# DETERMINING INSTITUTIONAL STRUCTURES

# 4

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AFFINITY GROUP OF NATIONAL ASSOCIATIONS

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# 4    Institutional arrangements

Once launched, the challenge facing any national association is to ensure that it has the right structure, system and programmes to sustain itself. It is not possible to provide guidelines on the exact institutional form as this will depend on the functions of the association and on the social, economic, legislative and political landscape of the country in which the association is based. Therefore this section focuses on tools that help you weigh up the options.

## 4.1    Institutional form and structure

There are a number of factors that influence the decision around legal form and structure.

Firstly, **form follows function**. Therefore, before deciding on the institutional form, a national association needs to decide on its strategic intent, services and activities. Once these have been agreed, serious thought needs to be given to how the membership, governance, legal requirements and registration are structured, to ensure the long term success of the organisation.

Secondly, the **national requirements for registering a NGO/NPO will have an impact on the legal structure options of national associations and their boards**. Legal registration under certain jurisdictions places obligations on a national association, and may predetermine the governance structure, specify financial reporting and set limitations on what non-profit boards might be engaged in. The legal registration may stipulate, among other things, the structure of the Board, the focus of the association, the schedule and methods of Board selection, (whether it be through open elections), annual financial reporting and the means of scrutiny of and accountability for its affairs.

Thirdly, the institutional arrangements need to be tailored to address the challenges facing the association. **Associations working in a hostile political environment where the rights of members are continually infringed may choose a very different structure from those operating in an established democracy.**
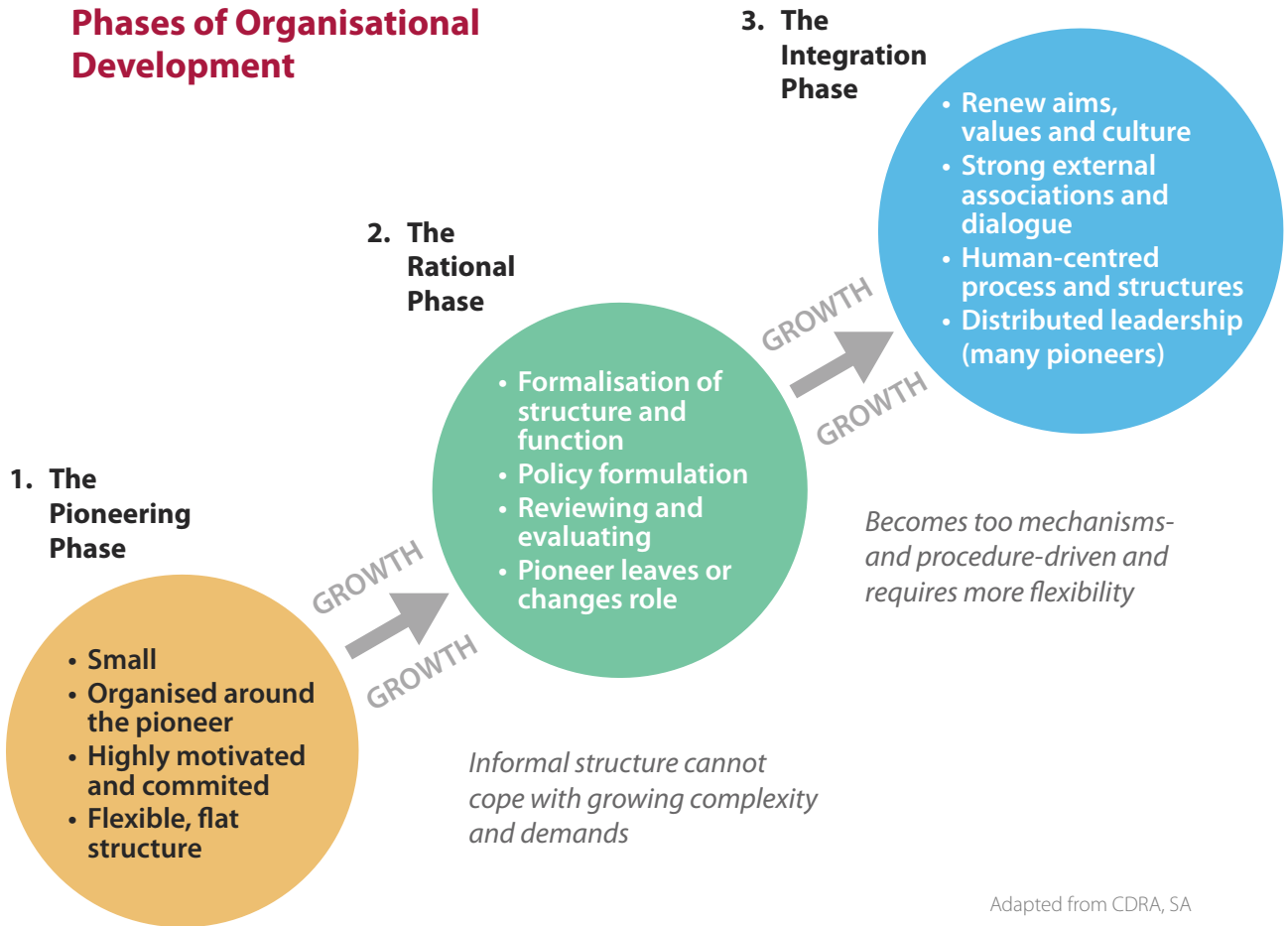
Fourthly, the structure needs to be tailored to suit the needs of members. Associations with a strong membership base, a strong basis of unity, and mutual confidence amongst members that all will abide by agreements on policy positions and ways of working may opt to decentralise a lot of their functions (known as 'distributed leadership' in the literature on networks). These conditions usually take time to achieve. So in earlier stages of the national association's development, members may prefer to centralise more of the activities.

