



# ***NETWORK SUSTAINABILITY<sup>1</sup>***

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# Network Sustainability

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## INTRODUCTION

The term “sustainability” has become a common mantra in the field of international development. It drives policy, project design, funding availability and project execution. As dominant a term as it has become its meaning varies from context to context in which it is used. At a minimum, it connotes something that lasts and generally speaking, the focus of its practical meaning is usually weighted towards the financial aspects of sustainability. In other words, if funding is available to exist over time, an organization or network is often considered “sustainable”. The problem with this narrow definition of sustainability is that it presumes relevance and impact to be implicit by virtue of having enough funds to exist at any given moment. This assumption often leads to boom and bust cycles of both civil society organizations (CSOs) and networks, which relax in times of financial stability and are caught unawares when poor organizational fundamentals eventually decrease their ability to remain even financially sustainable—much less relevant and impactful.

Sustainability does not only imply availability of financial resources but also a combination of organizational fundamentals such as clear vision, sound planning, diversification, good financial and management practices, flexibility and adaptation to environmental changes, innovation, leadership, and commitment. True organizational sustainability requires balancing these and other fundamentals and leveraging them over time to attract the funding to keep the organization running, relevant and impactful.

A network is an organizational form that must balance similar fundamentals in order to remain relevant and impactful over time. The particularities of network purposes and structure add interesting dimensions to the meaning of network sustainability and beg the following questions:

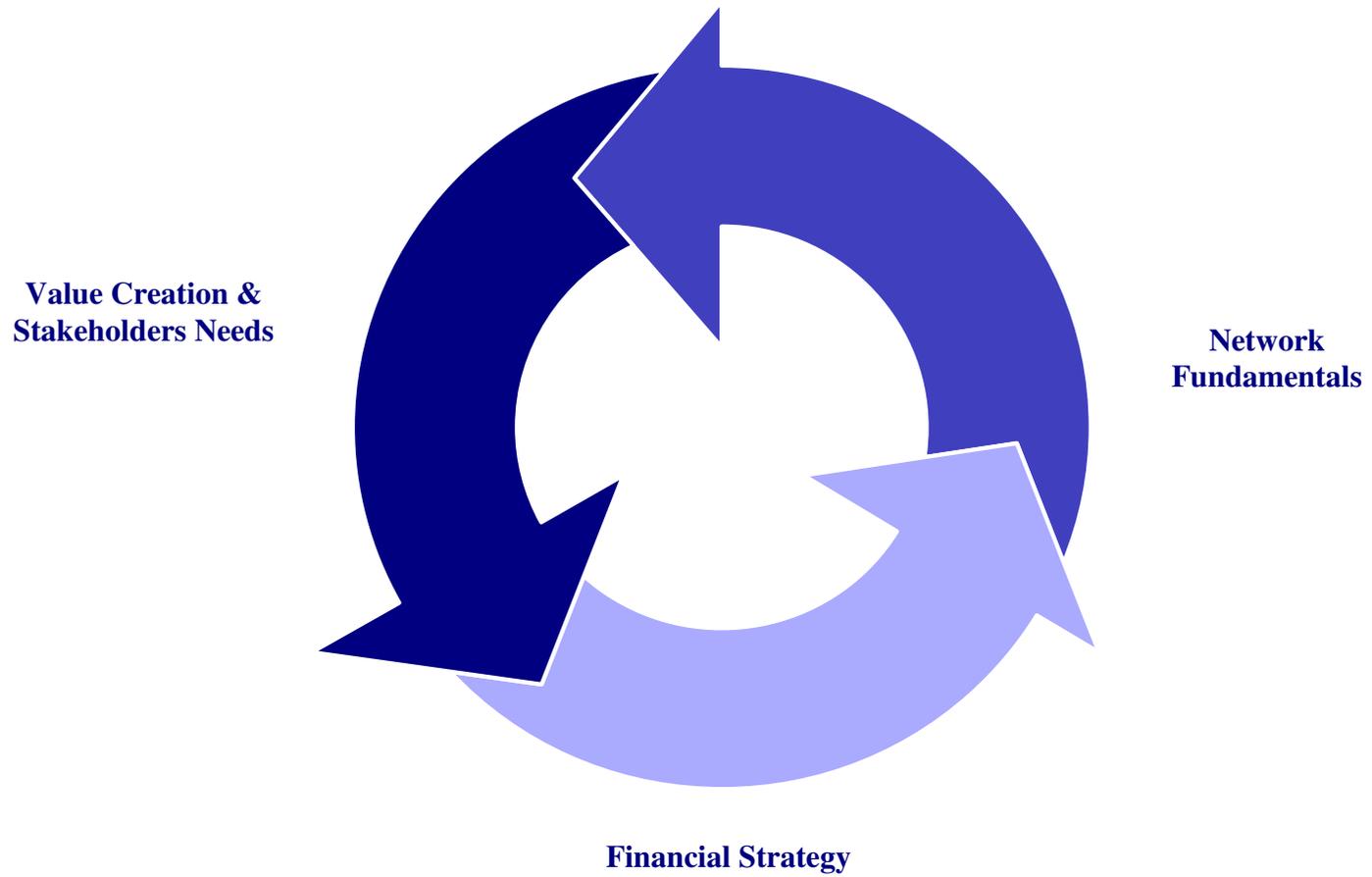
- Are networks inherently financially unsustainable in the classic sense?
- Does financial sustainability necessarily imply high value for the stakeholders of networks?
- Should networks be expected to survive on fee for service or membership dues or are grants and similar funding sources necessary?
- Is there a necessary life cycle of initial investment and intentional scaling down over time?
- Should networks aim for low overhead operations as a rule?
- Should networks be built to take advantage of economies of scale of their members?
- Can networks which were formed for tactical purposes (i.e., project networks) be converted into sustainable ongoing networks once the initial project funding is exhausted?

