# Board-Staff Relationships in Small Nonprofits


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**Introduction**

As the number of nonprofits in the United States has grown, so too has the literature about them. Over the last two decades, nonprofits have been studied increasingly frequently by both scholars and by organizations seeking to advise nonprofits. When these studies have focused on nonprofit governance and management, they have sought to develop best practices that nonprofits can emulate to function effectively. Many of the resulting best practices are beneficial and appropriate. However, the search for and overreliance on best practices can obscure the reality that nonprofits are not all alike. Different nonprofits require different approaches. This is particularly true for small nonprofits, which have unique challenges that are all but ignored by the best practices literature. Due to this deficiency, small nonprofits are not serving their mission or constituency by adopting best practices.

Although the literature about nonprofits is growing, it is still relatively small and new. As a result, there is still a lack of consensus on many important subjects, from simple definitions to complex issues such as best practices for governance (Duca, 1996, p. 89). Consensus does exist on a few basic subjects. Governance is usually defined as the responsibility of the board of directors and the senior staff, often the Chief Executive Officer or Executive Director (referred to as the executive for clarity). Management is firmly within the purview of the staff, particularly the executive and senior staff. Most believe that board should focus on governance while the staff has responsibility for management. The board should not perform administrative tasks, execute programs, or allow lower-level staff to circumvent the executive and meet directly with the board (Wolf, 1999, pp. 61-62). However, the board has a responsibility to ensure that the organization is being directed in accordance with their wishes and the constituency they represent (Governance Matters, n.d., para. 1) so they must communicate regularly with the management. This communication between management and board is often one of the sources of tension in an organization, and is frequently discussed in the literature. Many of the best practices attempt to address this interaction through defining roles and rules for the board and the executive.

## Three Models of Governance

Perhaps the most influential model of governance is John Carver's *Policy Governance*. In Carver's model, the role of the board is to develop the organization's values and policies, and then leave the executive and staff to enact those policies. The board creates two kinds of policies: "ends policies," which state the goals the organization is working towards; and executive limitation policies, which proscribe certain actions. However, after the board has created the ends policies and directed the executive on how not to perform his or her job, the executive is now free to determine how to manage the organization without board interference. This model leads to executives who, once charged with their role, are very independent (Carver, 2002, pp. 9-24).

There are significant ramifications of this model. While the board is the ultimate authority, they do not run the organization — this responsibility is delegated to the executive. This requires that the executive be very competent, as the board should not and cannot manage the executive's daily work. Carver extends this model to question some of the typical practices of nonprofits. For example, the board should not regularly approve management documents or actions, as this only creates the "appearance of probity" while slowing organizational progress. Budgeting and financial management is an executive function that should not involve the board. Instead of pursuing these functions, the board monitors executive performance through its ends and executive limitation policies, and can freely request reports on the criteria set out in these policies (Carver, 2002, pp. 11, 20-21, 172-173,331-333).

Carver's model requires discipline on the part of both the executive and of the board. Both must understand their roles and must not attempt to extend themselves into the other's responsibilities. It also requires both the board and the executive to be strong and effective. In this respect, it follows one of the three major schools of thought around board-staff relations, that of the strong board/strong executive model.

While the other schools of thought do not have as visible of a champion as Carver, they do have advocates in the nonprofit community. A second school calls for the executive to focus on and lead the board. In this *Executive Focus* model, the executive is actively involved in the functioning and interaction of the board, meeting with them both as a group and as individuals. The executive works entrepreneurially with the board, promoting its productivity. The board's primary role is to mitigate resource dependency through fundraising, personal donations, and strategic planning and mediation of the outside environment (Duca, 1996, pp. 89-94). Crutchfield and Grant's work Forces for Good follows this model, focusing largely on the actions of the executive, and suggesting the executive delegate some responsibilities to the board (Crutchfield & Grant, 2008, p. 218).

An extreme version of this position holds that the executive's interaction with the board is only important to the extent that it mitigates resource dependency (Heimovics, Herman & Coughlin, 1993, pp. 425-426). In contrast to Carver's model, this might be called strong executive/passive board, as the executive is clearly the leader of the organization.