Fifthly, it is vitally important for a new national association to build members' sense of ownership of the network. They must come to describe the national association as 'us' – all the members – not 'them' – the leaders or Secretariat/Steering Committee. Institutional form has a key role to play in ensuring that members feel engaged in decision making; and deciding on institutional form itself is something on which as many members as possible should feel they have had a say.

Based on these considerations the national association will need to make a decision around its legal form, structure, governance and decision making processes.

Usually in the early stages of an organisation's life there is less formality. However as an organisation grows and develops it becomes more formalised. A mature organisation, as suggested above, can distribute leadership more widely, decentralise and amend its structures to reflect growing confidence and ownership amongst the members. The diagram below provides an example of the different stages in the life of many organisations and its impact on levels of formality.

## Phases of Organisational Development

**3. The Integration Phase**

- **Renew aims, values and culture**
- **Strong external associations and dialogue**
- **Human-centred process and structures**
- **Distributed leadership (many pioneers)**

*Becomes too mechanisms- and procedure-driven and requires more flexibility*

**2. The Rational Phase**

- **Formalisation of structure and function**
- **Policy formulation**
- **Reviewing and evaluating**
- **Pioneer leaves or changes role**

GROWTH

**1. The Pioneering Phase**

- **Small**
- **Organised around the pioneer**
- **Highly motivated and commited**
- **Flexible, flat structure**

GROWTH

*Informal structure cannot cope with growing complexity and demands*

Adapted from CDRA, SA

There are also internal questions that need to be answered in relation to the structure, for example how centralised or decentralised the organisation should be. Some associations opt for a decentralised structure with local branches that build up into a national structure. This might work well in established democracies where the rights of the not-for-profit sector are entrenched and/or in countries that span vast geographic areas.

Others retain the principle of decentralising but do this on the basis of sectors not geographic regions. These local chapters or offices have varying levels of autonomy. Yet others opt for a more centralised structure with one single national centre and membership spread across the geographic area. This works well in small countries or those that face a repressive state where a single platform provides protection to members. The toolbox below provides some guidance on what needs to be considered when deciding on the most beneficial option.

