



## When the network does not work

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The Centre for Social Impact (CSI) is a partnership between the business schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and The University of Western Australia. It brings together the committed hearts and business heads of the philanthropic, not-for-profit, private and government sectors in pursuit of social innovation. It provides socially responsible business management education and research in the common cause of building a stronger civil society for Australia.

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There are times when an NGO network does not work. With the best will in the world, many networks of NGOs are black holes of energy: everyone puts energy in, and not much comes out. Each member then does their own thing. The network loses coherence and effectiveness. Opportunities for social impact are lost.

Global networks viewed from Australia can be particularly scary. Affiliates in other countries are larger and closer to each other. Do any of the following three scenarios resonate?

- An Australian nonprofit develops a world-leading internet innovation. Americans and Europeans see its success down under and try to adopt and adapt. But the adaptations weaken the model and threaten the coherence of the presence on the web. Can the Australian NGO continue to lead its affiliates as they each become larger than the founder?
- An Australian member of a global NGO network develops innovative models for both impact and fundraising. The innovative models succeed, yet the global network makes decisions that reflect the needs of the large American member, and get in the way of the successful Australian one. How can the Australian team influence its peers to help grow impact, both in Australia and around the world?
- An Australian network of state-based associations faces a long-term loss of volunteers. The network is itself part of a large global network of similar organizations with millions of volunteers. Yet the Australian network has trouble coordinating the seven states, let alone learning from around the world. How can the Australian leadership make the best of the global network to create an agenda to bring the state organizations together to reverse the decline?

The issues Australians face in global NGO networks are often mirrored in networks within Australia. The Royal Flying Doctor Service is an association of state organizations, with a national coordinating body. United Way Australia is an association of local organizations, and is, itself, a member of a global organization. Networks of nonprofits within Australia are a microcosm of NGO networks globally.

Winning ways within networks in Australia can be mirrored by winning ways in networks globally. Small states can sometimes be highly influential. And effective networks benefit all members, small and large, and therefore drive social impact.

While networks sometimes do not work, they can be very impressive when they do. Some of the most complicated networks of NGOs are global. Emerging patterns of success in global networks suggest how Australian NGOs can be effective in global networks, and how to make networks work better within Australia.

Global networks of NGOs have prospered over the past couple of decades. Official humanitarian assistance has roughly tripled in real terms over the past two decades (Source: McKinnon Webster & Peter Walker, *“One For All and All For One”*, Feinstein International Center, Tufts University, 2009; commissioned by Oxfam America), driven by NGO networks such as Médecins Sans Frontières (Doctors Without Borders), Oxfam or Save the Children, which itself has more than tripled in revenue in a decade (Source: Jon Huggett, Katie Smith Milway and Kirk Kramer, *“Increasing Effectiveness in Global NGO Networks”*, The Bridgespan Group, 2009.)

Each of these networks has grown because it has been able to strengthen its local grass roots and become both globally coherent, all at the same time. Traditional thinking said you had to centralize or

decentralize. Some networks have grown by turning this thinking on its head by globalizing and localizing together.

Some global NGOs have grown by “radiating” from a founding organization and have remained relatively centralized, such as Feed the Children, Human Rights Watch, Nature Conservancy or Americares. The good news is that they have maintained coherence. The catch: they are all American. To grow across many countries, NGOs need grass roots in each country. Having roots in only one country seems to limit success, eventually.

Some global NGOs grew by “replicating” and are now highly decentralized, such as the movement of the Red Cross and Red Crescent or the YMCA. The good news is that each is genuinely local. The catch: the networks can become incoherent.

A simple choice between centralization and decentralization can look bleak from Australia. Centralization raises the spectre of power shifting offshore to a centre that neither knows nor cares what happens down under. Decentralization suggests isolation with little help from overseas in the form of knowledge, people or money.

The growing networks have been “integrating” to turn this thinking on its head by globalizing and localizing together. The good news: this can get the best of both worlds: global coherence and local relevance. The catch: it is very hard to do, and expensive, too.

This new approach can give small countries, such as Australia, both more influence and more benefits, if they can work the network.

Opportunity International, for example, was initially formed when an Australian and an American NGO started to work together. Both agreed that the Americans had the best fundraising model, while the Australians had the better program approach. Opportunity continues to draw on strength from both countries: Terry Winters, the board chair, is in Melbourne, while Adrian Merryman, the chief executive, is in the USA.