The third category of models, often called the *Balanced Partnership*, views the ideal board-staff relationship as an exchange between equals. For an organization to be effective, both the board and the executive must have a clear division of responsibilities, trust, understanding, and the freedom to disagree with each other. The relationship between the two is somewhat fluid and evolves over time (Duca, 1996, pg. 92-93). *Boardsource*, an influential organization that produces books and trainings for nonprofit boards, follows this model. Their "Twelve Principles of Governance That Power Exceptional Boards" begins "Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent. They build this partnership through trust, candor, respect, and honest communication" (*Boardsource*, 2005, para. 2).

Although this model has some superficial similarities with the strong board/strong executive model, they are very different approaches. While both have clearly defined roles, in Carver's model, the board is the ultimate authority — it is not a partnership. The *Policy Governance* model also rejects the notion of a fluid, evolving relationship. The roles are clearly defined in board policies. While these policies are mutable, change is a conscious board process and not an organic evolution. Finally, it should be noted that partnership does not guarantee success — a weak board and weak executive could be partners, but could still be ineffective.

These three models have significant differences, but share a desire to serve as best practices for all organizations. They contend that all nonprofits can benefit from following their recommendations, without recognizing the unique experiences and situations of nonprofits. In an essay entitled "Is Policy Governance the One Best Way?" Carver defends his assertion that all governing boards should follow his model (Carver, 2002, pp. 25-28). Crutchfield and Grant assert that following their *Executive Focus* model, in addition to other best practices they lay out, can help nonprofits "achieve even greater levels of social change" (Crutchfield & Grant, 2008, p. 213). Organizations such as *Boardsource* explicitly state in their mission that they "strengthen nonprofits of all sizes and mission types" (*Boardsource*, 2008, para. 3).

## The Uniqueness of Small Nonprofits

Although these best practices certainly have merit, they overreach by claiming that they can be a perfect model for all organizations. They are particularly ill-suited for smaller nonprofits, which have unique situations and challenges. There is no official size classification system for nonprofits, and the term “small nonprofits” has even been used to refer to those organizations with revenue less than $25,000. (*Independent Sector*, 2008, para. 1). For purposes of this article, the term “small nonprofits” will refer to organizations with average annual revenue below $500,000. This definition comprises approximately 70 percent of all nonprofits in the United States.[1]

To better understand the situations and challenges of these nonprofits, seven small nonprofits were studied: Camconnect, Erthnxt.org, The Philadelphia Area Disk Alliance, The Philadelphia Folk Song Society, Philadelphia Parks Alliance, Ultimate Players Association, and University City Green.[2] All of these organizations are 501c3 nonprofits with average annual revenue below $500,000. More information about each nonprofit is provided in **Appendix A**.

The studied organizations all have some common features. They have few paid staff, between zero and eight people, due to the size of their budgets. The paucity of staff has many ramifications. In some organizations, due to their smaller staff capacity, board members will often be called upon to volunteer more frequently.

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[1] There are two rationales for this definition: All seven small nonprofits interviewed by the researcher reported budgets below this threshold. This definition has been used by multiple sources as a threshold for small organizations (Larson, n.d., para. 4; Boardsource, 2007, p. 20). To determine the average size of a nonprofit, the researcher conducted statistical research using a sample of 1840 organizations, provided by the *National Center for Charitable Statistics*. In this sample, the mean revenue was 2.68 million dollars. However, this data was highly positively skewed due to the presence of extremely large organizations in the sample, including hospitals and educational institutions. Research by the *Urban Institute* has suggested that excluding hospitals and educational institutions would result in a mean revenue of 1.6 million dollars (DeVita & Twombley, 2002, para. 5). The median revenue for the same sample was 173,517 dollars. Neither the means nor the median seemed to be an appropriate threshold, so the researcher defaulted to the threshold supported by his research and used by other organizations.

[2] The seven organizations were selected primarily because the researcher had access to them, which was a key consideration given existing time constraints. There may therefore be some selection bias, and it is not necessarily a representative sample. However, the researcher did attempt to introduce some variability into the sample. The missions of the organizations include two community development organizations, two athletic organizations, one arts and culture organization, an advocacy organization, and one with a youth education focus. They are headquartered in three different states, and one has a national purview. The size of the organizations range from zero to six staff, with boards ranging from 9 to 20 members. The organizations range in age from 5 to 51 years. Therefore, there is diversity in the sample, and some limited ability to generalize from it.