TOOLBOX:

# Questions to help guide institutional arrangements

- What is the operating freedom offered by each option?
- Which option will offer the greatest autonomy?
- What is the public perception of each option and how will this affect the association?
- What are the financial costs and benefits of each option?
- What option gives membership the strongest sense of ownership of decisions?
- What option provides for the best checks and balances, to ensure members have confidence in decisions taken by others?
- What option best harnesses the capacity of members?
- What option provides the best protection to members?
- What rights and responsibilities does each option accord the organisation?
- What rights and responsibilities does each option imply for members?
- What option best facilitates members' involvement?
- What option do members feel most comfortable with?

INFORMATION BOX:

# The challenges of structure

"Among those who study it (civil society organisations) there is a divide between those who argue that centralised bureaucratic organisations are comparatively more effective in mobilising resources and sustaining collective action (Gamson, 1975; Mc-Carthy & Zald, 1977) than decentralised informal organisations sharing an overarching ideology (Gerlach & Hine, 1970). However, while centralised structures facilitate technical expertise and coordination that are essential for successful mobilisation and institutional change, they are less effective in engaging grassroots participation."

This quote highlights the challenges that national associations face in balancing the need to be both an effective coordinating body as well as a network that ensures the engagement and participation of a diverse array of civil society organisations.

CASE STUDY BOX:

## Structure:

## Civic Initiative (CI)

Serbia is a small country of just over 10 million people. Therefore when Civic Initiatives (CI) Serbia established its membership and organisational structure, it actively reached out to smaller cities and rural localities throughout Serbia and Montenegro without establishing provincial offices. They believed it was important to connect local groups with those in the capital but did not believe they needed regional offices. Instead they based their work on cooperation with strong and independent local partners.

## PNF

The Pakistan National Federation (PNF) has five provincial offices. Each office falls under a coordinator. Members join through these provincial offices. Small CBOs have to pay 100 rupees, while NGOs pay around 1500 rupees. This is one source of funding for the provincial offices. There are provincial councils and working councils which meet regularly to look at issues facing the provinces. Every province is represented on the national executive. The national executive focuses on provincial issues, NGO registration, a common vision and programmes, links with the South Asia NGO forum and other international groups, and other generic issues.

## NANGO

In another example in Zimbabwe, NGOs leaders have organized themselves into the NGO Director's Forum for information-sharing. NANGO also is structured into sectors and regions. The work at these levels identifies the key issues; provides the needed information from the field; and creates dialogue within and among members, drawing on member expertise. NANGO's National Executive then implements the strategies formulated by their Sector Sub-Committees.

## 4.2   Registering a national association

Once the national association has been initiated, the next step is generally to legalise the structure. This will be governed by the national legal and regulatory environment. It is therefore **important to understand the regulations and the implications for NPOs in the country in which the national association wishes to operate**. In some countries, national associations may have no choice as to how they are to register, while in others a number of options might be available such as charitable organisation, not-for-profit company, public interest organisation, non-governmental organisation, civic association, foundation, etc.[1] Also sponsoring bodies, such as foundations or government departments, may specify the regulatory or legal status required for associations to be eligible for funding.

TOOLBOX:

### Legal Assistance

Those national associations struggling with legal form could contact the international network, Lawyers without borders, to obtain there legal guidance. Their details are available via www.lawyesrwithoutborders.org  Alternatively, assistance can be sought in country from pro bono legal advisers.

Working with these legal parameters, the next step for national associations is to draft a constitution which spells out how the association is to be governed. This should contain mechanisms for members to feel they have adequate oversight of the people who govern the organisation on their behalf, safeguards to ensure responsible governance in the interests of the national association's stated purpose, and mechanisms for mediation and dispute resolution.[2]

TOOLBOX:

### Drafting a constitution

A constitution is the user manual[1] for an organisation, set out in a form determined by its chosen structure. A constitution will usually include [1]

- The purpose of the organisation
- What (within the law) it has the power to do.
- Who can and cannot be a member of the organisation.
- The powers and responsibilities of members.
- The powers delegated to the governing committee by the membership.
- How many people will sit on the governing committee, for how long and by what process they will be selected?
- How the relationship between the governing committee and membership will work

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1   Please note that different countries may attribute different definitions and legal statuses to each of the listed legal entities.

