Network *Organizational Structures*

1 Purpose

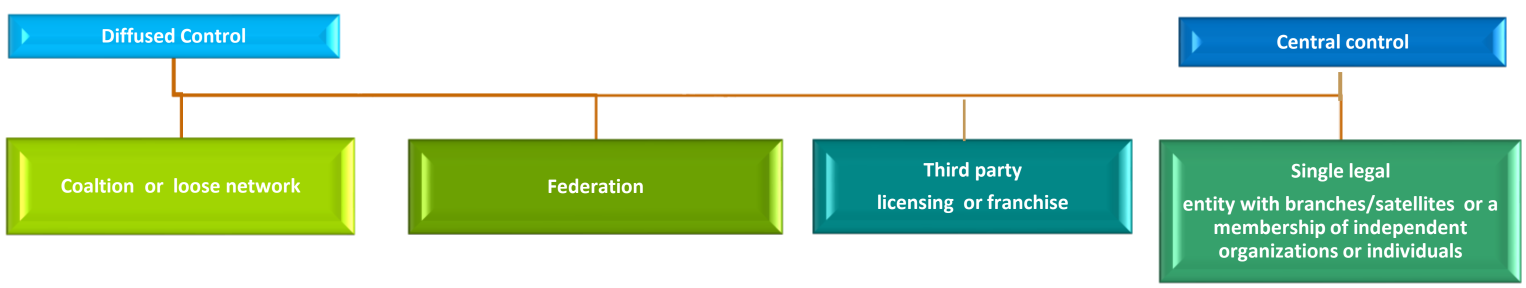
The purpose of this discussion paper is to provide initiatives with information that frames and informs decisions about creating the best possible organizational structure and processes. The contents of the paper include a description of the range of organizational options with definitions and examples as well as their corresponding advantages and disadvantages. It also identifies the key success factors that should be present in a strong network structure.

2 Organizational Options

There is a variety of options that can be used to create nationwide reach. The following diagram shows the different types of organizational structures and places them on a continuum ranging from those that are more centrally controlled to those with more diffused control. However, it should be noted that even within each of these types of structures, there can be a range from those that are more integrated to those that are not. For example, while a single legal entity may be more centrally controlled, it can also distribute its authority and decision-making widely. Conversely, a federation or coalition has more diffused control, but can put mechanisms in place to create more cohesion and integration. It's also possible to combine elements so, for example, a single legal entity can deliver certain activities centrally, while having a third party delivering a standardized program and a partnership within a looser collaboration to achieve other mission activities, such as advocacy.

One of the challenges of talking about different organizational structure is language. Broadly speaking, a network is defined as a '*group of people or autonomous organizations which choose to work together collectively to achieve a shared set of goals*'. The term network is often used interchangeably to describe collaborations, coalitions, federations, partnerships, strategic alliances and associations.

Here is a visual representation of the different options.



The following chart shows the definition of the different kinds of structure, with examples, and the corresponding advantages and disadvantages.

