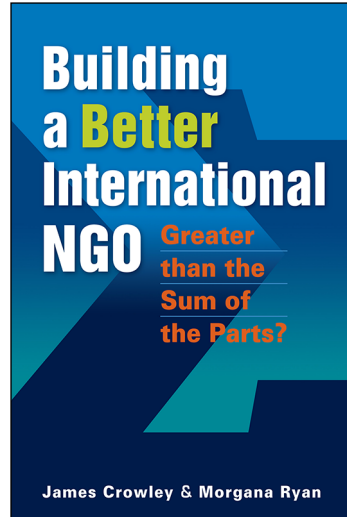


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**Building a Better
International NGO:
Greater than the
Sum of the Parts?**

James Crowley and
Morgana Ryan

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Introduction and Overview

The “Sum of the Parts” Idea

Giving to a good cause is sometimes an impulsive act for an ordinary individual. It is implicitly a decision of trust that gives a certain gratification to the giver, with an expectation that the money will provide relief, hope, and maybe some progress to someone, somewhere, near or far. At an institution, foundation, or corporate level, the process of giving has many of the same traits, but of course one expects it to be more sophisticated and hopefully more rigorous.

International development and relief agencies (often referred to as international NGOs [INGOs]) provide a way to give assistance to the poor and disadvantaged in the developing world. Many came into being during the middle part of the past century by extraordinarily committed people who opened up the possibility for us all to help. These organizations set up programs, typically at grassroots level, in the poorest areas of the world, helping with issues such as water and sanitation, food insecurity, education, health and agriculture, and relief from famine and disasters, natural or man-made. As funding and programs have expanded and multiplied, many INGOs have expanded their operations and now work in up to one hundred countries, with operating budgets on the order of \$1 billion to \$2 billion a year for the largest. They have a complex network of offices at field, regional, and central locations, as well as income-generating offices in many countries in the richer parts of the world. All of these offices need to be coordinated at a global level through some form of international management approach and supervised by an international secretariat or headquarters. All this takes a good deal of time, resources, and investment to make it all work.

However, these international development and relief agencies are not the only ways for donors to channel their contributions. There are also many

opportunities to contribute directly to numerous small local charities, such as local orphanages, schools, or small local country-based NGOs. One can give, for example, through a church, which in many cases has established structures and capacity on the ground in many poor countries—meaning that any contribution can be channeled in full to the front line, since the infrastructure already exists and is most likely already fully funded. And increasingly, with new possibilities in the age of the Internet, one can connect directly with community organizations and local businesses in the developing countries, either as direct giving or directly investing through new investment channels such as kiva.org.

So what is the rationale for channeling one's contribution through the big international agencies such as Oxfam, World Vision, or Save the Children? Yes, these organizations have deep expertise, are staffed with professional development workers, and have an incredibly strong network of relationships with local communities, local and national governments in poor countries, and a range of donors. They are well equipped to match resources to areas of need. They have a well-trained workforce to implement the programs they design, working closely with local communities and other stakeholders. However, we are obliged to ask the \$100 million question: **Are large INGOs delivering a contribution that is greater than the sum of the parts?**

Introduction to the “Sum of the Parts” Research

There is no doubt that large INGOs have developed and matured over the past ten to twenty years. They have had to undergo many changes in order to continue to be relevant and effective in the pursuit of their aims. In many ways they have made great progress.

First, they had to extend their reach to address new areas of conflict and need. They have expanded their range of interventions to tackle new problems such as HIV and AIDS and, more recently, the disproportionate impact of climate change on poor and developing countries. They have had to evolve and strengthen their programmatic approach, the core of how they do their work to adapt to the lessons and failures of the past. This has required a deliberate move away from a charity-based approach toward being much more facilitative and supporting, with a stronger emphasis on human rights, and ensuring genuine local ownership of problems and solutions.

INGOs have also begun to collaborate much more seamlessly with local bodies, community-based organizations and with local and central governments. More recently, they have even been encouraged to work in tandem with

the private sector, which had traditionally been regarded as the “dark side” by many in the NGO community.