These questions are at the core of analyzing why some networks succeed and others fail. In order to respond to these and other key questions, Pact has identified three interrelated components that are at the core of network sustainability:

- a) ***Value Creation in Response to Stakeholder Needs*** establishes a clear orientation that fosters the offering of services based on network stakeholder demand which is dynamic over time.
- b) ***Network Fundamentals*** are the foundation for network development and growth. Without solid fundamentals (i.e. mandate, vision, network structure, relationships and clear role separation with member organizations, management, etc.), sustainability is tenuous even if the network currently has meaningful financial support.
- c) ***Financial Strategy*** is the ability to efficiently align funding sources with network operational and strategic aims. It is the ability to leverage resources on the basis of strong network fundamentals and a solid value proposition.

The degree of strength within and cohesion among these three components contributes directly to network sustainability and leads to competitive advantage.

## Key Components of Network Sustainability



## COMPONENTS OF NETWORK SUSTAINABILITY

### Value Creation and Stakeholders Needs

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The genesis of a network and its future development must be based on value creation in order to ensure long term sustainability. The creation of value, focused on stakeholders' needs, is a key principle that not only fosters creative ways to address challenges but also enables the attainment of high impact interventions.

Value creation<sup>2</sup> in a network involves aspects such as clear understanding of members' needs, identification of innovative alternatives for solving problems, leverage of synergies among stakeholders for higher impact execution, and documentation and dissemination of best practices and lessons learned. A network can create value in different ways. Following are some of the many ways in which a network can create value:

- Promoting partnership with other stakeholders
- Conducting monitoring and evaluation in donors' projects
- Identifying opportunities for joint interventions among network's members
- Documenting knowledge based on members' interventions
- Implementing creative operational structures (Box 1 describes how Nicasalud3 is creating value through a very innovative operational structure)

#### *Clear purpose of network formation*

For network value added to be in response to stakeholder needs it is critical that the original purpose or mandate of the network be clear. Was the network created based on a true demand of network members that they as individual organizations couldn't have fulfilled more efficiently on their own? A successful network must be more than the sum of its members. Once it has been identified that a network has a strategic purpose for its members it must define strategies to carry out that particular value proposition. In addition to achieving clarity of purpose it is also important that *all* members are clear on the network value proposition and their own roles and responsibilities in sustaining the network—including clarity on division of roles and responsibilities between a network and its members. Other key themes around clear purpose of network formation include:

- *Clear understanding about potential synergies:* appreciation about benefits and impact that can be achieved by working in networks.
- *Agreement about priorities and strategies:* clear definition of concrete actions around key objectives and goals.
- *Management of information and knowledge:* awareness about benefits of documentation and dissemination of best practices and successful approaches.

