Governance Best Practices and Small Nonprofits

BoardTrek's Dave Coleman provides a thoughtful discussion on the connection between the best practices of nonprofit boards and small organizations.

One of the questions regarding small nonprofit organizations is whether or not the best practices of board governance actually apply to the work of their boards. Perhaps some of the best answers are found within the pages of *The Nonprofit Quarterly* (Summer 2007) in an article written by Christine Bertrand and Johanne Turbide. They write, **"Our finding suggest that small nonprofits don't use best practices for governance as prescribed in guidebooks and training programs. Instead these organizations are driven more by spontaneous mechanisms."** But before we go to their findings and offer a set of conclusions and possible future directions, we ought to think more deeply about small nonprofits, their progression, and the progression of their boards.

Let me begin by suggesting that there are three fundamental functions of boards in the real world of organizations, and for our purposes, four identifying tiers of organizations and boards. Boards function at three levels – operations, support, and governance. They do so, in some form of time priority, within four organizational tiers – grassroots boards, founding boards, developing boards, and maturing boards. **Grassroots boards** serve grassroots organizations, ones with revenues, of perhaps, less than $50,000 and no employees. The time priority for their boards is the work of the mission, operating details, and some form of management. They are close to their stakeholders, and in some cases, are the stakeholders. Their timeframe is today and next month. Their mantra is "We've got it covered." Their top time priority is operations, followed by support, and in a small measure, actual governance.

Founding boards are those led by a paid executive director, either the founder or the organization's first paid person to carry this title. In the case of an actual founder, the grassroots stage may have been either short-lived, or even skipped. Revenues are north or south of $100,000. These boards primarily serve a support function, with the mantra "We're behind you." They encourage the director, help out in a variety of ways, donate money, and raise funding. Their timeframe is next month and maybe even next year. They know the stakeholders. So after support, they are beginning to take on more governing tasks, but may remain in the middle of operations. Board and executive director roles may be fuzzy, with a potential for conflict as perhaps the balance of power between the two shifts.

Developing boards have several employees, are moving toward or past the $250,000 mark, and have an executive director and staff. Increasingly their boards at looking at the big picture, taking their first steps in strategic planning, and creating policies. They not only look at the present, but are thinking about next year, and maybe even the next five years. Their mantra is "We're necessary." Yet they are also active in supporting the staff, programs, and organization. In doing so, they discover that they wear two hats – governance and support. As for operations, some serve the organization as program volunteers.

Maturing boards are moving beyond a half million dollars in revenue, perhaps beyond the million dollar mark or even multi-millions. They have an executive team and a growing staff. Their boards govern, as a mostly understood top priority. Much of their outlook is long-range. They still carry on support functions, but mostly in fundraising or as individuals offering their expertise to the staff. In that sense they dabble in operations, but only as invited individual guests. Their mantra is "We're responsible."
In each emerging tier, operations and support increasingly give way to governance. And as that happens, boards increasingly adopt more and more "best practices" in governance. Yes, some adapt more slowly, ever hanging on to their past pleasures of supporting the director and keeping a hand in the ongoing work of the organization. Themes such as engagement governance, generative governance, policy

centered governance, principle-centered governance, purpose-driven governance, mission-centered governance and other forms begin to emerge.

But before we digress, we return to the small organization, often director, maybe the second director, a few staff members, a growing budget, and services that appear to be in demand. **the one with a** founding or first This is the typical small nonprofit. And the quiet cry is, "We need to do something more with our board." Maybe it is more members, more fundraising, more commitment, and more "you fill in the blank." But what is the reality?

This is where the Bertrand and Turbide review of the research comes in. They found an absence of best practices, where the organization's top two priorities are survival and service. Management has little time to think about helping the board begin to genuinely govern. And boards settle into what the authors describe as spontaneous mechanisms of governance. As I read the article, I think I discerned six descriptors that are high values for many of these boards:

- Organizational culture
- Shared values
- High member commitment
- Consensus and cooperation
- Non-hierarchical structure

Because of this, the authors suggest that best practices "may be difficult to apply in small nonprofits….the institution of formal procedures can be seen as a threat to informality and as a challenge to the cohesion created by trust and friendship. Additionally, the instability of small nonprofits means that management spends a great deal of time fighting for the organization's survival rather than implementing formal control mechanisms. These nonprofits are driven by values and interests that are far removed from what books say about how to 'efficiently govern a nonprofit.'" So here are seven realities that appear to inhabit small nonprofits and their boards:

