

Network model & governance:

Selected excerpts from research literature &
peer interviews

Summer 2012



Network model & governance: Findings to date

- Benchmarked peers cited similar **challenges managing network growth, quality and sustainability as they evolved**
- This is because **sites vary in what level and types of support they need over time**. Managing a network successfully requires effectively handling site variability
- To operate a growing network successfully, **national HQ and local affiliates must decide how best to divide a core set of responsibilities and decisions**
- Some best/common practices are consistent across peers, including placing at national those **national services most valued by local sites**:
 - Marketing and branding, media and public affairs, advocacy
 - Site capacity building, especially site staff training
 - Management of program quality and outcomes, research and evaluation
 - Program content/curriculum
 - Day-to-day support and running of basic business operations (e.g. IT, finance, etc.)
- In other areas, both the benchmarking interviews and literature review indicate that **very different approaches to governance and network management can succeed** – as long as they align with the specific needs, culture, and circumstances of the particular organization
- Ultimately, **decisions about network governance and services can have significant long-term implications for both sites and HQs; these are important to consider and plan in advance**

Network model & governance:

Common challenges and network evolution

Nearly all benchmarked organizations commented on the challenges of growth, quality and sustainability as networks evolve and sites mature, leading to changes in their network governance practices over time

“When I first joined, sites would go off on their own and have their own boards and do their own back office. It was not the best way to manage growth, quality, sustainability. We added more management structure. There’s no question in my mind that we would not be able to grow to our current size and improve client outcomes at the same time without this structure.”

“When we first rolled out to new sites, there was a lot of noise in the system about decision-making rights. I spent the better part of a year traveling to all our sites, asking them what it was they really wanted, before we developed our current approach.”

“We used to have sites with huge deficits and huge surpluses. Sites were not financially stable. We created our national financial policies many years ago in response. Since then we have added significant financial management systems and continue to evolve our policies.”

“In the beginning, we used to take all national costs and divide it pro rata among the sites based on the number of students and staff. Then we added national functions that were not directly about supporting sites, and we didn’t feel this should be charged to sites. So we had to change the way we did this.”

“We realized that as you grow, if you keep everything centralized, it’s harder to achieve growth goals. It’s much easier to achieve revenue goals if sites are responsible for achieving own budget. And we found we attract higher quality local staff when they have more autonomy.”

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Key responsibilities and decisions

Every networked organization needs to decide how to allocate responsibility and decision-making authority to national and local for the areas below. Some responsibilities are best assigned to national, others to local sites. Where to assign the remaining responsibilities depends on each organization's strategy, model and culture.

Strategy/ Financial	Program	Staff	Operations	Marketing/ Branding
<ul style="list-style-type: none"> • Strategic/ growth planning • Budgeting • Financial management • Fundraising and reserves • Audit 	<ul style="list-style-type: none"> • Client definition • Outcomes definition • Program development • Program delivery • Partnerships • Quality assurance • Research & evaluation 	<ul style="list-style-type: none"> • Site ED hiring, firing, management • Team structure • Staff salaries • Staff training/ capacity building • HR policies and procedures 	<ul style="list-style-type: none"> • IT and data systems • Financial systems • Real estate/ facilities management • Policies & processes 	<ul style="list-style-type: none"> • Brand definition • Marketing • Public relations • Advocacy


Note: Items in bold were identified by benchmarked peers as the national services most valued by sites/affiliates

Network model & governance: Literature review learnings

- Research indicates that varying approaches to governance and network management can succeed, as long as they are tailored to the specific circumstances and needs of the particular organization
- Choices about where decision-making authority lie need to align with the accountability/responsibility for the results of those decisions
- On a spectrum of full national control to full local autonomy, most organizations end up near the middle on the spectrum overall. However, choices regarding how to handle specific organizational functions vary widely
- Once choices are made about governance and network management, these choices are not static. They need to be revisited and updated as individual sites and the overall network mature
- In addition to the impact of these choices on the relationship between national and local, there are a number of key impacts for national that are important to consider and plan for

Network model & governance:

Responsibilities & support may also vary based on local site life stage

	Early stage?	Emerging?	“Mature”?
Increasing responsibility tied to evolution? 			
Student outcomes			
Program implementation			
Staff levels & performance			
Overall fiscal health			
Funding raised			
Board strength			
Other dimensions? (minimum budget size, # of staff or students, culture, local reputation, others?)			