This creates a confusing dynamic in which board members, who are essentially the supervisors of the executive, may be serving in a volunteer capacity where they are directed by the executive or another staff person. In addition, many of these organizations rely upon board members' expertise or experience in such areas as finances, legal matters, or programming. (None of the sampled organizations had active advisory boards that could perform this function.) The executive will often contact individual board members to request their assistance in such matters. While some best practices models, such as executive focus, would not consider this an issue, others, such as strong executive/strong board, would view this practice as a potential erosion of discipline (Carver, 2002, p. 212).

With small staff sizes, these nonprofits are unable to support self-regulatory systems such as a finance department or necessities such as a development team. Finances are often handled by the executive or consultants. With no finance department ensuring the propriety of the accounting, small organizations are extremely vulnerable to an executive's financial incompetence or dishonesty. Small nonprofit boards deal with this vulnerability by requiring board approval of even modest amounts — in the case of one organization the executive could not spend more than 200 dollars on his own volition. While these boards believe this to be a necessary policy to protect the organization, some best practices models would consider this to be excessive board interference.

Due to the lack of development staff, in many of the nonprofits, board members are key donors or fundraisers. All nonprofits face issues with donor intent; these are worsened when the donor is or knows an active board member. An executive's ability to oppose a board member is undermined if the executive must fear alienating the source of a significant percentage of the organization's budget (and the executive's salary).

Best practices often implicitly assume that organizations naturally want to grow larger and scale their programs (Crutchfield & Grant, 2008, p. 14). However, there are three reasons for a small nonprofit's size. Firstly, it may be a relatively new organization that has not had time to grow. Secondly, it may lack the capacity in its leadership, board or staff, to grow beyond its current size. Lastly, its leadership may have made the conscious decision that its mission is best served by the organization staying small. These three causes are not mutually exclusive, and may all be present in the same organization.

Nonprofits that lack the capacity to grow, or to a lesser extent are relatively new, face particular challenges. Some may not have a strong executive. This deficit may be due to a lack of resources to pay a qualified person or the inability of the board to conduct an effective search and hiring process. Even if the executive is capable, small nonprofits require their executive to be expert in many different areas, such as personnel management, fundraising, program development, finance, and board relations (Larson, n.d., para. 7). A large nonprofit can afford to share leadership and bring in people with different skills sets (Crutchfield & Grant, 2008, pp. 161-164), but an organization with a small staff and budget cannot. Of the studied nonprofits, only the largest and most established were able to remedy this issue with some specialization.

In addition to or instead of a weak executive, small nonprofits may have a weak board. The best practices call for the existing board to recruit, train, and develop qualified new board members (*Governance Matters*, paras. 3-6). However, if the board is already weak, its members may lack the connections or skills to do so. There may be a lack of supply of potential board members. For a large high-profile nonprofit, participation on a board has considerable perquisites, which may not be the case for small nonprofits. As a result, fewer people wish to serve on those boards. The result is a self-perpetuating cycle of weakness. As was the case in some of the studied nonprofits, if the board is elected by the membership, they may consider many criteria other than a candidate's capability to govern a nonprofit.

Even if a small nonprofit's board is comprised of capable people, they may not place a high priority on participation on that board. Staff people from two organizations noted that while their board was comprised largely of experienced business people and nonprofit executives, they were preoccupied with other responsibilities and were largely absentee board members. A stronger executive director or chair, perhaps backed with a credible threat of removal from the board, may have been able to ensure better participation, but this was not the case in these nonprofits.

A particularly acute issue in small nonprofits is the founder problem. Many nonprofits face issues when the founder of the organization remains active as either the executive or a board member (Carver, 2002, pp. 146-147; Wolf, 1999, pp. 133-135). For a small nonprofit, especially a relatively new one, this issue can be even more problematic. In three of the studied nonprofits, a founder remained as an active board member. In two of those organizations, the founders had tremendous influence in the organization and often overstepped their bounds, according to interviewed staff. In one case, almost all of the board members were recruited by and were loyal to the founder. In the second case, the founder was linked to the largest fiscal sponsor of the nonprofit. In both cases, neither the executive nor the board felt able to assert their roles in conflict with the founder's wishes.

