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# Nonprofit Networking: The New Way to Grow

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Author: *Martha Lagace*

Whether their mission is to protect wildlife, help disabled people, or offer financial services in developing countries, nonprofit organizations often believe they need to grow big before they can achieve significant social impact.

HBS professor Jane Wei-Skillern has been exploring something different: Her research suggests that a more powerful lever to increase a nonprofit's social impact might be to focus on building network relationships like-minded groups—even competitors. Organizations as unique as Guide Dogs for the Blind Association and Women's World Banking (which extends microloans) are deliberately using a network strategy and discovering its potential to serve more people more effectively.

"I'm interested in high performance networks and understanding how those networks were created and are managed," says Wei-Skillern. "A network approach as a deliberate management strategy for nonprofits is still relatively uncommon. Oftentimes an organization might be engaged in a partnership at one point or another, or be a member of an umbrella organization ... but it's not really a network approach that comes into play in the day-to-day operations as a core activity of the mainline business of the nonprofit."

In a talk on "Networks for Social Impact," Wei-Skillern discussed her findings with other professors and researchers on May 3 at the HBS Social Enterprise Faculty Seminar. Her latest work ties together her research over the last several years at HBS on nonprofit growth and multisite nonprofits.

Though networks are not new in practice, and in fact are quite common in both the nonprofit and commercial sectors, she said, the question of how to go about creating these networks is still relatively unexplored. Few people understand the nuts and bolts of how to create, build, and sustain effective relationships with like-minded organizations to better accomplish a social goal.

Previous research with colleagues on growth suggested that growth does not necessarily translate into greater social value creation. Based on interviews and a survey done on nonprofit leaders, managers often cited a preference for growth by branching, i.e., replicating the organization from one site to another and maintaining central control and ownership of the new units. What Wei-Skillern and her research colleagues found, however, was that growth did not always lead to the benefits the organizations had anticipated. For example, many organizations anticipated that fundraising would be easier once they were larger. In fact, fundraising did not necessarily become easier with organizational growth, yet significant new costs were created as the organization needed to now manage and coordinate operations across multiple locations.

Wei-Skillern's research on nonprofit growth evolved into a focus on multisite nonprofits and the advantages and disadvantages of various multisite structures. "I decided to focus on a single sector to control for the wide variation in the missions and activities that nonprofits focus on. Additionally, I had an interest in conservation organizations and the social goal of environmental conservation is conducive to the creation of multisite structures," she explained. She then narrowed her focus on the Audubon movement specifically.

"The Audubon movement is interesting in that it is actually a range of different types of organizations who share the mission of protecting birds and the environment through advocacy, education, and land conservation. Though these organizations shared the same mission, they pursued the mission through various organizational structures."

She said that the National Audubon Society in the United States is a network of organizations, some of them corporate-owned and others independent or formerly independent chapters that were acquired by the national movement. In contrast, some New England states, such as New Hampshire and Massachusetts, have completely independent Audubon organizations. The largest is the Massachusetts Audubon Society, or Mass Audubon for short, which maintains forty-three wildlife sanctuaries.

Wei-Skillern noticed that each unit of Mass Audubon operated quite independently. A new CEO tried to align the units better on a day-to-day basis by instituting a new regional structure and additional reporting requirements. While Wei-Skillern was impressed with the new management and the impact of the structural changes, she also thought that the new system did not fully leverage the potential value of existing and new relationships among staff, both vertically and laterally, that might have led to greater cohesion throughout the organization and, even more importantly, a stronger ability to deliver on the mission.

## **What networks are and how they work**

Trust forms the core of a network, she said. Among academic researchers, the word network refers to a set of actors and the relationships between them. Previous research has documented that networks are very common in craft industries (such as construction and book publishing), industrial districts (German textiles, Italian consumer goods, and engineering components/machines), and high tech (oil extraction, chemicals, and pharmaceuticals), she said.

Scholars have identified network organizations as sharing three characteristics, according to Wei-Skillern:

- The parties would rather discuss and work through a problem than simply abandon the relationship.
- There is a high level of trust.
- They share and help each other: This is the "norm of reciprocity."

Benefits of networks that have been documented by researchers include mutual learning; enhanced legitimacy and status for the members; economic power; and an enhanced ability to manage uncertainty, she continued. The work of nonprofits is even more conducive to network forms of organization, she said, because the issues these organizations are trying to solve are large, complex problems that can't be addressed by any single entity. Furthermore, nonprofits seek to create social value, not just organizational value; have dispersed governance structures; rely upon tacit knowledge and expertise; have difficulty measuring performance; and rely heavily on trust and relationships to accomplish their work.