Paradoxically, it can also mean more influence and benefits for large countries, too. Traditionally dominated by the US member, World Vision created a global governance structure in which the US entity shared global power with smaller countries. Rather than have Americans review programs worldwide, the network shifted to peer review for quality control. This unleashed creativity and growth across the network, which now has a budget of over \$2B worldwide (Source: World Vision). The US gave up power to get power.

Twenty years ago Save the Children was, in the words of one its leaders, “more of a movement than an organization”. Now with revenue of over \$1B globally, Save the Children has worked to integrate its network with a “Unified Presence”. Before 2004 over 20 member countries ran operations, fundraising and advocacy programs. This often led to numerous Save the Children offices in beneficiary countries. Half of beneficiary country programs are now unified. The “Unified Presence” programme has driven harmonization across the network in finance, budgeting, reporting and planning. The aim is to both increase effectiveness and cut costs.

While the benefits are clear, so are the costs. No NGO finds this easy. Oxfam is examining a “Single Management Structure”. Médecins Sans Frontières is considering a new global governance structure. The African Medical and Research Fund, a \$79M, 900 person NGO network across Africa, Europe and America is working to turn “franchise AMREF” into “One AMREF”. No NGO yet claims to have a satisfactory system.

But some patterns are emerging among the successful “integrating” networks. The principles are management, impact and complementary relationships. A more traditional approach would say leadership, mission and structure. These are necessary, but not sufficient conditions for success in a network, which needs a focus on management, beyond leadership, impact, beyond mission, and complementary relationships, beyond structure.

Australia and Australians are well positioned to meet these challenges.

### Management, not just leadership

Leadership seems more appealing than management. Jo Owen, the author, tells me that his book “How to Lead” sells more than another of his books “How to Manage”. Some leaders in the sector will happily say that their organization is “Strongly Led and Under Managed”: they will confess bad management but not bad leadership. Leadership sounds like fun: setting visions, being innovative, and inspiring followers. Management sounds like hard work.

Social entrepreneurs now receive much due attention. These heroes innovate and start organizations to meet social needs. The Skoll Centre at the Said Business School at Oxford University gives awards at an annual ceremony. The School for Social Entrepreneurs is now being brought from the UK to Australia.

Leadership of global networks, however, suggests that managerial leadership works better in a network than a heroic entrepreneurial style. Effective management is a decision-making service for the heroes in the field drawing on “the wisdom of crowds”. Managers turn the hierarchy upside down: they serve the people in the field. The heroes in a successful network work on the front line.

John Heine was an Australian for-profit CEO who took SOLA (Scientific Optical Laboratories of Australia) from its Adelaide-based roots to a global company operating on five continents listed on the New York Stock Exchange. John argued that the role of global leadership was to provide a decision-making service to the field operations. He saw that there were advantages and disadvantages to a multinational being based in Australia. Coming from a small country gave management an outside-in perspective that helped understand global and local issues. The small home market meant management could never fall back on a large domestic operation. Management could never assume that the rest of the world was just like home. Global management needed to help each operation succeed by providing a decision-making service that was effective, efficient and responsive.

Many successful global NGOs are led by a management team, not a single leader. While global corporations have strong CEOs, many successful global NGOs share leadership. Médecins Sans Frontières, Save the Children, Oxfam, and Action Contre La Faim (Action Against Hunger) each have no single global CEO.

Consider Médecins Sans Frontières. It has five separate operating centres: in Belgium, France, the Netherlands, Spain, and Switzerland. Its network has fourteen more legally independent organizations in countries such as the USA and the UK, each of which fully participate in global decisions. A further eleven organizations exist in countries such as Brazil and India.

MSF has grown robustly over the past decade. At times it has had to turn down donations, as it has not been able to spend the money as fast as it has come in. It brings an increasing number of

western-quality medical interventions to the most dangerous and deprived parts of the world. And it now treats complicated diseases such as AIDS and Multi-Drug Resistant TB.

Managers in MSF often have experience outside their own country. The head of MSF in the UK, Marc Dubois, is American, while the head of MSF in the US, Nicolas de Torrente, is Swiss. Kris Torgeson, General Secretary of the International office in Geneva is American. Adrio Bacchetta, a Welshman, headed MSF in Germany.

World Vision has a global chief executive - Dean Hirsch – he reports to a board of 24 members from 19 countries chaired by a Canadian, Denis St-Amour. He also works with the leaders of each of the “interdependent” member countries, which share mission, values and policies, yet are legally independent and governed by their own boards.