2    Tools for developing a constitution are available on the World Wide Web. One example is available at: http://www.gdrc.org/ngo/start-ngo/startngo-4.html

## 4.3  **Governance**

Governance involves setting a long term direction for an organisation, making sure everything is in place for it to follow this direction, and continually checking that the this direction is followed attending to the principles and rules agreed upon constitution. Prudent stewardship of financial and human resources is a key responsibility of governance bodies. In a membership organisation, like a national association, there is also a particular responsibility to ensure that members' interests and priorities are pursued, and that members have a strong sense of ownership of their network.

Governance is a team task – no one person has the skills, wisdom and credibility to do it alone. The Governing Team may be known as the board of trustees, board of directors, steering committee or management committee. In many organisations, it acts as the ultimate authority in an organisation; in a membership organisation, it is accountable to the members who elected it, and who – in most constitutions – have the ultimate sanction of dismissing the Governing Team and replacing it with newly-elected people. So, in a national association, **the Assembly or General Meeting of members holds the ultimate governance responsibility; it usually delegates this between Assemblies or General Meetings to an elected Governing Team.**

### 4.3.1  **The Governing team or board**

Establishing a well-functioning governance mechanism is essential to a national association's success and longevity. The national association constitution and bylaws spell out the role and function of the governing body. We will refer to this body as the board for the rest of this section. Below is a list of the primary obligations of most boards:

- **Developing and managing the organisation's strategic planning and direction;**
- **Gauging external constraints and harnessing opportunities;**
- **Providing financial stewardship and oversight;**
- **Ensuring transparency;**
- **Focusing on and monitoring services to members;**
- **Striving for sustainability;**
- **Managing the elements of self-governance.**[3]

TOOLKIT:

## Governance hazards

- **Muddling governance and management**
  Governance is about setting and safeguarding long-term direction.
  Management is about operational details such as supervising people and developing work-plans.  The more staff you employ the more you should focus on governance and delegate management to them.

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3   Public Administration Review May, June 2007.

TOOLKIT:

## Governance hazards continued

- **Conflict of interest**
  If a decision might benefit (or disadvantage) you, or an organisation or individual you are strongly connected with, openly acknowledge divided loyalties and sit out the decision. It can be helpful to have a Board Code of Conduct that spells out your responsibilities in this situation.

- **Rubber stamping**
  Do not allow an 'inner circle' to take key decisions and expect you to nod these through. This is poor practice and could land you in legal difficulties if things go wrong.

- **Overload**
  If your agenda is getting too long and complex, form sub-groups and delegate tasks to them so you can all provide the required oversight. Ensure sub-groups report back the key points to the full team, and have clear terms of reference so that they know when they can take decisions on behalf of the board, and when they should make recommendations to the board, who would take the final decision.

Generally, unlike the initial core team, the appointment of board members requires some kind of transparent and democratic process. The specific process of either electing or appointing the board varies between national associations. Below are some useful pointers to assist you in planning an appropriate board process.

### How will you guard the institutional memory?

- **Provide training for new board members.**
- **Allow for a proper handover between the old and new board.**
- **Think about the length of service of board members and ensure it is suitable.**
- **Consider designating a portion of the Board seats to be vacated each year, thus offering some assurance that new and different voices will be included and institutional memory will be protected.**

### How will you ensure diversity and inclusiveness?

- **Ensure board members do not 'reign over' or become fixtures of the board of directors. Often such people may be resistant to new or different ideas.**
- **Schedule elections in such a manner to afford members suitable avenues to express their democratic rights; to maintain some continuity of the board's work; and to provide the Secretariat sufficient time between elections to carry out the board's strategic direction.**

### How will you guard the institutional memory?

- **Establish maximum terms of service to recognise and respect the value of knowledgeable leadership, while protecting against over-reliance on a few capable people.**

- Proactively prepare members to assume roles in governance by for example, inviting them to volunteer for a committee or be appointed to head up a task force. Through these proactive measures members become educated about the issues and knowledgeable of the politics and may become better equipped to move into officer positions when needed.

