an explicit well-reasoned growth target, which can be met by a trend line extended from current performance, is not a good bet for a growth investment. Growth is not an extension of current practice, it is a change to current practice.

2 Understand the critical role of the visionary leader. Voluntary sector projects can and do improve through participation and consensus, but growth from one level to another requires a new result, invariably seen first by one or two people. Leaders must set the target and ask their staff to consider ways to reach it.

3 Clearly separate finance for growth from funds for expanded programme services. Money explicitly used to capitalise growth is rarely used for programme services, including additional staff. Rather it will finance some kind of 'lever' that allows the organisation to move to the target size.

4 Organisations who get growth investment must employ people to fit the future – not the present. The finance manager for an intended £600,000 enterprise needs different skills (and salary) than the treasurer for a current £60,000 project.

5 Set an explicit growth strategy. It must go beyond commonplace expressions of vision, mission, goals, and activity. It must deal with how the organisation increases market share in some form and how it will finance itself at a higher level of operations.

6 Consider different growth strategies before one is chosen. Include these generic options:

Programme-based mergers and strategic alliances, which acquire new customers, funders, and delivery systems already up and running;

Significant expansion of existing programmes – possibly displacing other groups that offer services the new programmes will do better or at lower cost;

New product development, such as serving new customers or supplying more services to existing ones;

Form or acquire new support services that would otherwise be purchased through other contracts (transport for people to attend, crèche facilities, interpreter services and so on).

7 Define the level and nature of finance. Many voluntary services fizzle out because they cannot support their own growth. Statutory services are at similar risk but evidence of their failure is harder to spot without external audit, due to historical Health Authority and NHS Trust finance and management practices.

All told, investors in voluntary sector growth put their money squarely on outcomes. They are not interested in the creation of a larger organisation for its own sake. They want to improve the social and human gain as return on their investment. Planned growth of selected voluntary sector providers is one means to that end ■