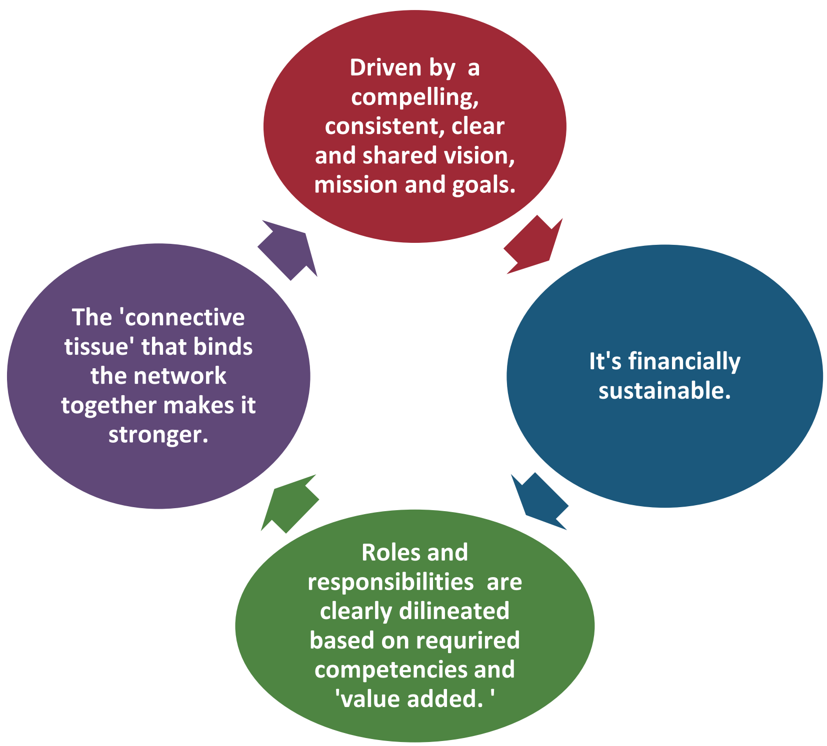
Type	***Single legal entity with branches or satellites or a membership of independent organizations or individuals***	***Network of partner sites with third party licensing; franchise***	***Federation***	***Collaborative***
Definition	*An incorporated nonprofit with a Board of Directors with the legal responsibility for the organization and legally bound together through by-laws and policies. Staff usually report through a hierarchical structure.*	*An initiating organization provides detailed and largely invariable program guidelines to another organization in exchange for a contractual agreement to adhere to certain performance standards and to maintain the program's integrity.*	*A partnership that serves a public good and includes a national or provincial organization, affiliate branches and/or some form of local and/or regional bodies that share a mission, brand and program model but have legal independence from one another.*	*A group of people or autonomous organizations which choose to work together collectively to achieve not only their own goals, but the collective goals of the network as a whole.*
Examples	**Canadian Community Economic Development Network** ▪ An incorporated charitable organization ▪ Staff report up through to the CEO ▪ Member driven and comprised of community-based organizations ▪ Members are actively engaged in governance and operational committees and are consulted about strategic directions	**Pathways to Education:** ▪ An incorporated charitable organization with a Board of Directors and staff reporting through a hierarchical structure ▪ Works with third party organizations with a complementary mission to deliver its flagship program based on a license agreement that protects the trademark ▪ Creates clear program standards that must be met with mechanisms to monitor and evaluate compliance ▪ Works collaboratively with the staff within the third party organizations who is responsible for delivering the program as well as with the Executive Director ▪ There is some alignment in strategic directions between Pathways and the third party partners ▪ The Pathway's program brand is a brand within the larger third party organizational brand	**Habitat for Humanity** ▪ A national incorporated charitable organization ▪ With legally autonomous affiliates in all the provinces and territories across Canada ▪ Staff report to their respective Boards and Executive Directors ▪ The national holds the brand license ▪ National and affiliates use the same brand, program criteria and delivery ▪ The national Board is comprised of representatives from affiliates ▪ Some affiliates cover regions and others specific cities ▪ *Restores* are a social enterprise that funds some of the administrative work of the affiliates	**The Low-Income Energy Network:** ▪ Network of autonomous member organizations ▪ Advocacy Centre for Tenants Ontario, one of the founding members, acts as a lead agency and trustee for grants and provides infrastructure support and project supervision ▪ A Steering Committee, with representation from network partners, directs the network ▪ A Network coordinator reports to the Steering Committee

Type	***Single legal entity with branches or satellites or a membership of organizations or individuals***	***Network of partner sites with third party licensing; franchise***	***Federation***	***Collaborative***
Advantages	▪ Allows for direct legal control over all aspects of the organization and programs ▪ Consistency in governance, operations, systems and processes and programming; less duplication ▪ Faster decision-making and higher levels of accountability ▪ Easier quality control ▪ More brand consistency ▪ Easier to manage experimentation and innovation ▪ More efficient and integrated revenue development ▪ Can build integrated internal capacity	▪ Allows for consistency in program delivery and quality control ▪ Leverages existing knowledge which enables faster and less expensive program implementation ▪ Allows for more immediate access to and engagement of champions, resources and expertise in local communities ▪ Reduces start-up and ongoing operating costs of running branches/satellite offices ▪ Ability to provide/access nationwide training, processes and other centralized services ▪ Creates controls and incentives because of ownership of the trademark and materials	▪ Allows for deeper organizational capacity in communities ▪ Creates potential for greater consistency in brand, governance, operations; systems and processes; and programming ▪ Creates incentive for each organization to generate revenues ▪ More local presence for whole organization (*versus only a program in the franchise model*) ▪ Potential for more integrated revenue development ▪ Creates controls and incentives because of ownership of the trademark	▪ Can draw on membership to harness capacities and resources and create credibility ▪ Collective actions can build momentum ▪ Allows for the sharing of roles, responsibilities and resources across partners ▪ Can have a wide range of membership from diverse organizations or individuals ▪ There is little concern about reputational risks ▪ Membership can be highly exclusive or inclusive
Disadvantages	▪ Less presence and credibility in local communities ▪ More difficult to recruit and engage volunteer leadership ▪ Less able to be responsive to unique community needs ▪ Heavier top-down authority and potential for bureaucracy ▪ Higher start up and ongoing operating costs	▪ Little control over the organization (*e.g. governance, operations, culture*) so higher potential for reputational risk; less streamlining for efficiencies; more diffused decision-making; less strategic alignment; more limited ability to build brand ▪ Less able to create innovations and adapt to local contexts (unless allow for experimentation) ▪ Program is one among others; brand within a brand ▪ Higher potential for turnover of organizations ▪ Only focusses on delivery of one program rather than full nationwide mission	▪ High degree of duplication and loss of efficiencies of scale ▪ Little control over federation partners, except through persuasion and ability to withdraw trademark ▪ Highly process intensive to arrive at decisions and consensus ▪ Difficult to find a fair revenue sharing formula ▪ Difficult to manage reputational risk ▪ Shared decision-making structure required to make collective federation decisions (*e.g. Council of Chairs and a national Board of Directors*)	▪ Doesn't allow for the delivery of a highly standardized program model ▪ Requires a high degree of engagement to arrive at shared goals and to organize and mobilize members ▪ The central organization must raise the funds to operate through a value-add to the membership (services can become more important than mission) or a lead agency becomes the 'intake' for funds ▪ Challenging to identify and keep focus on collective goals