## **Two effective networks**

Two organizations using a deliberate network strategy are finding it a powerful way to fulfill their mission, she said. The two, Guide Dogs for the Blind Association and Women's World Banking, "have leveraged resources far beyond their organizational boundaries to achieve social impact, deliver on their own organizational mission, and at the same time build greater capacity within their sectors."

Guide Dogs for the Blind Association, based in the U.K., is the world's largest breeder and trainer of guide dogs. The CEO, Geraldine Peacock, realized that the sector that was supposed to deliver services to the visually impaired was not working well. She decided to build capacity in several ways.

First, she divested operations that Guide Dogs had been responsible for, such as running hotels and holiday

programs for the blind. "She sought partners who would have the capability to take ownership and continue running those programs. The contract was that if high quality was not maintained, Guide Dogs would take control again over those assets." At the same time, Guide Dogs did not maintain any direct control or share in any of the value that might be created through these entities.

Guide Dogs also partnered with local governments, who had general responsibility for services such as mobility training, independent living skills, and communication skills, to improve services to communities. Peacock told them that Guide Dogs was willing to take on the mobility piece since that was its area of expertise; Guide Dogs could either provide mobility services directly or pay other nonprofits to do so. According to Peacock, it was less important who provided the services, whether the government or "competing" nonprofits, as long as they were being provided at a high quality. In exchange, the government needed to reallocate funds that had been reserved for mobility towards other services for the visually impaired for which they were responsible "but had not delivered on," said Wei-Skillern.

"What she wanted to deliberately do was build capacity within the sector. Historically, the various organizations in the visually impaired sector viewed each other more as competitors rather than potential partners. The people who were suffering were the visually impaired. There was huge duplication of services in some areas, large gaps in others, and a waste of resources.

"Peacock raised the capacity of the visually impaired charities by creating an umbrella organization with a unified agenda and creating a single voice on certain issues where it was critical. But organizations still had their own brands, did their own fundraising, and were run independently.

"The network approach let her see that bigger picture," added Wei-Skillern. "What's remarkable about the Guide Dogs example is that Peacock sought to create networks with a range of organizations. She didn't seek to grow her organization larger to deliver on her mission. She saw that there were already former competitors out there doing the same jobs equally or better, so she invested in them. She worked with government agencies because that was a mechanism to bring greater resources to serving her community without having to bring resources into her organizational boundaries [i.e., through fundraising]. Furthermore, she thought to work at the sector level rather than focus on furthering her own organization."

Women's World Banking, based in New York, also utilizes a network strategy in its work. When president Nancy Barry (HBS MBA '75) started leading the organization in 1990, it served approximately 50,000 with microfinance services. Ten years later, the organization was serving around 10 million through its many networks, with a global budget of less than \$10 million, said Wei-Skillern.

Barry decided to grow not through a traditional hub-and-spoke model, but to invest in affiliates and associates that were started locally and were independent organizations. She wanted to build a culture around quality and accountability, and get more services out to the population that way, said Wei-Skillern. The network now includes direct service providers, regulated financial institutions, and a number of other microfinance organizations.

Its method was simple: develop a consensus-building process around what the quality standards would be. These were not the least-common-denominator standards, said Wei-Skillern, and in fact any member of the network could be "disaffiliated" if they failed to adhere to the rules and practices. Standards were enforced through peer-monitoring.

In conclusion, Wei-Skillern said that this research might help managers who are trying to create social value through their organization, as well as funders "who certainly drive a lot of the dynamics within the sector." Thinking about creating and managing networks might help them focus on their social cause in a very entrepreneurial way. Instead of thinking about management challenges at the organizational level, leaders should think about how best to mobilize resources both within and outside organizational boundaries to

achieve their social aims.

Wei-Skillern plans to continue her network research by examining how to create and build effective nonprofit networks. Among her questions: How are intraorganizational and interorganizational networks created, what structures do they take, and what are the facilitators and barriers? How are they managed in terms of performance standards, accountability systems, and governance? How might networks alter the way board members think about their role? And finally, under what conditions are network approaches most applicable relative to others?

"Network approaches may be a tremendously valuable approach in the nonprofit sector that has often been overlooked," she concluded. [WK](#)

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