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## STEPS TO FORMING NEW CHAPTERS

*Should you form chapters of your nonprofit, and how should you go about it?  
Here are steps to successful chapter formation.*

BY MARGARET GIBELMAN

*A nonprofit organization may form chapters in two ways: bottom-up or top-down. In a bottom-up arrangement, the idea to affiliate with a national organization surfaces among people who have worked together for common purposes and want to extend their influence. During the 1960s, for example, loosely organized lupus support groups formed in various parts of the United States. By 1975, these local groups numbered 39. Two years later, representatives of the groups met to establish guidelines for a national foundation that would unite them. The Lupus Foundation of America, Rockville, Maryland, was created to increase awareness of, disseminate knowledge about, and support research related to the disease. Patient education and support remain the primary activities of local chapters in this bottom-up organization.*

*The flip side is a top-down arrangement. A national organization decides to expand its scope to the regional, state, or local level, to better serve its purposes. Even national organizations that already have chapters may decide expansion into new geographic areas warrants the creation of new chapters. For instance, the American Association of Critical Care Nurses, Aliso Viejo, California, already has more than 250 chapters, yet it encourages new chapters in the United States and in other countries.*

*Chapters constitute one option for national nonprofits that wish to organize their operations, programs, and services through local networks. As with other substructures, chapters are formed on the basis of a shared concern with the purposes of the organization. In many cases the chapter is the local voice of the national. Its perspective, however, may be different.*

Bylaws of state or regional nonprofits may provide for the formation of organizational subunits. A regional nonprofit, for example, may elect to have chapters representing each of the states within its scope. Nonprofits operating statewide may similarly choose to have local affiliates in cities or counties throughout that state. Most typically, however, chapter formation concerns nonprofits operating on a national scope.

Here are seven steps to successful chapter formation:

## one PLAN CAREFULLY

For many nonprofits, no more “thorny” issue exists than national–chapter relations. The relationship between a national organization and its

chapters is almost always dynamic, but this sometimes takes the form of “we” versus “they,” a situation that can be troubling for both. Many problems about who does what, who pays for what, who contributes what, and how chapters are to be represented can be reduced with careful planning and clear guidelines.

Chapters can provide an essential vehicle for carrying out the organization’s programs. A chapter often represents the first and primary line of contact with and identification for the membership. This can become a point of conflict; people may want to join the national and not the local chapter or vice versa. The mission or purposes of the organization, however, must be the reference point. It’s important, therefore, to reaffirm the reasons for having chapters. Both the national organization and the group applying for chapter status must understand the benefits each can derive from the relationship.

## CHECKLIST FOR CHAPTER FORMATION

*The decision to develop chapters is part of an organization’s strategic planning process. Key tasks include:*

- Formulate a rationale for chapters that relates to the organization’s purposes.
- Select a structural model (top–down, bottom–up, reciprocal).
- Define affiliate & national roles & functions.
- Establish criteria: number of chapters, membership or geographical base, locus of membership.
- Allocate national organization resources & staff to provide technical assistance, consultation, & model standards, bylaws, & procedures.
- Provide specific guidelines that applicant groups must meet to be considered for a charter:
  - Separate incorporation?*
  - Separate 501(c)(3) status?*
  - Financial reporting*
  - Compliance with state laws*
  - Number of members*
  - Bylaws consistent with those of the national organization*
- Establish & implement application & review procedures.
- Determine formula for sharing dues or other revenue.
- Provide guidelines for chapter governance:
  - Provision for & definition of officers*
  - Election procedures*
  - Committee structures*
- Grant charters:
  - Effective & enforceable affiliation agreement*
  - Representation on national board or provision for assembly of delegates*
  - Criteria & procedures for charter revocation & chapter withdrawal*
- Establish program guidelines:
  - Newsletters*
  - Annual meetings*
  - Membership services*
  - Conferences & seminars*
  - Training & membership recruitment*
- Create a communication network.
- Develop & enforce procedures for monitoring & accountability, including standards for performance.

The Lupus Foundation of America states in its bylaws that one of its purposes is “to encourage the creation of state and local organizations dedicated to serving those who have the Lupus Erythematosus, to cooperate with them, assist them, and to encourage the cooperation of state and local organizations among each other.” Similarly, the Asthma and Allergy Foundation of America in Washington, D.C., has as a purpose “to establish chapters of the Corporation or other local or regional or units of the Corporation.” For these organizations, the role of chapters is clearly explained and integral to their purposes.