Network model & governance:

Other implications for local affiliates & for HQs

Local affiliate implications: Growth in number and diversity of sites has implications for how sites interact with NA

- More consistent and formalized systems and processes
 - Clear, defined and consistent (vs. ad hoc and unique) roles for national and local teams and boards
 - Single formal point of contact (vs. multiple informal relationships) for local sites to navigate national support teams
- Greater site autonomy aligned with greater responsibility for site success
- Growing importance of shared national identity and culture, reinforced through frequent communication across sites and with national

HQ implications: Growing a national network has implications for HQ as well

- Professionalization and specialization of national staff
 - Services to sites increase need for more specialized and professional central staff
 - COO/VP Network role often needed to manage network and delivery of services
 - More formal and codified systems and processes needed as complexity and variability in local sites increase
- Impact of growth on organization's overall financial health
 - Financial health of most networked organizations remains fragile – not increasingly stable with growth
 - Economies of scale and experience not consistently seen
 - Dues rarely cover the cost national spends to provide services. Services to sites cost benchmarked peers approximately \$2 for every \$1 in dues received
- Evolution in role of national Board: Shift from more operating/programmatic to more governance and fundraising role

Appendix

Network model & governance:

Interview questions

- **Local planning:** *How and by whom (HQ, affiliates) are impact, growth, program, fund raising, and other goals determined? What support does HQ provide?*
- **Innovation & program consistency:** *How are core program elements determined? How and when do affiliates experiment (innovate) with new program components, and what is the involvement of HQ? (e.g., funding & other incentives, QC)? How do HQ and affiliates ensure alignment around impact and QC? Under what circumstances can affiliates “opt out” of recommended program components?*
- **Services provided to affiliates:** *What services & support does HQ provide to affiliates and why (e.g., how are these determined)?*
- **Dues:** *How does the organization determine dues to HQ, fees for services, and/or other payments from affiliates to HQ? (What payments flow from HQ to affiliates?)*
- **HQ costs/efficiency:** *What is the relative efficiency (% of total cost; % of total personnel) of HQ relative to the total organization budget (and why)?*
- **Revenues & reserves:** *What is the division of responsibility for fund raising? What happens in the event of a surplus or deficit?*
- **Supervision:** *What is the division of responsibility for affiliate leader hiring & management?*
- **Org structure:** *What are the benefits and drawbacks of operating under a single 501c(3), vs. separate 501c(3)'s?*

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Strategy/Financial findings

- Strategic/growth planning and budgeting:
 - National is responsible for overall strategic and growth planning for the network across all benchmarked peers
 - Across most peers, local sites are responsible for developing local growth plans and budgets, but growth plans and budgets are approved by both local and national teams
- Dues:
 - Local sites pay dues at all benchmarked organizations
 - Local dues do not cover national support costs at any of the benchmarked organizations (often less than 50% of total national support costs)
 - Need to communicate proactively to ensure sites understand and accept dues
- Fundraising:
 - Primary responsibility for local revenues usually resides with sites, except in the case of new sites for some benchmarked peers
 - Fundraising surpluses and deficits are handled differently by different organizations. While surpluses and deficits “reside” at local sites with some peers, at other peers all local surpluses and deficits are shared with national
- Financial systems, management and audit are valued as a key national service at most peers