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<sup>2</sup> The creation of value is a continuous process framed by the network's strategic aims and by the features of the environment in which it operates. Thus, in order to be successful in value creation a network should carefully address the following dimensions:

- Members' expectations and needs. This implies recognition of the objectives and goals of network's members and implementation of processes to achieve consensus around network's main aims. Through these processes a network identifies key outcomes that it must achieve to meet member's needs and it also promotes commitment about member's responsibilities to support network operations.
- Other stakeholders' priorities and interests; this group is made up by donors, governmental agencies, municipalities, private firms, among others entities that have any interest on the network operations and outcomes. A clear reading of the opportunities or threats that this group can provide will help to identify ways for maximizing network impact through improved collaboration and leveraging of resources.

<sup>3</sup> NicaSalud is a Nicaraguan NGO network specialized in health. It has a national reach and its membership integrates local and international organizations (25 entities in total).

- *Practical and clear operational procedures:* rules that facilitate the network’s operating and financial activities.
- *Leadership based on values:* clear orientation and motivation to carry out activities around network’s principles.
- *Awareness about the financial dimension:* clear understanding about short and long term financial implications that come from programmatic decisions.

### ***Continuing common interest on key issue(s)***

A sense of mission and consensus around themes that interest network members is key—confidence and participation among members generates a level of trust that improves relationships and facilitates coordination. But equally important is that mechanisms be in place for networks to continually gauge the dynamic nature of member needs and adjust to those needs within the limits of its mandate. If member needs change, the network must change (dissolve, redefine itself, etc.). A network that is financially sustainable and actively implementing activities, but that is out of touch with its membership is really no longer a network—it is an independent NGO disguised in network form.

#### **Box 1: NicaSalud’s Operational Structure**

The operational structure that NicaSalud implemented allows it to confront the geographical dispersion of its members as well as the growing interests on specific themes. At the same time, its structure helps to navigate financial limitations while emphasizing the advantages of exchange and learning among similar organizations. Thus, NicaSalud is creating solid conditions to support its long-term sustainability.

The successful operational structure that NicaSalud was able to develop is based on two components. Their characteristics are as follows:

a) **Sub Regional Networks:** When having a membership that extended at national level and with specific needs at regional level, NicaSalud decided to create 3 sub networks. Each one with an autonomous hand but incorporated into the global plan of NicaSalud. This way, each sub network has a coordinator and a secretary keeping close contact at regional and local levels with the Ministry of Health in order to harmonize activities. The advantages of having a Sub network are:

- The level of coordination for intra-regional interventions increases.
- Facilitates the dialogue and analysis of high-priority aspects within the region.
- Promotes the dissemination of outstanding information to assist daily work.

b) **Thematic groups:** NicaSalud observed that not all the members at the national network level and at the sub network level shared common interests for the same topics. Instead they had certain topics that captured the attention of NGO groups that even operated in different regions. Facing this need, NicaSalud decided to respond by promoting the creation of Thematic Groups that would be focused on the study of specific topics (example: Child Health, Maternal Health, Monitoring and Evaluation among others). The advantages of creating Thematic Groups are:

- Analyze topics that respond to the NGOs’ needs (independently if they have financing from other than NicaSalud).
- Thematic groups have greater independence: define work plans, determine the frequency of their meetings, record their progress, etc.
- Stimulate the exchange of learning and observations between regions.

In turn, with the purpose of making feasible the Regional Sub networks as well as the Thematic Groups, NicaSalud assigned members of its technical team to promote and monitor on the progress of the exchanges and learning at regional and thematic levels. Much of the coordination of regional NGO interventions - like the production of manuals and technical documents in the thematic groups – have increased, generating consolidation among the members of NicaSalud.

## Network Fundamentals

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Network fundamentals are the glue that solidifies a network. They are key assets that enable and sustain a network's operations. In the long term, solid network fundamentals make a huge difference on sustainability and impact. The following elements are examples of network fundamentals:

### *Clear separation of roles between networks and membership*

Networks can become irrelevant, or even polemic, due to poor role differentiation between the network and its members. A network's roles at any given point in time must be centered on offering a value added for membership that members are not capable of achieving either individually or as efficiently as a network-led response. The drive for financial sustainability at the network level often leads networks to compete with their membership, or even pursue non competitive aims that don't benefit members at all.