TOOLBOX:

## Tips for broadening participation and for safeguarding institutional memory

- Outline the election process and time-frames in advance and give members adequate time to prepare for the election
- Clearly define the terms of service and responsibilities of the board to allow members to make an informed decision about participating them-selves or nominating candidates
- Ensure the end of term of each board member is not the same by specifying that a portion of posts to be filled each year (e.g. one third). This allows for a mix of new and older members at any point in the life of the board
- Set a maximum length of service for any single board member
- Provide for sub-committees that allow new potential board members to become familiar with the work of the Board
- Actively lobby people to participate and stand for election
- If there are regional structures, allow each structure to appoint or nominate a member of the Board to ensure geographic spread
- Provide training for new board members on their roles and responsibilities
- Ensure you have clear policies and procedures in place that assist the Board in performing its functions
- Ensure the existence of mechanisms to evaluate Board performance.

## 4.3.2 Decision making

It is important to specify what latitude and authority the board has to make decisions on behalf of the entire membership.

Clarifying decision-making processes enables things to get done most expeditiously. The national association may determine that different issues require different decision makers. The decision-making process may be expedited if some decisions rest with an executive committee or a sub-committee rather than the entire board. However some issues, such as the strategic direction should involve at least the whole board, and possibly the members as a whole, in the decision making. Others, for example a controversial campaign, may also require canvassing members or holding a general meeting of members.

TOOLBOX:

## To increase the effectiveness of decision-making processes:

- Develop clear procedures that govern decision making
- Establish a mechanism to canvas members on issues that require their input
- Provide regular communication to members on decisions taken so they are informed and can comment if they are unhappy
- Provide for sub-committees with clear terms of reference to expedite decision-making
- Consider setting up an executive committee who can meet more frequently and take decisions between meetings
- Review decision making processes periodically. As members build experience of working together in a national association, they will develop greater trust in each other, in the board, and potentially in a wider range of sub-groups. This will enable more decentralised decision making, giving responsibility and a stronger sense of ownership to a wider range of members.

Any decision-making structure the board adopts should be inclusive of the various interests and extensive capabilities of members. For example, if the Board structure includes regional and sectoral representation, the interests of the broad membership will have a better chance of being represented through the board.

## 4.4  Secretariat

While an association is involved in establishing itself and its reputation, it may be necessary for the board and other members to be actively involved in all operations. However, in the longer term the management of a national association may be better served by the employment of professional staff. The secretariat of the national association will then be mandated by the board to be the central coordinating body, and to conduct the day-to-day business of the association. The board will decide which operational decisions are delegated to the secretariat staff, and on which decisions the CEO would be expected to consult the board or make a recommendation for the board's decision. It is common for decisions with significant financial or public relations implications, or those that are politically sensitive, to be retained by the board. As with other aspects of national association functioning, exactly where these boundaries would lie will depend on the extent of common ground, confidence, trust and ownership amongst the members.

While national associations' operational cultures vary, it is normal for the staff to be seen as co-ordinating, facilitating and enabling, rather than primarily as implementers.  Because of their nature as membership networks, national associations' strategy implementation is often done by the members. So the skills required in the staff team are often somewhat different from those needed in similar functions in organisations: they enable members to shine. The subsequent sections of the toolkit expound on these functions.

## Staffing of National Associations

Results of the 2006 AGNA survey, completed by 47 national associations, showed that all respondents with the exception of ANGOA and NISC employ full-time staff. Most national associations rely on a small staff. Less than 20% of surveyed national associations reported having more than 20 full-time employees. The average number of staff employed by the surveyed national associations amounts to 17, while the median stands at 7.