And, of course, there is the ever-growing clamor to demonstrate concrete evidence of the long-term impact of NGOs, be it in terms of achieving the United Nations’ Millennium Development Goals or other metrics of progress set out by increasingly demanding donors.

There has indeed been very considerable progress, yet we know that inside many large INGOs, things are not always as one would hope or expect. Despite some encouraging progress in recent years, some large INGOs have difficulty operating as genuinely global organizations; the components sometimes feel like distant cousins within the same warring clan. When you speak to managers and staff within these organizations, you frequently hear comments such as the following:

- Decision making is too slow and consensual.
- There is considerable inefficiency or duplication across the different parts of the organization.
- There are disjointed ways of working, disjointed processes, disjointed decisions, and disjointed initiatives across the organization.
- Individuals in their local node of the organization are overly protective of local perspective and unable or unwilling to see the bigger picture of the whole.
- Stakeholders at headquarters make decisions without understanding the realities of work in the field.
- Leadership behaviors are not always a shining example; criticisms on occasion include a lack of humility, respect, and management discipline.
- We’re not making as much impact as we could or should.

Why is this? Why do INGOs face such challenges in operating as global organizations? Is it something intrinsic to the sector, something that we have to accept? For example,

- Is it inevitable given the strains of constantly working in unstable, changing environments?
- Is it related to the constant uncertainty regarding long-term sustainability of their funding sources?

- Is it a by-product of balancing the demands of donors' requirements and expectations with the needs of those on the ground whom INGOs seek to help?
- Or are INGOs, even the largest ones, spread too thin, in too many countries, covering too many domains of activity?

This last issue is particularly acute for many INGOs that are today challenged with the pressures of very dramatic growth over the past decade. Some INGOs, for example, have seen a doubling or trebling of their income over a relatively short period.

Like any other international organization spanning a range of countries and business areas, INGOs should consistently strive to ensure that the whole is indeed greater than the sum of its parts. That means, in simple terms, that the benefits of being part of a broader international organization should exceed, in aggregate, the costs and efforts of coordinating and managing the global organization.

We know that the costs associated with activities such as management time and coordination efforts, as well as investments in common processes, systems, or standards, can be very significant. This is not surprising given the very wide range of activities of many large INGOs in terms of range of geographies (up to one hundred countries in some cases), breadth of domains (health, education, microfinance, agriculture livelihoods, governance, and so on), and the numerous types of interventions and partners that are involved. And, of course, the scale of activity on the ground in a typical program country is usually quite modest. A US\$20 million budget for an INGO in a developing country is still regarded as relatively large in many cases. These overhead and coordination costs become less significant, however, where the scale of activity is very large and where the magnitude of the synergies that arise as a result of being part of a bigger international family is considerable.

In the private sector, where diseconomies of scale and scope exceed economies and synergies, disposals or demergers ultimately take place. While INGOs are not exposed to the same market forces as the private sector in relation to mergers, acquisitions, and divestitures, there is an equivalent management and moral pressure to ensure that the whole is indeed greater than the sum of its parts.

This brings us back to the key question in this research: **Are large INGOs delivering a contribution that is indeed greater than the sum of their parts? In other words, are the economies of scale and scope greater than the implied additional costs of management, coordination, alignment, and integration**

for an INGO? If we are in doubt, what is a pragmatic way forward to ensure that this is the case?

This series of chapters explores this central question from six different, though complementary, perspectives. They are intended to provide food for thought, to provide lenses to understand and dissect some of the important issues, and to suggest some potential ideas and recommendations.

As we tackle this set of issues, we acknowledge the considerable efforts that several large INGOs are making to bring greater cohesion and effectiveness to their global organizations. We cite the “unified presence” and subsequent initiatives by Save the Children International and equivalent efforts by Oxfam International, to name a couple. We also applaud the ongoing efforts of NGOs such as World Vision and Plan International, which already benefit from a unified organization in all of their program countries and have been working hard to strengthen their global leadership and management structures, as well as some of their most strategic systems. The World Wildlife Fund and others are making valuable progress with the implementation of integrated and professional performance and accountability frameworks across all of their entities across the globe.