For the Electrical Apparatus Service Association in St. Louis, Missouri, the national and chapters have the same written objectives, except that chapters conduct the activities that cannot be accomplished on an international scale. Chapter meetings, for example, allow members to meet competitors, exchange ideas, discuss local problems, compare notes on new products, discuss suppliers’ policies, and establish better business relations.

Typically, chapters sign a formal agreement with the national and accept a written charter that formalizes expectations, rights, and privileges. Upon receipt of their charter, chapters usually assume the name of the national organization. Thus, they become the American Cancer Society, Maryland Division; the National Association of Social Workers, Illinois Chapter; and the Northern California Chapter, LFA, Lupus Foundation of America, Inc. The bylaws of the National Association of Home Builders, Washington, D.C., specify that the name to be used shall be either “Home Builders Association of \_\_\_\_\_” or shall include the phrase “affiliated with the National Association of Home Builders.”

## two

### DECIDE HOW MANY CHAPTERS

How many chapters should you form? The answer depends on the role of chapters within your organization’s structure. If the goal is to ensure geographic representation of member interests, you will probably want a chapter in each state or region. Larger cities, such as New York or Los Angeles, are sometimes incorporated as separate entities apart from the state because of the number of members or their special interests.

The National Association of Social Workers offers a typical example. It is a single corporate enti-

## GIVING THE GO-AHEAD

Before giving a new chapter the green light, an organization might ask the group to meet specific requirements. Here are sample criteria you might consider using:

- Completion of a formal application or petition for affiliation, which may require signatures from a designated proportion of members within the area of the proposed chapter
- Demonstration that the goals & objectives of the applying group are consistent with those of the national organization
- List of chapter officers & description of their duties
- Copy of minutes at which the chapter in candidacy approved the request for affiliation
- Membership list
- Chapter constitution & bylaws
- Method of or plans for dues assessment
- Financial reports

ty based in Washington, D.C., with chapters in all 50 states plus New York City, the District of Columbia, Puerto Rico, the Virgin Islands, and Europe.

To avoid territorial issues, some organizations restrict the formation of chapters on the basis of geography. Unless a compelling reason exists to do otherwise, the American Physical Therapy Association (APTA) of Alexandria, Virginia, will not issue a charter that would establish a chapter within the territorial jurisdiction of an existing chapter. Similarly, the Water Pollution Control Federation, Alexandria, Virginia, requires each member organization to have a defined geographical boundary. This generally consists of one or more states or provinces in North America and the equivalent of national boundaries elsewhere.

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Sometimes the existence of a “critical mass” of potential members will determine the number of chapters. Some voluntary health organizations allow chapter formation in areas where 30 or more people express interest in chapter status. Because these organizations typically define face-to-face support and education as their primary purposes, the rationale for an expansive chapter network is to provide convenient and accessible services. Statewide chapters would compromise the goal of frequent contact among members. Other nonprofits tackle this problem of access to services through subchapters or local support groups that are structurally part of the chapter.

Purpose and function guide chapter formation, meaning there is no optimal number of chapters. A proliferation of chapters, however, can pose problems when it comes to balanced representation. The Lupus Foundation of America, for example, has more than 110 chapters of substantially different size, resources, and levels of activity. Influence in the affairs of the national organization is not equal. On the other hand, the National Association of Social Workers restricts the number of chapters so that each maintains relatively equal input in national organization matters.

## three CHOOSE A STRUCTURE

Where does your organization see itself in five years? What will your organization of the future look like? What will its primary programs be? Your answers should determine the chapter structure you select.

A key issue is whether chapters provide the financial base for national operations or vice versa. In a top-down structure like the National Association of Social Workers, the national collects dues and allocates a percentage to each chapter based on its membership count. Individual members join the national organization and are then assigned to a chapter on the basis of geography.

In a bottom-up structure, the members’ reference point is usually at the chapter level, although chapter membership also bestows national membership status. Generally, chapters collect dues and send a percentage to the national on a monthly, quarterly, or annual basis. Chapters of the American Diabetes Association provide 60 percent of their revenues to the national headquarters in Alexandria, Virginia; the Lupus Federation of America asks chapters to remit a per-capita

amount, in addition to any voluntary contributions.

A third possible structure is a reciprocal arrangement. With this structure, members pay dues to both the chapter and the national. Membership in one does not necessarily mean membership in the other.

