

# THE BROAD-BASED NONPROFIT: MANAGING TENSION BETWEEN HEADQUARTERS AND ITS LOCAL AFFILIATES

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January 13, 2017

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## SESSION AGENDA

- I. Quick Primer on Governance Structures**
- II. Levers to use within Different Governance Structures**
- III. Case Study/ Discussion**

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## THREE BASIC TYPES OF GOVERNANCE MODELS EXIST FOR NON-PROFITS

Governance model	Description and examples
<b>Local autonomy</b>	<ul style="list-style-type: none"> <li>Loose collection of autonomous affiliates operating under national umbrella (may only be a brand)</li> <li>Model is replicated in other communities without formal ongoing involvement of original organization</li> <li>Local affiliates determine own strategy, mission and goals, and often function without national office</li> <li><b>Examples:</b> Alcoholics Anonymous, Empowerment Zone</li> </ul>
<b>Federated model</b>	<ul style="list-style-type: none"> <li>Active, centrally coordinated structure</li> <li>National body that sets high-level mission and strategy</li> <li>Central entity provides name and/or programs to approved entities across the country; provides training, oversight, and selected support</li> <li><b>Examples:</b> United Way, KIPP Schools, Boys and Girls Club</li> </ul>
<b>Centrally controlled</b>	<ul style="list-style-type: none"> <li>Hierarchically controlled head office/branch structure</li> <li>Central entity opens and operates local entities across the country</li> <li><b>Examples:</b> Achievement First, City Year</li> </ul>

SOURCE: McKinsey nonprofit practice, McKinsey experts, team analysis

## ALL THREE GOVERNANCE MODELS HAVE THEIR ADVANTAGES AND DISADVANTAGES

		For organizations who want to...	...but...
<b>Local autonomy</b>	Loose web 	...share principles or exchange knowledge...	...do not have common goals or feel the need to share resources
	Enabled network 	...collaborate to increase impact...	...do not want to invest in common infrastructure and have no intention of building a common brand
<b>Federated</b>	Loose federation 	...align missions and share information and resources, brand identity and ensure quality...	...do not want to sacrifice local autonomy, especially finances
	Strong federation 	...share mission, to build a strong national brand, to exploit opportunities for national fundraising and to engage in joint strategy-setting...	...do not want to sacrifice local flexibility and ownership
<b>Centrally controlled</b>	Franchise 	...replicate nationally and to retain control over operating standards and brand...	...still need localized approach in service delivery and financial support with distributed leadership
	Subsidiary 	...extend scope by rolling out their programs with control over operating standards, brand, and service delivery...	...do not want to allow for much local discretion

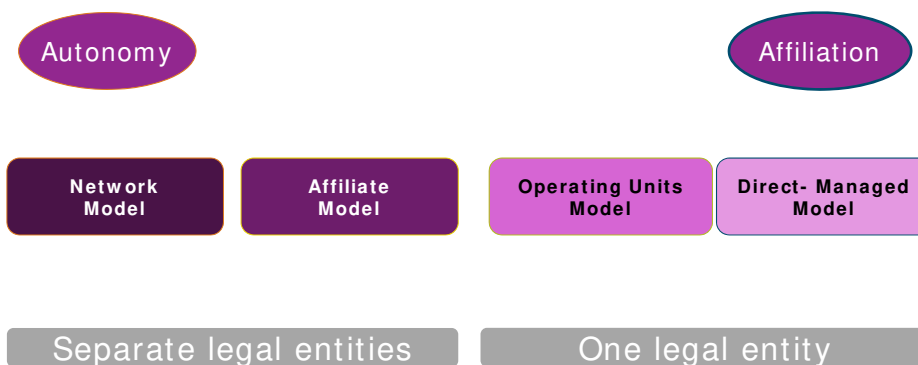
SOURCE: McKinsey nonprofit practice; HBS Working Knowledge; Grossman & Rangan; 2002

**FEDERATED MODELS ARE BROADLY POPULAR BECAUSE THEY CAN ALLOW FOR BOTH HIGH AFFILIATION AND HIGH AUTONOMY**

Autonomy	Affiliation
Degree of independence of members, chapters, or key constituents in shaping day-to-day operations and services	Degree of collaboration and connectedness between national office and members/ chapters/regional offices and degree to which national organization provides value-added support, guidelines, and services to these groups
<b>Drivers of high autonomy:</b> <ul style="list-style-type: none"> <li>• Need for localized focus                             <ul style="list-style-type: none"> <li>– Local fundraising</li> <li>– Use of local volunteers and volunteer board</li> </ul> </li> <li>• Need to customize programs                             <ul style="list-style-type: none"> <li>– Unique attributes of local areas</li> <li>– Degree to which programs are customized to address local needs</li> </ul> </li> <li>• Culture that emphasizes grassroots value</li> </ul>	<b>Drivers of high affiliation:</b> <ul style="list-style-type: none"> <li>• Associative value of organization (intangible support)                             <ul style="list-style-type: none"> <li>– Strong brand name, including collective power of work and appeal of mission</li> <li>– Sharing of best practices</li> </ul> </li> <li>• Enhancing value of headquarters (tangible support)                             <ul style="list-style-type: none"> <li>– Centralized systems</li> <li>– Economies of scale</li> <li>– Supporting resources and expertise, including standards and monitoring</li> </ul> </li> <li>• Culture that emphasizes cohesion</li> </ul>

SOURCE: McKinsey nonprofit practice; HBS Working Knowledge; Grossman & Rangan; 2002

**WITHIN THE FEDERATED MODEL, THERE IS A CONTINUUM OF STRUCTURES THAT ARE WIDELY SEEN**



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34<sup>th</sup> Annual Nonprofit Organizations Institute session

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