Further, 28 national associations employ minimal part-time staff. The average of part-time staff is stands at 6, while the median equals 3.

Thirty-two surveyed national associations use volunteers to further their work. The average number of volunteers in these 32 national associations stands at 91. This figure is elevated due to the fact that the Pakistan NGO Forum indicated having the support 2500 volunteers. The median of 5 points to the fact that the number of volunteers most respondents employ is much more modest.

Over 40% of surveyed national associations reported using consultancy services for short term projects, albeit on a minimal basis with both average and median equalling 3.

The secretariat team will vary from association to association depending on its mission, activities and funding. It is important to clarify which functions will be undertaken by the secretariat, and which by members themselves, as this influences both the structure and staffing requirements, and the means of delivering the strategy, of the association.

Deciding which functions will be performed by the secretariat and which will be done by members is a delicate balancing act. As far as possible, it is important to draw on members' skills and capacity. **The association can be much stronger, more powerful, and with much greater reach if members are motivated to work collectively for its mission.** But if the association collectively assumes functions which individual members either are doing, or could do, and do not wish to hand over to the association, this may result in competition and a lack of ownership.

However members do not always deliver. In such instances either the national association must find another member to fulfil the role or the secretariat needs to step in to fill the vacuum. This is frustrating for the secretariat, and inefficient. The national association of Poland, OFOP, cautions other national associations to anticipate higher costs in terms of staff time, opportunity costs and resources in cases where the Secretariat needs to assume the work that members fail to deliver.

In order to minimise the risks of these negative implications, clear terms of reference or memoranda of understanding need to be adopted in situations where members (collectively or individually) undertake work on behalf of the national association. These should clearly stipulate the roles and responsibilities of members and the Secretariat and the consequences of breech of agreement.

As stated earlier there is no ideal staffing structure for an association. Some of the more generic functions and positions within a secretariat are:

| | |
|---|---|
| CEO | Responsible for directing the secretariat |
| Finance | Responsible for financial management |
| Services/Membership | Responsible for membership and services to members |
| Communications | Responsible for publicity and marketing |

The structure of the secretariat is likely to change over time. Typically, as the association's legitimacy and standing grows so too do its membership base and programmes. This often requires an expanded team to manage the increased workload – unless members take on the extra work. Some of the other possible functions which could be included in the secretariat structure are:

| | |
|---|---|
| Networking | Responsible for building alliances, partnerships and relationships |
| Programmes / advocacy | Responsible for campaigns and or programmes |
| Advocacy | Responsible for lobbying and advocacy with the state or private sector |
| Branch management | Responsible for the regional structures |
| Research and development | Responsible for research into priority areas and development of new programmes |
| Capacity building | Responsible for training and development of members |

TOOLBOX:

## Questions to help a national association determine what staff it needs

- Is a member performing the function already and if so can they expand this role and serve the association?
- Is there a member that could perform the required function and would be better equipped to do this?
- Is there a way of organising members into a group to deliver the function? If so, what (if any) staff support would they need to do it effectively?

TOOLBOX CONTINUED …

- Can the function be added to an existing staff member's job description and does the person have the capacity to take on more?
- Is the need short term, and, if so, could a consultant be employed to meet the need?
- If the answer to all the above is no, then do you have the funds to finance the new position?
- Do you have the management capacity to manage the additional staff member?

As the association develops its capacity and increases its staffing component, systems need to be developed to support the secretariat in its work. This includes developing operating, human resource and financial policies and procedures.