Network model & governance: Program

- Client and outcomes definition is typically held by national across most benchmarked peers, including both single and multiple 501c(3)s
- Program development and delivery:
 - In nearly all benchmarked peers, national dictates key program pillars, components and/or curriculum which must be adopted by all local sites
 - The role of national in new program development varies widely across benchmarked organizations. At some peers, program development is strongly controlled. At others, the national team develops program curriculum, but nearly all curriculum is optional at the local level
 - National HQ is involved in program delivery at some peers, and not at others
- Quality assurance and research and evaluation are seen by peers as a key role for national:
 - From the literature review, YouthBuild USA adopted a tighter network governance model in response to affiliate requests to better control site quality and associated branding

Network model & governance:

Staff



- On ED hiring and firing, there was a clear difference in the approaches of single and multiple 501c(3) organizations
 - At all single 501c(3) peers, a member of the national team selects local site directors. Because local advisory boards do not hold fiduciary responsibility, they participate in hiring either by interviewing the candidate and/or holding veto power on the selected candidate. Local advisory boards have no authority to fire site directors.
 - At all multiple 501c(3) peers, because the local board holds legal and fiduciary responsibility for the organization, they make the hiring decision
- One of the national services most valued by sites is national's role in training staff and building staff capacity
 - However, National must be intentional/proactive to build local site capacity successfully because it is easy/natural to build the national team capacity instead
- HR policies and systems are typically rolled out from national at most benchmarked organizations
- Local staff structure and salaries are handled differently at different organizations. While some peers have a “standard team” at local sites, these can vary considerably across different local contexts

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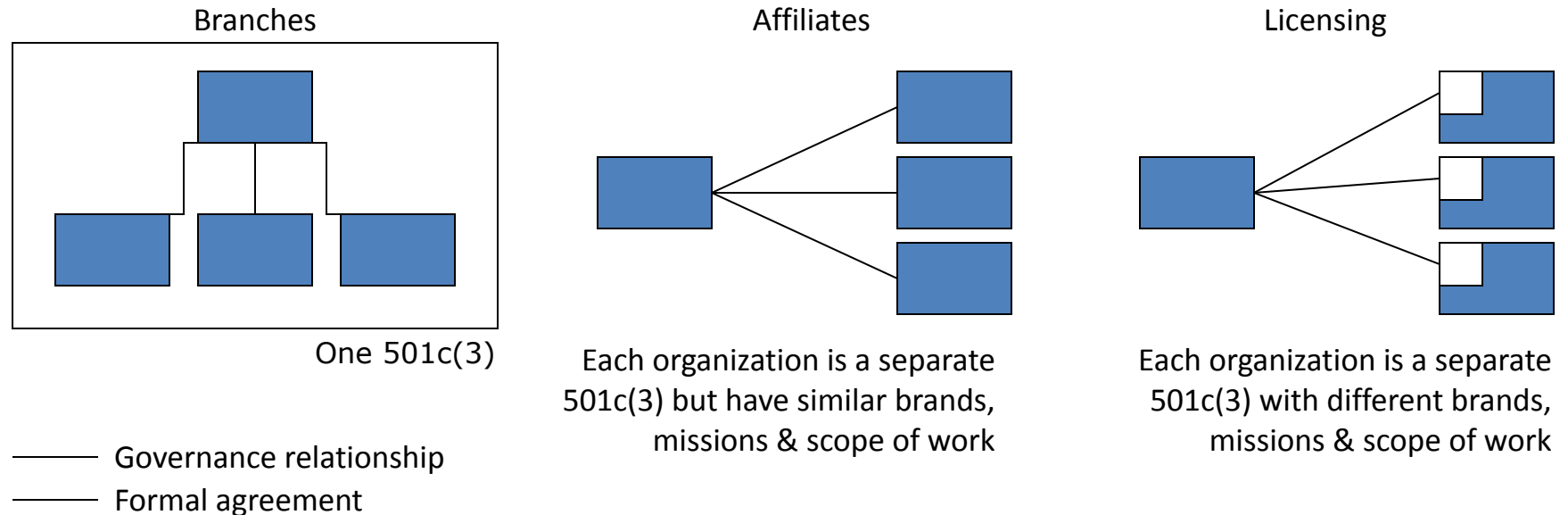
Operations and Marketing & Branding