### *Adequate scope and alignment*

Besides clearly defining roles and responsibilities, the scope of the network should be only ambitious enough to respond to member needs in an agile way. A network can only be as effective as its ability to respond within the limitations of its infrastructure and human resources. Unless the membership is large and wealthy, and willing to create significant infrastructure, network level roles should be limited to a few small priorities that clearly add value and don't overly tax the membership. Members will conduct the cost-benefit relationship of belonging to a network in a much stricter way than they would analyze continuing internal programs or priorities. If the network is seen to be pursuing non value added aims (in the form of projects, sale of services, etc.) in search of financial sustainability, it is likely that its scope is out of line with its capacity to respond. A network that is forced into contorting itself in the search for financial sustainability is a network in need of a rapid realignment and scaling down of scope.

### *Network functions drive organizational structure*

The organizational form of the network — besides only being large enough to respond to member needs in an agile way — should be structured for efficiencies in response to membership. Roles of a network are typically different than those of a typical NGO. For example, if a network has a heavy focus on needs identification and communication in general (with members and in representation of members), resource mobilization and monitoring and evaluation of members, its organizational form should follow function. The organizational structure should gear itself around its key roles and not assume traditional NGO structures by default.

### **Box 2: Benefits of being a member of a Network**

- Space for learning and training (Technical and Management strengthening)
- Access to an open space of dialogue, analysis and information exchange
- Members interests represented
- Access to systematized documentation (approaches, methodologies, etc.)
- Higher financing possibilities for projects, revolving funds, and/or access to loans
- Availability of technical assistance (counseling and accompaniment)
- Membership prestige and institutional representation
- Consultation and counseling possibilities among members
- Increase of the degree of inter-institutional relationships
- Better possibilities for coordination and joint actions

Network fundamentals development responds to an organic process. They are developed through members increased awareness about what working under network logic means (Box 2 presents the benefits of being a member of a network). Network fundamentals are also improved by practical experiences that address critical issues in the network's agenda and create opportunities for a better understanding among members.

## **Financial Strategy**

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The financial dimension represents a key building block in network sustainability. Network financial strategy is the ability to efficiently align funding sources with network operational and strategic aims. It is the ability to leverage resources on the basis of strong network fundamentals and a solid value proposition.

Innovation and accountability should drive a network's financial strategy. The former adds a source of value creation by looking for new ways to manage financial issues. The latter emphasizes professionalism and develops trust among stakeholders.

The following are key features of a network's financial strategy:

- It must follow network strategic aims in order to align all organizational resources around value creation.
- It must build upon the network mandate which is structured around key value added niches that don't duplicate the functions of individual members.
- It must ground its value added in defined products and services towards its membership.
- It must be able to carry out the delivery of the products and services to its members in an efficient (perceived benefits to membership are higher than the costs) way and within the means of its membership (and stakeholders such as potential donors) to pay.
- It must understand at all times "Who has interest in the success of this network? Identification of strategic allies (financial and others) provides the basic intelligence for the development of specific financial sustainability strategies.
- It must have specific sustainability goals and strategies, with a management system that facilitates strategy execution and monitoring.
- It must balance strategic themes such as the programmatic mandate and operational issues (cash flow needs, regulations, etc.).
- It must support decision-making process with timely, periodic, and accurate information.
- It must promote stewardship in order to maximize the use of the resources available.
- It has to create the conditions for a smooth financial transition between the short and long-term.

A sound financial strategy approach allow a network to lead its future according its values, mission, and vision while avoiding to be driven by international cooperation trends or by financial institutions' priorities. Thus, a successful financial strategy favors organizational autonomy, future viability, and flexibility for new innovation.

An integral network's financial strategy should focuses on areas such as Strategic and Financial Planning, Diversification of Products and Services, Developing Opportunities and Resources, and Cost Management.

In addition, a network depending upon its current situation or priorities may opt for specific strategies that can address issues related to income or expenses. Such specific options, among others, are

represented by income generating activities, fees for services, cost recovery, cost optimization, membership dues and reserves creation.

A key message that arises from a network's financial strategy is that it is more than funding it also involves visioning, leadership, and a "big picture" approach that links financial and programmatic issues. Thus, by putting all these themes together a network has better possibilities to achieve organizational sustainability (Box 3 describes key elements about how PROCOSI<sup>4</sup> deals with the challenge of sustainability).