## Best Practices in Small Nonprofits

A proponent of one of the schools of best practices might assert that these problems are surmountable by a small nonprofit if it faithfully adheres to their models. Carver claims precisely this in his article entitled "When Board Members are the Only Staff in Sight." In this short article, he deals primarily with the confusion of roles when board members volunteer, but only offers more discipline and clarity in roles as the solution (Carver, 2002, pp. 228-229). *Boardsource* seems to indicate that these difficulties can be remedied by more resources and more policies: "Effective boards use policies and statements to guide themselves and protect the organization. Small organizations consistently have fewer policies in place, reminding us that limited resources are a factor" (*Boardsource*, 2007, p. 16). *Boardsource* does publish a guide for all-volunteer organizations (Masaoka, 1999), but they have no similar guide for small organizations.

While Carver and *Boardsource* at least give consideration to the size of an organization, the attitude of researchers such as Herman and Heimovics is more common. In their article "An Investigation of Leadership Skill Differences in Chief Executives of Nonprofit Organizations," an early example of the "executive focus" school of best practices, they study the skills of the executives of 24 organizations. In their analysis, they control for several criteria, including differences in board size, frequency of board meetings, existence of an executive committee, and average attendance at board meetings. They do not consider organization size (Herman & Heimovics, 1990, p. 125).

By ignoring or underestimating the unique challenges of small nonprofits, the best practices models undermine their usefulness to those organizations. For something to be a best practice it must be successful over time, cause tangible improvements, and be replicable and relevant to the adopting organization (Herman & Renz, 2008, p. 405). The existing best practices, whether in the strong executive/strong board, executive focus, or partnership models, do not consider the peculiarities of small nonprofits, and are therefore not replicable and relevant for those organizations.

## Addressing Unique Challenges

Small nonprofit organizations must develop their own solutions to their unique challenges. Each of the seven nonprofits in this study has attempted to address these challenges, with varying degrees of success. Some have attempted to adopt best practices with only limited results. However, the best approach a small nonprofit can take is to increase the quality and capacity of their leadership while creating clear roles for board and staff. Some of the studied organizations have done so, and have benefited considerably.

Greater clarity about and a formalization of roles and responsibilities for the board and the executive is a necessary step for all small nonprofits. Both the partnership model and the strong board/strong executive model of best practices identify this as a key to effectiveness. Unlike many other elements offered by these models, quantitative and qualitative research on small nonprofits has found that this factor does significantly coordinate with success (Smith & Shen, 1996, pp. 281-287; Fredricksen & London, 2000, pp. 234-235). Most of the studied nonprofits expressed either recent initiatives towards more formalization, or a desire to do so. However, only one of the samples had a formally written policy manual that encompasses the board, while three have written statements of the responsibilities of board members. Small nonprofits should create a written enumeration of board and staff responsibilities. Board and staff should be involved in the process of drafting these policies, and they should be tailored to the situation of the organization rather than a generic template (Laughlin & Andringa, 2007).

The simple existence of policies cannot guarantee that the board and the executive follow those policies. As discussed, small nonprofits are particularly vulnerable to their board's overreaching, and executives are often unwilling or unable to hold their boards in check. There are several potential solutions to this problem. One of the most basic is to have a more capable and skilled executive. Small nonprofits sometimes inappropriately use their size as an excuse for being less than professional. They should have as their goal to strengthen all leadership capacity. One studied organization had always hired enthusiastic but unqualified executives until 2003, in which they hired a professional executive. In the 5 years since she has been hired, the organization has doubled in size. For nonprofits that do not have (or want to create) a vacant executive position, they can work to improve their current executive's skills through professional development. However, executives must take care that they do not simply learn best practices by rote. Instead, they should develop their background in management and governance, strengthen their interpersonal skills, and address specific job areas in which they are weak.

Boards should also seek training, development, and improvement. Small organizations are not served by unengaged or inexperienced boards. One organization's executive reported that when the long-time chair, who had little experience with nonprofits, stepped down in favor of a person who had previously been the executive of a large nonprofit, the organization began seeing immediate and unprecedented success in their programming. The new chair was heavily involved in the execution of those programming, which would contradict many of the best practices' advice. Small nonprofits should seek to emulate this organization, recruiting board leadership and members who are more experienced and aware of the nature of board service. Elected boards can introduce certain minimum requirements for eligibility, as one organization has, or begin to educate their membership on the qualities of a good board member before elections. Training for both existing and new board members should be pursued to continue to develop board capacity and understanding.

