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THE CHRONICLE OF PHILANTHROPY

MANAGING

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Good to Grow

Local charities seek out best ways to expand nationally

By Eman Quotah

From the time she founded her nonprofit group, Alice Korngold wanted her ideas to spread across the country. And now, after years of planning, they are.

In 1993, she started Business Volunteers Unlimited, as an effort to match the skills of volunteers from Cleveland businesses with the needs of charities, and to train business executives to serve on nonprofit boards.

"I personally have a passion and an interest in helping other cities do what we're doing," she says. "And I'd like to save other cities the trouble we went through."

But it wasn't until two years ago that she got serious about opening other locations to spread the approach, waiting until she had a strong staff in place in Cleveland before embarking on the expansion effort that she knew would require her to travel frequently.

The wait, it appears, has paid off: Today, Business Volunteers Unlimited has additional offices in Lorain, Ohio, and in Baltimore, and Ms. Korngold says the group will open offices in five other cities this year.

Like other nonprofit leaders whose local charities have given birth to national networks, Ms. Korngold sees expansion as an outgrowth of her group's mission to help others. Many well-known, well-established national nonprofit organizations, such as Planned Parenthood Federation of America and Habitat for Humanity International, started as small local operations. But Robert M. Zimmerman, a San Francisco fund-raising and organizational-development consultant who works with nonprofit clients, cautions nonprofit leaders to think carefully about getting bigger.

"Often nonprofit people are justifiably proud of their programs and think [they] should be spread elsewhere," he says. But, he adds, they need to plan meticulously. "Otherwise," he says, "it's going to be a good idea that falls on its face."

Building a Track Record

Mr. Zimmerman advises that when considering an expansion into other locales, a charity should first show that its programs can be reproduced, and make sure that it has enough money and staff to support national growth while maintaining local programs. And the organization should make sure that people in its new locations support its work, he says, to avoid being accused of "carpetbagging."

The charity should also have had measurable success in its original home, says Kevin Jennings, executive director of the Gay, Lesbian and Straight Education Network, commonly known as Glsen (pronounced "glisten"). His group,



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founded in Boston in 1990, opened its national headquarters in New York 10 years ago and now has nearly 70 chapters across the country. "You have to be able to show that what you're bringing has worked," Mr. Jennings says. "You have to have some sort of track record."

The first inkling that an organization has potential to grow nationally often comes in the form of fan mail. Charity executives say that when people hear about a good fund-raising or program idea in another city or state, they call or write to find out how to bring that idea closer to home.

DonorsChoose, a New York group started in 2000 by a Bronx public-school teacher to raise money for New York public schools, has gotten such queries from teachers across the United States and as far away as Nepal and South Africa, says Ilana Goldman, vice president for marketing, development, and expansion.

Knowing that teachers wanted its services, she says, made DonorsChoose think seriously about tailoring its approach to work in locations outside New York. Today it has spread to North Carolina and is planning to open two more affiliates in November.

Talking to potential supporters can help a charity determine whether they can be turned into donors or collaborators, Ms. Goldman says. However, she notes, "while money is always helpful, even just having a list of people waiting for our service or wanting to help can be an enormous help in the decision to expand."

Increased Scope

Some charity leaders fear that moving to new locations will mean forsaking their grass roots and losing sight of their original missions. Jesse Putnam, executive director of Eco Encore, a Seattle organization that raises money for Northwest environmental organizations by reselling used books, CD's, videos, and DVD's, says that though he wants others to emulate and adapt his group's ideas, he prefers that they do it independently. For that reason, he has turned down requests to expand.

"I don't believe that the only way to be successful is to grow," he says. "We're focused on developing [Eco Encore] here so we can get to know our own community."

Yet many charities see growth as a way to add scope to their work. National organizations can do a lot of things that local groups can't do on their own, charity managers say. For instance, they say, a national network can share successful ways of doing things, create a reputable identity, shape federal policy, and raise more money than stand-alone organizations can.

CityCares, an alliance of volunteer community-service groups with national headquarters in Atlanta, is working with Home Depot to promote community service. By collaborating with the Atlanta company, CityCares has turned a local relationship into a national one that provides funds for affiliates around the country and raises their visibility in ways that a single affiliate couldn't accomplish on its own, says Lisa Flick, director of programs and services at CityCares.