*"We recommend that a national association clearly establish management rules and operating policies. Doing so has helped CEMEFI to function well and to offer to its members a model that increases organizational efficacy."* Staff of the Mexican NA, Centro Mexicano para la Filantripia/ Mexican Center for Philanthropy (CEMEFI)

TOOLBOX:

## List of policies and procedures typically needed by an organisation[4]

| Policy Area | Key things to include |
|---|---|
| Legal issues | Constitution or relevant legal document constituting the association |
| Disciplinary and grievance | Definition of misconduct along with the organisational process for dealing with misconduct and the appeals processes. (Often minimum standards for these are determined by law). |
| Diversity, gender equity and equal opportunities | This outlines the organisation's commitment to ensure everyone is afforded an equal opportunity and no person or group of persons is discriminated against. |
| Health and safety | Based on risk assessment. Assigns safety roles. Must comply with law |

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4   Adapted from http://www.scvo.org.uk/Images/Publications/Your%20Mission%20-%20Governance.doc

TOOLBOX CONTINUED ...

| Policy Area | Key things to include |
|---|---|
| Recruitment | An objective process for advertising, application, short listing and interview |
| Termination of contract | Stipulates the basis on which the contract for the secretariat staff member can be terminated |
| Pay and benefits | Salaries, pay scales, holiday pay, sick pay, pensions, benefits |
| Working hours | Consistent with working time regulations and health and safety law |
| Performance and support | Support, supervision monitoring performance, appraisal, training |
| Absence | Notification process, absence monitoring, return to work interview |
| Staff development | Training, personal development, promotion |
| Staff exit | Dismissal, redundancy and resignations |
| Client / customer relations | Confidentiality, complaints and process for abusive clients |
| Interns and Volunteers | Roles, recruitment, supervision, training, support and expenses |
| Accounts | Responsibilities for keeping accounts and for reporting to regulators and funders |
| Handling cash | Procedures for recording, banking and reducing risk of theft |
| Cheques | Who signs/countersigns and for what amounts.  Process for incoming cheques |
| Budget setting | Who prepares and presents budgets for Governing Team approval, and when |
| Ordering and payment | Who can order supplies and services and authorise payments at various levels.  Who deals with invoices and when.  How you will apply Value Added Tax rules |
| Financial reports | Reports the Governing Team will receive, when, in what format and from whom. |

| TOOLBOX CONTINUED … | |
| --- | --- |
| **Policy Area** | **Key things to include** |
| **Payroll and expenses** | In line with 'Pay As You Earn' personal tax rules. Process for claiming, verifying and authorising expenses and floats |
| **Reserves** | Target and process for building reserves, based on an assessment of financial risk |
| **Assets** | An inventory and a replacement and maintenance schedule for all equipment |
| **Fundraising** | How and from whom you will fundraise. Check charity law rules if necessary |
| **Membership Policy** | Criteria for who can and cannot be a member. Membership rights (e.g. voting in Board elections) and obligations (e.g. membership fees). |
| **Governing team** | Mandate and authority of the governing team, how it will operate and how it is chosen (for example by election). |

Once the secretariat structure has been decided, the next challenge is recruiting the staff. Staff recruitment can occur through a variety of means, including advertising in the media, use of membership networks, websites and use of recruitment agencies. The active network of networks is also a superb mechanism through which to recruit staff. it is important not to weaken the membership base by recruiting the best staff from member organisations. At the same time an association benefits from staff with experience in the sector and a working knowledge of the membership base. Again this is a balancing act that needs to secure both a strong secretariat and retain membership human resource capacity.

Suitable staff can also be nurtured through the many volunteering and internship programmes available to CSOs. A national association can orchestrate its own internship program, and partner with other CSOs in the area to foster, a culture of teaching and enabling young leaders in the field. Candidates may also become equipped with the requisite skills and knowledge through diverse volunteer experiences. A national association could offer short-term postings for people to fill on a voluntary basis. This could be attractive to potential volunteers, as they are aware of the breadth of influence and exposure of a national association and they recognise that serving a respected national association would be professionally advantageous. At the same time, the association would gain the professional assistance of capable and willing workers.

Succession planning is also helpful in preparing for changes in senior staff roles. It is important to devise plans for passing on the leadership of a national association. Can institutional memory be taught or passed on? From the perspective of Graham Benfield, CEO of the Wales Council for Voluntary Action (WCVA), *"These skills and abilities are passed on through mentoring and purposefully preparing staff for the future."* Succession planning might also include tailored orientation and training.