Researchers have noted that effective management in nonprofits engages people in decision making (Source: “*Factors Affecting Member Perceptions of Coalition Impact*”. Rebecca Wells, Mark Feinberg, Jeffrey Alexander & Ann Ward; Nonprofit Management & Leadership, 2009); and that well-defined decision-making process can improve culture (Source: “*Boys Town: Using RAPID to Clarify Decision-Making Roles between Headquarters and Sites*”, Bridgespan, 2008). Jim Collins has noted “Most social sector leaders ... must rely on people underpaid relative to the private sector, or, in the case of volunteers, paid not at all.” (Source: “*Good to Great and the Social Sectors*”, Collins, 2005).

Leadership in NGO networks, global or otherwise, requires the hard work of management – providing an effective decision-making service as Australian John Heine used to say.

## Impact, not just mission

Most networks, global or national, share a mission. Good missions motivate, but are not sufficient for decision making, which usually requires a more specific definition of ‘intended impact’ (Source: “*Zeroing in on Impact*”; Colby, Carttar & Stone; SSIR 2003). A definition of ‘intended impact’ enables a nonprofit to focus (Source: “*Focusing on Impact*”; Huggett & Saxton; Bridgespan 2006). Without this a nonprofit or NGO network can become an archipelago of programs that share a common cause but little else.

Global NGO networks use definitions of impact to drive decision-making, innovation and even fundraising. For example, Habitat for Humanity International has, as different times, counted “houses built” and “families served”. This has helped it focus resources, share ideas and recruit supporters. (Source: Jon Huggett, Katie Smith Milway and Kirk Kramer, “*Increasing Effectiveness in Global NGO Networks*”, The Bridgespan Group, 2009.)

A clear definition of impact can help a small unit make a big contribution to a network, and receive much in return. Consider the Juvenile Diabetes Research Fund, a \$150M global network. It not only has a shared mission “dedicated to finding a cure” but also a sharp focus on impact – funding the highest quality research published in the most respected scientific journals.

While the Australian organization represents only 10% of the network’s revenue and 6% of its staff, it is highly effective with the network. It has funded over 95% of research in the field in Australia, assessed as top quality by peers outside Australia. The Australian organization can be effective within the global network because each part of the network shares the same definition of impact. It is effective because it works to help both itself and the network have more impact.

## Complementary relationships, not just structure

Instead of centralizing resources into a powerful headquarters, integrating networks use the principle of “complementarity”. (Source: Jon Huggett, Katie Smith Milway & Kirk Kramer, “*Increasing Effectiveness in Global NGO Networks*”, The Bridgespan Group, 2009.) They globalize without centralizing. A key ingredient is differentiated roles within the network for “virtual scale” and to strengthen interdependency.

Action Contre Le Faim distributes global roles among its members. UK CEO Jean-Michel Grand commented: “there is complementarity among our network members. France, Spain, and the US manage country operations, while Canada provides us with access to additional French-speaking expatriates and funding and the UK does program evaluation, leads on advocacy and partnerships with local NGOs and provides funding to the network’s programs.” (Source: *ibid*)

Specialised roles allow the network to benefit from economies of scale: specific functions can be delivered more effectively and efficiently for the whole network than by each member duplicatively. Distributing global roles keeps capabilities, or overhead, close to the field and easier to fund. Raising money for ‘central overhead’ is notoriously difficult, either from donors or member organizations.

Donors often say that they want to fund ‘programs’ not ‘overhead’. NGOs claim that donations support programs not overhead. The Save the Children claims that 92% of donations go to program expenses with only 4% on “management and general” (Source: [www.savethechildren.org](http://www.savethechildren.org)). A recent study of nonprofits in the USA found that while reported overhead ranged from 13-22%, actual overhead in the same nonprofits ranged from 17-35%, which was lower than comparable for-profit businesses. (Source: Don Howard & Ann Goggins Gregory, “*The Nonprofit Starvation Cycle*”, SSIR 2009.)

Member organizations usually resist “tithes” for “overhead” or “headquarters”, and can threaten to resign. In 2008 a \$600M global NGO network of 17 organizations faced the loss of its largest member over a contribution to the headquarters that was less than 5% of revenue.

Even small, new networks scrutinize payments for “overhead” to “headquarters”. “One Inspire” is a global network spawned by Inspire Foundation of Australia. It now includes Inspire USA and Inspire Ireland. Together the three nonprofits run ReachOut ([www.reachout.com](http://www.reachout.com)) on three continents. Jack Heath, the founder, commented that “we cannot afford each country duplicating costs, yet donors in the USA and Ireland scrutinize carefully any money contributed for shared work done in another country.”