Ms. Goldman, of DonorsChoose, agrees that going national can increase a charity's efficiency. By starting DonorsChoose in various locations, rather than

leaving local groups to set up their own similar programs, Ms. Goldman says, "we're saving everybody precious ramp-up time."

Strategy and Opportunity

Becoming a national organization can take a combination of planning and serendipity.

Both played roles in the growth of DonorsChoose. The group began thinking of expanding last year when its leaders felt it had been successful in New York, giving money to 75 percent of all proposals the group had received from teachers. Around the same time, Michael Brader-Araje, a North Carolina businessman, saw Oprah Winfrey plug DonorsChoose on her television talk show. Wanting to bring the group to his state, he provided money to create pilot versions of the organization in 15 school districts in his state, which started operating in February. Later this year, the charity will move into San Francisco and Chicago.

Leaders of some nonprofit organizations that have expanded say that if they could do it again, they would have spent more time planning a strategy rather than simply responding to events. For example, James Bell, executive director of the W. Haywood Burns Institute, a San Francisco group that works to reduce the number of minority children in the juvenile-justice system, wishes he had written a strategic plan before his group opened 10 new sites during the past three years. But, he warns, "You've got to strike while it's hot -- you could be planning yourself right out of the work."

Mr. Bell and others recommend setting "benchmarks" for how much growth an organization can handle based on how many staff members are needed to run each new location. For Mr. Bell, that means knowing that one staff member can run four sites; any bigger ratio is unfeasible for his group, he says.

Even exploring the possibility of growth can be a drain on limited resources, nonprofit managers say. When he started expanding Glsen, Mr. Jennings traveled extensively, teaching supporters how to set up gay-straight alliances in schools, as he had done at Concord Academy, in Concord, Mass. "I spent a lot of time on the road and on people's couches," he says.

Not only did his travel take a toll on him, but it also made his program managers feel abandoned, he says, resulting in what he calls a "silo effect," with each program operating independently.

"It's a classic trade-off," he says. "You need to be out there talking to people, but there's a price to pay."

In 2001, Glsen hired a deputy executive director to run its programs while its leader travels to raise money and expand the organization's reach.

Paying the Price

New chapters need start-up money as well as an investment of time, and lack of funds can be a deal-breaker for groups that want to open satellite offices. Debbie Mason, a consultant in Perry, Fla., who provides research, strategic planning, and governance training to charities, once advised a Fort Lauderdale organization that had developed a program to prevent children from drowning. The group thought it had an unusual formula, and wanted to open affiliates

around the country, she says, but had trouble getting people in other cities to risk start-up funds on a program that hadn't been tested in their communities. Without donations, the charity decided to stay local. "While their mission was excellent," Ms. Mason says, "they couldn't afford to hire the staff needed to go national."

DonorsChoose asks that new host cities have \$400,000 lined up to pay for the project for two years from the start. That requirement ensures that staff members in the new locations can get started with sufficient resources, says Ms. Goldman.

"We want our executive directors focused on building the program, not worried about how to keep the lights on," she says. "They do work on fund raising, but having that base of support makes an enormous difference in terms of meeting our programmatic goals."

Going from running one outlet to many, Mr. Bell says, "you go from 'I just play piano' to trying to arrange a summer tour."

He felt that way as his Burns Institute grew in three years from a one-person project to an organization with seven employees working in 10 cities. On one particularly frenetic day last year, he says, the Burns Institute agreed to start four sites in Illinois. He recalls thinking, "There's no way I can do this."

Realizing that demand for his group's services had outstripped its staff and other resources, Mr. Bell slammed on the brakes. The Burns Institute has decided to stop opening new sites until 2005. Now, he says, "every decision about growth is very deliberate."

Focusing on Governance

Even as they are investigating where they want to expand and how fast, charities should think about the kind of relationship they want to have with their new branches, nonprofit managers say.

Choosing the right governance structure, Ms. Mason says, can make or break an expansion effort: "You need to get it right as you get out of the gate, because it's too hard to change after that."

She says most groups choose one of two models: a federation, in which the national office and the local offices each have their own tax-exempt designation and the local units pay a membership fee to headquarters to share its name and resources but have autonomy in their decision making; and a franchise organization, in which the national office and affiliates share one tax-exempt designation, with headquarters essentially owning the local offices and dictating their programs.

Ms. Flick, of CityCares, advises "being thoughtful about the structure of the national organization that best fits your mission and organizational structure. Do you want a partnership or a parent relationship?"