3. Criteria for Success

There is no ideal organizational structure; each has its advantages and disadvantages. The goal is to identify the best possible model based on the purpose it's intended to fulfil and the unique circumstances of the players (*e.g. history; cultures; external opportunities and threats; capacities*). Once the broad structure is selected, the goal is to design it to fulfill its purpose, meet the key criteria of success and build on the advantages presented by the model, while mitigating its disadvantages.

The following criteria describe the key features of a successful network structure. It provides a framework for initiatives to reflect on whether its current structure delivers on these success factors and to identify where it falls short.



Success factor: Driven by a compelling, consistent, clear and shared vision, mission, values and goals

The design of an organizational structure is driven by the goals it's meant to achieve – so form follows function. It's important to be clear about what it wants to accomplish before determining how it should be structured and the best strategies for making it work. For example, a goal of delivering a highly standardized program could lend itself to a different organizational design than a goal to galvanize the public around an issue. When there are multiple goals, it is critical to understand how they may conflict and what tradeoffs are acceptable.

It's critical to ensure that key internal stakeholders have a shared understanding of, and commitment to, the collective vision, mission, goals, values, targets and deliverables. In order to hold internal stakeholders accountable for delivering on the outcomes, they must feel a sense of ownership for them. The only way people feel a sense of ownership, is when they have helped to create them and believe their views were heard and integrated. In the case of more diffused structures, getting consensus from partners (*e.g. multiple Board members and staff in partner organizations*) can be more difficult. However, without this alignment, internal stakeholders are driven by different expectations and motivations, they sometimes work at cross purposes, and the network runs the risk of being pushed and pulled in different directions. A shared sense of direction will help ensure everyone is working cohesively to advance the mission; in other words, everyone is rowing in the same direction.

The unifying purpose which binds the organizational structure together must:

- *Energize and galvanize all those who are a part of it;*
- *Generate a sense of mutual self-interest;*
- *Be grounded in a clear understanding of the environment, solid evidence of need and an ability to deliver on measurable outcomes;*
- *Demonstrate that it is unique and doesn't duplicate what already exists;*
- *Be clear enough to close the door on a diversity of interpretations, yet also leaves room for innovation and responsiveness;*
- *Be driven by a sense of shared urgency about what needs to be done and why.*

Success factor: It's financially sustainable

In any organizational model, the economics must make sense. There should be a clear match between expectations and resource availability; the right competencies (*skills, experience, knowledge, mechanisms*) to fully capitalize on revenue opportunities; and streamlining that finds efficiencies of scale and avoids duplication.

The key questions that need to be asked are:

- What is a realistic assessment of the total revenue potential for all the parts of the network/organization? How can we together create a bigger 'pie'?
- Where are the specific opportunities to grow revenue and how can we capitalize on them? Do those opportunities align with the markets/communities that we need to be in to achieve our mission? If not, are we prepared to share revenue across the network in order to be in that market/community? As it relates to sustainability, how do we define a "viable organizational partner"? [*Which takes the conversation back to the collective mission and outcomes*.]
- Are we capitalizing on a consistent and compelling brand? What is our competitive advantage? Are there ways to work with our competitors?
- What kind of infrastructure can our current or potential revenues realistically sustain? [*Rather than what revenues do we need to generate in order to sustain our infrastructure?*]
- Who is in the best position to generate what sources of revenue? Is it donor and/or market centric?
- What tools, protocols and processes need to be in place to build capacity, mitigate internal competition and ensure there are efficiencies of scale?