Distributing global capabilities around the network not only keeps skills close to the field easier to fund, it also develops a set of interdependencies that tie the networks together. These relationships between member organizations force collaboration. Clear role definition helps build trust among members.

Each of the integrating global networks also has a web of personal relationships that tie the organization together, ease decision-making, and nurture innovation.

Paul Gilding, an Australian former CEO of Greenpeace observed “When I first arrived, I thought the organization was incredibly bloated – people flying around all the time, half of our meetings devoted to informal or social time. But then I realised that this was the glue that really held the organization together”. (Source: Jon Huggett, Katie Smith Milway & Kirk Kramer, “*Increasing Effectiveness in Global NGO Networks*”, The Bridgespan Group, 2009.)

Members within global NGO networks reflect the behaviour of successful nonprofits working with allies: they empower others to be “forces for good”. (Source: *Forces for Good*, Crutchfield and Grant (Wiley, 2007).

While many complementary relationships can be seen in integrating global networks, the value of legal agreements and structure seems to be limited.

“Franchises” can prove hard to enforce in the social sector, with many agreements relying on the “nuclear option” of withdrawing a franchise, or ejecting a member from a network. This is invariably a painful process, and results only long after collaboration has broken down. Moreover, national courts may invalidate “disenfranchisement” of a long-established local organization by a foreign body.

The value of relationships over structure in complex global organisations is mirrored in the private sector where matrix management has proven disappointing except when it follows the “physiology” and “psychology” of effective working relationships. (Source: *Matrix Management: Not a Structure, a Frame of Mind*; C Bartlett & S Ghoshal, HBR 1990)

Macquarie Bank Foundation makes the best of complementary relationships among its bankers to support global organizations. In contrast to foundations such as The Bill & Melinda Gates Foundation, centralized in Seattle, or The Rockefeller Foundation, centralized in New York, Macquarie Bank Foundation is decentralized; supporting bankers in nonprofit activities they choose in each market. A series of complementary relationships within the bank enables Macquarie to be globally coherent while decentralized.

Macquarie Bank Foundation supports One Inspire globally with local relationships in each market. Colin Hunt heads Macquarie in Dublin and is board chair of Inspire Ireland. Paul Daitz is an Executive Director of Macquarie in New York, and serves on the board of Inspire USA. Julie White, head of Macquarie Bank Foundation in Sydney supports Inspire Foundation in Australia and facilitates communication among the three supporters of Inspire. The relationships help Macquarie Bank make philanthropic investments globally in One Inspire. They also help tie the different parts of One Inspire together.

Macquarie Bank Foundation shows how an Australian organization can use complementary relationship for great impact when a centralized approach might be less effective, or even just impractical from Sydney.

## Making the network work

I have yet to encounter a global NGO network that finds integrating easy or cheap. For all, it is hard work, marked by frustration and failure as well as success and progress.

It is costly, too. Going beyond leadership to management requires the expensive time of senior people. Going beyond mission to impact requires the effort to bring agreement on impact goals, and the pain of rejecting opportunities that might be within the mission, but do not contribute as much to goals as alternatives. Going beyond structure to complementary relationships requires investment in time and communications up, down and across the network.

Yet many global NGOs are seeing more benefits than costs. Greater coherence delivers more effective, efficient and responsive programs. It also enables advocacy with a single clear voice, and coordinated fundraising to global philanthropists. By acting as coherent networks, NGOs can start to reap economies of scale, and harness innovations and best practices from all over the world. They

provide more attractive career paths for their people, and hence for the network a stronger supply of future leaders. Global NGOs can therefore have more impact globally.

### Playing to Australia's strengths

If making global NGO networks work is hard, it can seem particularly daunting from Australia, with less than 0.5% of the world's population and thousands of kilometres away from the other 99.5%. Yet what it takes to make NGO networks work plays to Australia's strengths and the strengths of Australians.

Management requires leaders to see themselves not at the top of the tree, but below the heroes in the field, providing decision-making service. Few maps put Australia at the top of the world. Coming from a relatively small country, most Australians have a sharp 'outside-in' view when they travel, making many Australians very effective global managers both in the for-profit and nonprofit worlds.

Impact requires a sharp focus on the practical over the abstract. Managers from the "land of the fair go" can be adept at getting to what works before those from the "cradle of democracy" or "the land of the free".

And what can I say about complementary relationships but note that Aussies the world over are complemented for being friendly, and visitors to Australia, such as myself, love the hospitality.

When a network does not work, the view from down under might show how to make it work.

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