CityCares, she says, chose the partnership approach. Local groups pay the national office annual dues; in return, the local groups get a bevy of benefits, such as access to grants and corporate sponsorships, subsidized training, group purchasing options, free airline tickets, and use of CityCares' online data-management system for fund raising, at a fraction of what it would cost to buy

and maintain their own software. Dues are based on the local affiliate's size, and that structure was developed as part of a strategic plan that the affiliates helped to devise.

Balancing local independence and creativity with national goals and standards can be tough, charity leaders say. In Glsen's case, Mr. Jennings says, "We weren't precise enough in our instructions. I think that we erred a bit on the side of local customization."

For instance, he says, he knew it was important to have teenagers in leadership roles, but he gave local chapters no directives about including young people on their boards. In some cases, the chapters' attempts to work with school gay-straight alliances failed because students at the schools didn't think Glsen understood their point of view. As a result, the national organization has sometimes had difficulty controlling quality in its local chapters, he says.

"Sometimes local people take the wrong first step and won't listen when I tell them 'No, do it this way,'" he says. "The only power I have is that of persuasion."

Board Challenges

Tensions also can arise between an organization and its original board, say nonprofit leaders.

"Sometimes the executive director can get ahead of the board in terms of going national," Mr. Zimmerman says. Ms. Korngold says of her board in Cleveland, "Their main interest is our local community because they are a board of local corporate leaders." But, she adds, "seeing the level of national recognition and interest and excitement, I think, is winning their support."

When a local group decides to go national, says Mr. Jennings, it needs a set of trustees that bring different skills than a grass-roots group would need. His original board was made up of teachers and others strongly rooted in Boston. The new board includes business leaders who bring fund-raising and management expertise.

He says that his local board in Boston felt a sense of abandonment when Glsen grew.

"Some of them thought we were selling out," he says. To help board members understand the transition, Mr. Jennings brought in speakers from other nonprofit groups to talk about organizational change.

Change will come to the charity's leader as well, he adds. "If you're really motivated by the passion and the cause, some of that will go away when you go national," he says. "Your job will change."

A national director, he says, has to focus on raising funds and managing a growing organization, and has to let others carry on the work of providing direct service. Mr. Jennings, a former teacher, acknowledged his new role by obtaining an executive master's of business administration degree in 1999.

Scaling Back

Not every location is hospitable to new affiliates, some expanding charities have found. The Arts and Business Council, founded in New York in 1965 to promote partnerships between businesses and arts groups, brought its Business

Volunteers for the Arts program to Seattle in 1980. By 1993, the council had started 30 of the programs nationwide, many of them in cooperation with other groups, says Gary P. Steuer, the council's president. Last year, the Seattle office closed, and today the council has only 20 chapters nationwide.

"When we first began, the BVA program was something new and exciting. It was easier for communities to raise money," he says. "Coming up with resources to fund a single program is harder now," he adds, noting that grant makers are more likely now to support groups that offer a broader arts agenda.

Entering a new market only makes sense for a group that offers an unusual service not already available in that location, says Clara Miller, president of the Nonprofit Finance Fund, a charitable group in New York that offers loans and training to other nonprofit groups. The organization pulled its Nonprofit Facilities Fund, a project to help finance real estate for charities, out of Chicago because another group already did the same job for the city's nonprofit organizations. "They really had it covered," she says. "They didn't need us."

Mr. Steuer's group introduced more-stringent requirements of its affiliates in the 1990s, asking that new offices run a feasibility study before opening, and putting in place minimum standards, such as requiring affiliates to train all their volunteers. So far, he says, two affiliates have been disenfranchised for not adhering to those guidelines. The group has also re-evaluated its national structure in recent months, and is allowing groups that do not want to become full-fledged affiliates to buy instruction and training materials "a la carte" from the council, Mr. Steuer says.

"If we hadn't made mistakes," he says, "we wouldn't have discovered the elements that make a program successful."

By sharing a proven formula, say nonprofit leaders, charities can do more of the good work they first set out to do. That may be imperative in these tough economic times, with private and government grants getting harder to obtain.

Ms. Goldman points out that financial support is only one component of growth. "I don't think there's a one-size-fits-all way to think about this," she says. "The program model needs to be scalable, the right staff needs to be in place. There are just so many elements that can make or break a growing nonprofit."



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