## four ESTABLISH CRITERIA

In most instances, the national nonprofit establishes criteria for chartering chapters. These criteria may appear in the nonprofit’s bylaws or in separate policy or procedural documents. The unit making the application—sometimes known as a “chapter in candidacy” or “applicant chapter”—must be thoroughly familiar with the national’s criteria. These criteria may include geography, membership, and congruence of purpose.

For example, the bylaws of the American Marketing Association of Chicago, Illinois, allow members to petition for chapter status if at least 35 of them reside or work in the community seeking the charter. The written application must include statements concerning the willingness of members to become officers of the new chapter and to pledge that they will abide by the policies of the organization.

Some nonprofits specify not only the number of members necessary to achieve chapter status but also their composition. The American Society of Hospital Pharmacists (ASHP), Bethesda, Maryland, requires that members be pharmacists currently practicing pharmacy in a hospital or related institution.

## five HELP THE CHAPTER GET STARTED

Some groups applying for chapter status can gather sufficient resources to organize their initial activities. Others, such as those representing health causes, may need a boost from the national.

The Lupus Foundation of America helps its chapters get started by providing a step-by-step manual that explains the process of chapter forma-

## W H Y F O R M A C H A P T E R ?

*The perspective about the benefits of forming a chapter is likely to vary between the applicant group and the national organization. There are, however, areas of overlap in the rationale of chapter formation.*

*For the national organization, the rationale for forming chapters may include the following:*

- *Develop a local (community, state, or regional) fundraising capability.*
- *Provide a consistent vehicle for community or public education, marketing, or public relations.*
- *Provide a formal, sanctioned structure for interaction & exchange among professionals or among any group of people sharing common interests.*
- *Afford local representation of common concerns.*
- *Encourage resource & information sharing.*
- *Affect local policies & regulations.*

- *Provide a base for leadership development.*
- *Recruit members representing the majority of the industry.*
- *Create a locus of program activity.*

*From the chapter's perspective, the rationale for affiliating with a national organization may include the following benefits:*

- *Receive expertise through consultation & technical assistance.*
- *Exchange material resources.*
- *Become part of a larger, more powerful group.*
- *Gain visibility & clout.*
- *Share revenue.*
- *Improve interorganizational communications.*
- *Coordinate programs & activities.*
- *Gain access to information.*
- *Increase advocacy.*

*tion. Similarly, the National Association of Home Builders offers "Guidelines for Forming New Associations," and the American Institute of Architects, Washington, D.C., provides its constituency with a detailed "Fact Sheet on Forming a New Chapter."*

*Typically, such guidelines explain financial, legal, and tax obligations; describe duties of chapter officers; offer suggestions for conducting meeting and forming committees; and recommend activities such as a chapter newsletter. They might also include a "model" constitution and bylaws.*

*National nonprofits can provide resources and technical assistance, ranging from manuals and written guidelines to site visits and telephone calls from national-level representatives. The American Association of Junior Leagues, New York, requires one past or current board member and one national staff member to visit applicant groups; they help plan an orientation course for all classes of membership. After an applicant group has been accepted, another consultation may occur during the first three years of chapter operations.*

*Whether known as "field services," "component relations," or "chapter relations," one division at the national level should offer ongoing consultation, liaison relations, and monitoring of activities. The chapter relations professional has the responsibility of ensuring that the group has taken the appropriate steps to achieve chapter status. These steps may range from listing a telephone number in the local directory to obtaining a certificate of incorporation.*

*National nonprofits developing chapters for the first time should seek legal advice regarding the*

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benefits and liabilities of separate incorporation. This consultation can help avoid problems of standardization, monitoring, and accountability. Nonprofits differ in their incorporation requirements; the National Association of Social Workers forbids separate incorporation, while the American Institute of Architects requires it. APTA takes the middle ground, allowing chapters the discretion to choose, but APTA must approve the proposed certificate of incorporation.

Once an applicant chapter has all the pieces in place, it petitions for a charter. National nonprofits should have some formal mechanism in place to grant an affiliate agreement or charter; a two-thirds vote by the board of directors may be all that's necessary, or a special committee may first review the petition and then submit a recommendation for action to the board of directors.

ASHP grants affiliation when three types of requirements have been met: explicit requirements, which are clearly and unequivocally set forth in the constitution and bylaws; implicit requirements, which are based upon interpretations of the explicit requirements; and precedent, which is how the organization has interpreted application criteria over the years. Even if an applicant chapter meets all the explicit requirements, ASHP's board of directors has final authority and discretion to grant affiliation.