When thinking about revenue, it's important to separate conversations about how best to generate revenue from how those revenues are shared (*e.g. subsidies; fee; royalties, retained or distributed*). When they are combined in decision-making, it can lead to the selection of the wrong revenue generation approach based on 'who gets what' versus 'who is in the best position to raise what funds'.

Success factor: Roles and responsibilities are clearly delineated based on required competencies and 'value added'

A strong organizational structure starts from the premise that the collective resources and competencies of all the parts are greater than the individual contributions. In order to achieve this, it is critical to clearly articulate the collective competencies that are required for success and then ensure they can be drawn from within the network.

In the case where there isn't the competencies (*e.g. skills, knowledge, expertise, resources*) available to achieve the mission, then there are two options. One is to revise the mission to align with the available competencies. The second, is to grow or reallocate the competencies to ensure they can advance the mission. In the case of more complex and diffused organizational structures, what is taken as a lack of capacity is often, instead, an issue of how capacity is allocated. For example, there may be ways to integrate functions, such as administration, data management, education, audits and human resource management, so they avoid duplication and are better placed to be effective.

The delineation of roles and responsibilities should be based on a symbiotic relationship. The goal is to ensure that they:

- ✓ can deliver the right impacts;
- ✓ are complimentary and avoid duplication;
- ✓ are driven by who is in the best position to do what (*e.g. what can be done centrally versus what must be done locally*);
- ✓ allow the network to be nimble and take advantage of changing opportunities and challenges;
- ✓ help with ease of management;
- ✓ harness strengths and compensate for weaknesses;
- ✓ are clearly described so there isn't multiple ways to interpret them;
- ✓ and align the assignment of responsibility with the authority to carry it out.

It is important to distinguish between who does what (*e.g. planning, back office, program design, research and evaluation; quality assurance, fundraising, program delivery, building and maintaining external relationships*) and who decides what (*e.g. human resource management, budgeting, purchasing, policies, salary structure, program changes; deliverables to external stakeholders*). Making this distinction, will help create clearer accountabilities.

At the heart of the discussion about roles and responsibilities is the question about how each part of the network is adding real value. It's also important to have a clear mechanism in place evaluate the delineation of roles and responsibilities on an ongoing basis to ensure they continue to be valued, relevant and deliver on desired outcomes. Some networks, for example, have developed 'report cards' that evaluate the degree to which each part is achieving its outcomes and fulfilling its responsibilities.

It's worth noting that the delineation of roles and responsibilities can make perfect sense, but still not work. In this case, it's important to explore whether negative attitudes and perceptions are getting in the way. The negativity may stem from past events or from personalities that simply don't function well in a network (*e.g. they aren't comfortable as a facilitative, team player*).

Success factor: The 'connective tissue' that binds the network together makes it stronger

Network partners come together because they are motivated by a compelling and unifying purpose and a shared definition of success. There is a clear sense of interdependency. Each partner needs to feel that the benefits they derive from participation (*e.g. credibility and influence; access to resources; connections and relationships*) exceed the hard and soft costs (*e.g. time spent in coordination, consultation, reporting*). Given that a network structure is not bound together by legal status, other mechanisms (*e.g. agreement, sharing of funds, brand, systems, protocols, access to materials*) are required to ensure cohesion, quality and sustainability.

The real challenge is to find the right balance between having enough rules and processes to:

- ✓ ensure fidelity to the key elements required for success;
- ✓ clearly outline expectations and promote accountability and compliance;
- ✓ create cohesion;
- ✓ facilitate efficient decision-making;
- ✓ and ensure quality;

without them impeding:

- ✓ the harnessing of unique local experiences, talents and perspectives;
- ✓ inclusive decision-making;
- ✓ the spirit of a movement, as opposed to just a set of programs;
- ✓ local responsiveness;
- ✓ and learning and innovation.

A network structure, compared to a single legal entity with branches or satellites, requires a significant investment of resources allocated to processes (*e.g. consultation and engagement; decision-making; data collection; evaluation*). By nature, a network is process intensive and there are no shortcuts in the name of efficiency. But if there is a shared sense of purpose, clear expectations and the processes are reasonable, transparent and play to each partners strengths, then the investment in process will build trust and enhance accountability.

One of the most important investments in successful networks is ensuring the two-way communications between partners is timely, transparent and easily accessible. Another is that all partners make a real commitment to engagement, including an investment in authentic consultation, dialogue and consensus building. In the case of more diffused networks, decision-making is more complex. It requires a shared leadership structure so the conversation isn't 'who is the boss of who', but rather who is in the best position to make what decisions and what mechanisms ensure that the voice of key stakeholders is heard in decision-making.