Developing the board and the executive can combat other problems small nonprofits face. The ability of an overbearing founder to control and micromanage the organization would be diluted by the greater capacity in the board and executive. Board members with stronger grounding in the functioning of nonprofits will understand that their incursions into the executive's purview can damage the organization, and may have the discipline to better observe the policies that define their roles. Issues around donor intent will be mitigated by fundraising ability in both the board and the executive.

If a higher capacity board and executive and clearer policies is truly a path to mitigating the conflict between board and staff, and therefore towards a more effective organization, there would be data to demonstrate it. As a corollary, small organizations that have made a decision to stay small, as opposed to those too new or too weak to grow, should show the most sophistication in their board-staff relationship. Not surprisingly, research has found positive correlation between organizational effectiveness and age (Smith & Shen, 1996, pp. 277-278). Of the organizations in this study, the three newest organizations reported the most staff-board dysfunction, and there is anecdotal evidence in the sample demonstrating success has come to organizations once they have instituted these improvements. Further study would be required to demonstrate the relationship more scientifically.

## CONCLUSION

To some extent, these recommendations are not revolutionary. Most organization theorists would agree that a nonprofit would benefit from having stronger leadership and more clear policies. However, there are still a considerable number of small nonprofits that, instead of looking inward to strengthen themselves, grasp outward for best practices. These organizations would be better served to direct their limited resources to internal development.

The large national nonprofits such as the *United Way* and the *Red Cross* receive a great deal of public, media, and scholarly attention. However, the majority of the nation's nonprofits are small organizations. These organizations provide valuable services to communities and are more able to connect to their local constituencies. Despite their importance, they are not adequately researched or understood. The literature on nonprofits is still relatively nascent; perhaps in the future there will be best practices tailored specifically for small nonprofits. Until then, the leaders of such organizations should use their knowledge of their organization and environment to only adopt the most applicable best practices, while increasing their own capacity. Leaders in a small nonprofit have more responsibility than their counterparts in large organizations, and must have a level of professionalism commensurate with that responsibility. Clarity in roles and stronger organizational leadership are the key for small nonprofits to improve their governance, and to better serve their constituency and their mission.

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## Appendix A: Organizations studied

Camconnect is based in Camden, New Jersey and seeks to increase access to information for organizations engaged in community development in Camden. They were founded in 2001 and currently have four staff. Their board consists of 20 people and meets three times a year. The board is elected by the membership of the organization (Derek Zeigler, personal communication, December 7, 2008).

Erthnxt.org is a Philadelphia-based nonprofit organization that engages youth to serve as stewards of their environment. It was founded in 2003. The organization has three staff members and a board of 11, which meets quarterly. Board members are selected by the existing board (Amanda Benner, personal communication, December 1, 2008).

The Philadelphia Area Disk Alliance encourages the playing and teaching of the sport of Ultimate in Philadelphia and the vicinity. It was founded in 1983. Its board consists of 9 people, elected by the membership. While the board meets monthly, PADA has no paid staff and relies entirely on volunteers to perform all tasks.

The Philadelphia Folk Song Society is an artistic organization dedicated to the encouragement and enjoyment of folk music, and has existed since 1957. It has a staff of 6 and a board of 15, who meet monthly. The board is elected by the membership (Levi Landis, personal communication, December 11, 2008).

Philadelphia Parks Alliance is a citywide advocacy organization that works to improve the quality of Philadelphia's parks. It currently has 11 board members and 3 staff. Board members are selected by the board and executive director, and meet bi-monthly. It was founded in 1983. (Lauren Bornfriend, personal communication, December 12, 2008).

The Ultimate Players Association is the national governing body for the sport of Ultimate. Located in Colorado Springs, Colorado, it has 8 staff and 12 board members. Board members meet twice a year and are elected by the organization's membership. The UPA was founded in 1979. (Leonardo & Zagoria, 2005).

University City Green seeks to improve the quality of life in the University City section of Philadelphia through horticultural improvements. It was founded in 1998. UC Green has 12 board members and 2 staff people. The board meets bi-monthly and selects its own members.