- Across several peers, one of the key benefits cited of national HQ is the ability to provide key back office functions while local sites focus on program delivery
- Local directors of benchmarked sites see marketing and branding, media and public affairs, and advocacy as key activities that national teams are uniquely situated to take on
 - In particular, the financial cost of marketing and branding can be prohibitive for affiliates. National can make bigger investments in these efforts – staff, partnerships, and marketing – which can then be used across the network

Network model & governance:

Literature review Appendix A - Definitions

- Branches – Creation of local sites through one large organization, typically one 501c(3)
- Affiliates – Formal relationship defined by an ongoing agreement between two or more parties to be part of an identifiable network. Agreements may contain guidelines on such areas as brand, programs/principles, funding/dues, and reporting. Typically affiliate are wholly dedicated to the work, but have separate 501c(3) status
- Licensing – Formal relationship defined by an ongoing agreement between two parties, where one organization pays for the use of the brand and/or programming belonging to another organization. Typically two separate 501c(3) where the first has a mission that encompasses but is not limited to the work of the second. Can be considered a model within the Affiliate approach, or a different model altogether



Network model & governance:

Literature review Appendix B – Description of sample orgs

Organization	Description
Citizen Schools	Offers after-school activities, including apprenticeships with adult professionals, which strengthen academic skills, develop leadership skills, and build community connections
College Summit	Provides college transition systems for all high school students, including training of influential students and teachers
Earth Force	Engages youth in 5 th -9 th grade in environmental projects, giving them knowledge and skills to turn their passion for the environment into lasting change in their communities
Jumpstart	Recruits, trains, and supervises college students to work one-on-one with preschoolers who are struggling in Head Start and other early childhood programs in low-income neighborhoods
NFTE	Works to teach entrepreneurship to low-income youth, by creating curricula; training teachers and youth workers; partnering with schools, universities and CBOs; and supporting alumni
The Posse Foundation	Identifies students with extraordinary leadership potential and places them in supportive, multicultural teams, providing pre-college training, mentoring at college, and post-college career support
Public Allies	Develops the leadership potential of young adults through a 10-month program of paid apprenticeships in nonprofit organizations, weekly leadership trainings, and service projects
The Steppingstone Foundation	Develops and implements academic programs that prepare underserved urban schoolchildren to enter and succeed at top independent and public-exam schools
YouthBuild USA	Engages low-income 16-24 year olds in an alternative school to obtain their GED or HS diploma while they gain job skills through building housing for homeless and low-income people; strong emphasis on college access, community service, and leadership development

Source: "Growth of Youth-Serving Organizations"

Prepared for Summer Search by John Newsome and Rita Louh

Network model & governance:

Literature review Appendix C - Sources and processes

- Process
 - Review 10-15 articles on replication, governance and scale
 - Concentrate on top 3-5 articles focused on replication and network governance
 - Identify key themes from each article. Look for similarities/differences across articles.
 - Combine learnings to develop overall frameworks, and map examples from articles to frameworks.
- Sources
 - **Bradach, Jeffrey. (2003). *Going to Scale. The Bridgespan Group.***
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 - Clarke, Jody, Chris Dede and Diane Jass Ketelhut. *A Design-Based Research Strategy to Promote Scalability for Educational Innovations.* Arizona State University.
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 - Letts, Christine, William Ryan and Allen Grossman. "The National Office: Leading Program Expansion by Supporting High Performance" in *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* (New York: John Wiley & Sons, 1999).
 - Summerville, Geri and Becca Raley. (2009). *Laying a Solid Foundation: Strategies for Effective Program Replication.* Public/Private Ventures.
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Note: Sources in bold were used most extensively in the development of this literature review