## SIX

### DECIDE HOW TO TERMINATE AND MONITOR CHAPTERS

The process of developing chapters does not end with the signing of an affiliation agreement or the granting of a charter. Problems should be anticipated in the planning process, and the procedures by which a charter may be revoked or a chapter dissolved should be incorporated into the bylaws.

Revocation of a chapter's charter may result from:

- failure to satisfy obligations
- failure to observe the limitations on chapters set forth in the organization's bylaws
- failure to be represented at national governance meetings
- changes in bylaws that bring the chapter into conflict with the national organization
- fiscal impropriety

- failure to pay dues
- loss of a "critical mass" of members.

Revocation is always "for cause" and may be "in the best interests of the organization." Provisions for revocation tend to be broadly stated, allowing discretion to the national organization. In practice, revocation of a charter is serious business. It may pose threats to organization-wide morale and possibly lead to legal challenges.

## CONTENTS OF CHAPTER BYLAWS

Chapter bylaws typically cover the following areas:

- Name, location, affiliation
- Purposes
- Relationship with national
- Membership classes, criteria, rights & privileges, suspension & revocation of membership
- Dues
- Board of directors:
  - Composition & authority
  - Description of duties
  - Representation
  - Election procedures
  - Terms of office
  - Meetings
  - Quorum
  - Voting
- Elected officers:
  - Roles & duties
  - Succession of office
- Voting rights of the membership
- Elections:
  - Nominations process
  - Timing of election
  - Balloting
- Committees:
  - Standing committees
  - Special committees
  - Selection of chairs
  - Meetings
- Finances
- Rules of procedure
- Amendments

*In many nonprofits, the board of directors is empowered to dissolve a chapter if it fails to meet its obligations, as stipulated in the charter, affiliation agreement, or bylaws or operating procedures. Typically, the chapter is notified of its impending dissolution and has the right to appeal within a specified time period.*

*The bylaws of APTA, for instance, provide that “the chapter be given timely notice of the charges against it and the opportunity to be heard in its own defense, and the judgment of revocation must be supported by at least two-thirds of the members of the board of directors.” Further, an APTA chapter whose charter has been revoked by the board can appeal to APTA’s House of Delegates. The House of Delegates’ decision is final.*

*The members of a chapter may themselves request the termination of their charter. The Water Pollution Control Federation requires three months’ notice from any member organization withdrawing from the federation at the end of the fiscal year. The member organization must have met all its financial obligations at the time of withdrawal.*

*Although some nonprofits renew their agreements with chapters each year, it’s more common for charters to remain in force until some action is otherwise taken. There may be some advantages to a formal procedure for periodically reviewing chapter status. Reauthorization of a charter at specified periods heightens the chapter’s awareness of and compliance with the organization’s standards. In addition, conducting a periodic review gives the chapter relations professional a good idea of what assistance chapters might need.*

*On the down side of having periodic reviews is the amount of financial and human resources necessary. National reviews may also promote a lack of trust and create an adversarial relationship between the chapter and national staff.*

## seven ANTICIPATE POTENTIAL CONFLICTS

*The national organization and its individual chapters join together to promote a common purpose or cause. To that extent, they are partners.*

*In many respects, however, the national organization and its chapters are competitors. They compete for revenues from the same sources, such as sales of publications, seminars, or insurance programs; donations; dues; and fees for services. If the national organization develops a seminar program and conducts the seminar in chapter geo-*

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*graphic territory, which organization gets the revenue? If the national organization develops an insurance program for members and obtains a financial benefit, why can’t a chapter develop a competitive program and receive similar financial benefits?*

*Governance is another area of potential conflict. In bottom-up organizations, local organizations often seek to influence the national agenda and set national policy. If the nonprofit is organized from the top down, the national takes steps to ensure its dominance.*

*Obviously, the dynamic relationship between a national and its chapters needs constant attention. Failure to recognize potential and actual conflicts between the partners will result in turf battles that weaken the entire organization.*

*To guard against deterioration of the relationship, clearly define roles at the outset and maintain clear channels of communication. Ideally, written expectations, performance standards, and division of roles and responsibilities should serve as formal operating guidelines for both the national and chapters.*

*The unique combination of purposes, structure, criteria for chapters, and governance provisions allows for an infinite variety of processes for forming chapters. How chapters are developed will depend upon the interplay of these variables.*

*It’s best to avoid ad hoc approaches. The decision to form chapters would be taken very seriously and be included as part of the strategic planning process. The national organization needs to have clear guidelines for chapter development that can be used consistently to all applying groups. ■*

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