### **Box 3: PROCOSI's Sustainability Recipe**

The achievement of sustainability is a permanent organizational challenge. It implies a fine combination of factors that go from the financial to the programmatic and from the operative to the strategic. In this manner the definition of a sustainability policy and strategy is critical for the viability of any organization. PROCOSI has developed a "Sustainability Recipe" to share with other networks searching for the ever elusive "sustainability". This recipe has proven its value through the 16-year life of the network and is based on practical experience, collective reflection and an adaptation to contextual changes. The impact of the recipe has also helped PROCOSI's members to develop abilities and strategies that contribute to their own sustainability. The ingredients of the recipe are:

- **Sure and sufficient flow of resources:** It is necessary to have funding sources that not only assure operations in the short term but also in the medium and long term. This requires the development of creative and sustainable mechanisms of financing. At the moment, PROCOSI has a fiduciary fund that supports the availability of funds.
- **Demand driven approach:** Objectives are needed that respond and adapt to changing needs. If a network fails to articulate sound proposals it cannot attend to the needs of its members, thus putting at risk the network's viability.
- **Competitive technical capacity:** Including the expertise and capacity to manage programmatic and technical topics with an innovative focus and at an effective cost. PROCOSI works to maintain a well-prepared technical and administrative team.
- **Organizational structure:** Providing a stable and desirable work atmosphere facilitates the execution of objectives and goals, favors the practice of organizational values, and promotes accountability.
- **Leadership:** Leadership needs to be oriented to understanding what's needed to motivate and encourage its members, visualize a desired future, and generate the necessary changes to realize outlined objectives.
- **Sense of ownership and incentives:** The contributions of each member should lead to increased network responsibilities, rights and benefits. In the case of a network, such a contribution is translated in time, effort and money. In this manner member investments must offer a return with concrete benefits for each network member.

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<sup>4</sup> PROCOSI is a Bolivian NGO network working on health and development Its programs and projects have a national reach and concentrate on the severely poverty stricken areas of Bolivia. Its current membership has 37 international and national organizations.

## **Additional Lessons Learned around Network Sustainability**

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Below are some key lessons learned around Network Sustainability

- Economies of scale and reduced costs can be achieved by participating as a member of a network.
- It is important that a network considers the sale of services as a mechanism to support its sustainability (i.e. Training, self-evaluation, strengthening processes, technical assistance, etc.). However, networks must be careful to not compete with their membership.
- The network structure can be attractive for donors since it reduces required bureaucratic correspondence with individual organizations. The potential standardization of administrative-financial and monitoring and evaluation systems are attractive through a network as a one stop shop.
- However, project networks, or networks created—or even quickly forced together—for tactical purposes (such as to qualify for funding) often skip the round of building network fundamentals and end up in an inevitable cycle of:
  - Rapid scale up
  - Inflated operations
  - Crisis, scale down and reinvention as project funding nears termination
- Once a network is associated with a financial entity / donor, short term financial comfort may make it difficult to achieve the financial diversification necessary for long term sustainability.
- A strengthened network can offer quality services to other networks, to NGOs and to governmental agencies.
- Networks with memberships who join and are oriented to contributing, in addition to benefiting, are more likely to remain sustainable.
- Sustainable networks must develop and provide tangible and intangible benefits (e.g. economic, prestige, etc.) to its members.
- A network with agile mechanisms of communication and coordination can energize the exchanges among its members.
- The efficiency of a network is increased if it has a competent management that is focused on strategic issues.
- Sustainable networks must develop their capabilities to negotiate / lobby at external levels and to achieve consent at the internal level.

## CONCLUSION

Long term network sustainability is built around a balanced mix of a clear value proposition in response to stakeholder needs, solid network fundamentals and a clear financial strategy that efficiently aligns resources with network operational and strategic aims. While financial sustainability of a network doesn't necessarily imply high value for the stakeholders of networks, funding strategies to provide for basic network operations are key. Networks can be sustained artificially in the short term — as in the case of well funded project networks — however they will bust with the end of the project cycle if they aren't build upon strong network fundamentals.

Networks should pursue a funding strategy (fee for service, membership dues, grants, etc.) and similar funding sources that responds efficiently to its well defined mandate and uniqueness of its functions. Networks should consider agile, low overhead operations that respond to a small number of key service functions to membership and clearly provide value without risking unsustainable scopes and structures.