- Survival and service are the top two priorities
- Governance is informal and spontaneous as dictated by board values
- There is often a lack of awareness of best practices
- If there is awareness, some of those best practices are seen as a threat
- Time pressure crowds out any attempt to change the way the board functions
- It is difficult to find new board members
- Outside help in the form of training or a consultant is seen as unaffordable

While the authors do not say it, there may be an additional contribution to the list of realities. It is the executive director, especially a founding executive director, who is really not ready to come under the authority of a governing board that may seek a measure of accountability or offer challenges to the way things are. If the director won't change, the board will likely not change, unless, of course, there is some kind of major organization life-threatening crisis, through which the board takes serious ownership.
So how can small organizations really begin to adopt best practices that lead to effective and efficient governance? I would suggest that it will take a very committed executive director and board chair, the first step in twenty-one steps that could take three years or more to implement. These are, as I am reminded of in the comedy "What About Bob," simple baby steps. Here they are.

The first four are awareness:

1. Executive Director-Board Chair commitment
2. Reading and discussing some of the literature on best practices

3. Board training by an outsider
4. Assessment of the current state of board governance

The next three involve planning:

5. Creation of a board governance committee (this may be the executive committee, or in some cases, even the whole board of a small organization)
6. Adoption of a three year board development plan (don't attempt anything shorter than this as attempting to change more quickly could lead to discouragement and failure)
7. Engage a consultant/ coach or some other form of outside expertise to help guide the process

The final fourteen involve the implementation of best practices:

8. Conduct an organization legal review to determine if there are gaps needing correction.
9. Insure record keeping of board business
10. Create a board reference book, with by-laws, policies, minutes, plans, etc., to serve as a comprehensive source of information
11. Conform the board to the by-law requirements (this may mean changing either the board or the by-laws to bring about agreement)
12. Define board roles and responsibilities (in writing)
13. Define board leadership roles – officers and committees (in writing)
14. Define board processes – how we do things, expectations, commitments
15. Achieve financial best practices for both the management of money and the organization's funding model
16. Create a board member profile and establish recruitment plans and materials
17. Return to organization planning (commitment to or clarification of the mission, the establishment of specific mission related measureable outcomes, a 3-5 year strategic plan, annual plans and goals)
18. Define the executive director-board relationship and implement best practices
19. Create a comprehensive set of board level policies and incorporate them into a Board Policy Manual that will provide direction and guidance for the organization
20. Conduct board training and establish orientation plans for new members
21. Recruit elect, and orient new board members

This is a long list, but it is a list of best practices that will move the organization from its founding informalities and its fight for survival, to a growing mission-centered reality that has put in place the fundamentals for creating long-term sustainability and effectiveness.

Crucial to making it all the way through the list is carefully beginning with the awareness steps. These may well lead to planning. From there, hit pause. Take a deep breath. Establish a list of goals (steps) for the coming twelve months, remembering that this could take three years. Yes, that's a long time. But if an organization does nothing to develop its board and to adopt best practices, three years will still go by.

Crucial to those who are in the role of helping nonprofits and boards – nonprofit support organizations, consultants, and funders – is to encourage awareness and planning. As awareness grows and initial plans are made, the baby steps will begin to follow.

Within the context of change, some final thoughts are perhaps most important. The authors suggested that the spontaneous mechanisms "of small groups are an important asset for small nonprofits to govern with a realistic grasp of their context." Essentially, some of these mechanisms are assets and should not be given up. Maintaining organizational culture, the sharing of values and a high level of commitment need to be retained and nurtured. The same attention to consensus and cooperation should be maintained in decision making, but with larger big picture issues. And while it is true there will be a new hierarchy – board, executive director, staff, volunteers – there should remain a strong resolve for a measure of egalitarianism within relationships among people who are united in their common commitment. Consider encouraging the following board practices amidst the change to a best practices governance style:

- The board should meet monthly (if distance is involved, use technology for virtual meetings)
- At face-to-face meetings, begin with a meal where people can talk and share stories, all before doing the business of the board. In other words, nurture relationships
- Find ways for board members to put on their volunteer hat to take on support tasks within the organization, either in groups or as individuals – fundraising events, work projects, etc.
- Have an annual retreat, both for governance matters, but also for connecting with the mission and programs, and maintaining relationships
- Provide avenues for board members to appropriately connect with stakeholders, staff, and programs

These will continue to serve the small nonprofit as they mature, and in this writer's opinion, will serve larger nonprofit organizations as well.

Dave Coleman is principal/ board governance and management consultant for **Board*Trek* Nonprofit Consulting** in Lakewood, Washington.