However, for many INGOs we know the challenges are considerable and there is much yet to do. We have had the privilege of assisting with a number of strategic planning reviews, as well as a range of other strategic assignments, for several large and very large international agencies over the past seven years. Through this work, we can observe some remarkable consistency in the kinds of big strategic questions that emerge and demand attention, for example:

- What, in the future, should be the scope and real focus of our contribution to reducing poverty and helping to deal with emergency situations?
- What specifically are we really good at, and what do we really need to be good at to deliver our mission?
- What is our *theory of change*, that is, our shared understanding of how positive and sustainable social and economic progress occurs, to best effect, in poor countries?
- How do we reflect the dramatically changing possibilities from ICT (information and communication technology) in how we design and implement our programs?
- Is our organizational model and structure right today, and is it equipped to deal with the demands of the future?

- How do we operate more effectively as a global organization?

These questions became the central lines of interrogation in this research process and map directly on how we have structured our analysis and observations in this book.

Overview

The first chapter, “Getting in Shape: How to Make a Large International NGO Be More Than the Sum of Its Parts,” looks at the question from the perspective of organization models, power, decision making, and management process. How can these large organizations operate in a synergistic, cohesive way and ultimately in a manner that ensures that the whole is indeed greater than the sum of the parts? This analysis identifies twelve key factors or prerequisites that we believe are particularly important for large international agencies.

In the second chapter, “Good at What? The Core Competencies of International NGOs: What Are They? What Do They Need to Be?” we take a step back and explore what INGOs are really good at and need to excel at to have the impact they desire. The chapter argues that agencies need to be much more precise and disciplined in understanding and nurturing their core competencies to have a useful role in the future. The chapter questions whether it is still credible and effective to be a “jack of all trades” in the development process, across so many differing contexts, in fifty to one hundred countries, spread across three or four continents.

The third chapter is titled “Evolving Structures of International NGOs: Is There a Right Answer?” and looks specifically at the issue of INGO structure, reviewing structural options and variants in the context of evolving thinking on organizational structures over the past century. We reflect on the learning and emerging wisdom from efforts to improve effectiveness of organizations in the private sector over the past few decades. We argue that the simple geographical structure, which has been the common form for many agencies, is no longer equipped to deal with the challenges of the future. However, leadership behaviors and approaches will need to transform in parallel with any changes to structural form.

The fourth chapter, “Reinventing International NGOs Through New Technology Possibilities,” explores the possibilities that modern technology provides in rethinking and potentially reinventing the role, contribution, and ways of working of INGOs in the development process. We also explore whether the changes through information and communications technology

could be “sustaining” technologies for the work of large international agencies or, alternatively, “disruptive” technologies that could result in the demise of the large international agencies we know today unless, of course, they transform and adapt.

The fifth chapter is titled “Strategic Planning for International NGOs: Reflections and Perspectives.” This chapter is intended to help get the most out of a strategic planning process and to avoid some of the common pitfalls. The success factors and approach are based on our extensive experience of strategic reviews in the private sector as well as on our hands-on experience helping with major strategic reviews with a number of large international development and relief agencies.

The sixth chapter is titled “Integrated Planning and Accountability for International NGOs.” This chapter is intended to expand on an important area of weakness that is highlighted in some of the earlier chapters. This chapter sets out some practical ideas on what a professional framework could look like, as well as describing some important considerations when implementing a new approach.

The seventh and final chapter, “What Does All This Mean?” seeks to bring together the essence of the previous six chapters and to articulate the key reasons why large international NGOs need to embrace change. We summarize some brief comments on navigating change. We also describe a somewhat provocative and maybe controversial view of the sector in 2024—which is undoubtedly going to be wrong. This projection is merely intended to provoke some deeper reflection on what the sector might look like in the future.

We fully appreciate that each agency will have its own particular history, context, and direction that will make the right recommendations different for each specific situation. However, we feel that INGOs are now at a point of inflection in terms of their role and contribution as the world is a different and rapidly changing place. They need to adapt, focus, and transform if they are going to continue to be central to the fight against poverty. We hope that this material will provide a useful reference for the journey.