

Boards in Small Nonprofits: *What About Friendship and Solidarity?*

by Christine Bertrand and Johanne Turbide

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SINCE THE EARLY 1980S, NUMEROUS WORKS have focused on governance in nonprofit organizations. Researchers' interest in nonprofit management stems from the many differences between for-profits and nonprofits, particularly regarding the concept of ownership, the availability of resources, and the assessment of performance. These differences ensure that the connection between objectives, means, and aims—as well as alignment between stakeholders¹ and a nonprofit's objectives—are more difficult to identify in third-sector organizations. These differences explain in part why nonprofits cannot be managed with the same principles as those used in the for-profit sector.

As some of the titles within the literature suggest, many works on governance are norma-

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tive and prescriptive.² Some literature, however, looks critically at the relevance and usefulness of newly proposed models, and researchers have suggested that, because the models in question are poorly adapted to the third sector, they are for the most part unusable in practice.

This article investigates whether there is a discrepancy between the recommendations of the literature and the realities of nonprofit operations. We wanted to focus on smaller nonprofits and observe how board members exercise governance in each of three small community organizations located in Montreal.

We have compared the use of so-called best practices—which are often prescribed in a one-size-fits-all mode—with what Lucie Bégin refers to as “the solidarity perspective,” which is “the values and beliefs to which the stakeholders in various sectors subscribe in order to give meaning to what they are doing.”³

Nonprofits’ Use of Intentional or Best-Practice Mechanisms

In the literature, defining organizational mission and strategic planning are central responsibilities. Others include defining the organization’s long-term objectives and focusing on external issues in order to clearly identify the needs of the market; understanding the needs of various stakeholders; acting as the organization’s guardian of values; conducting the organization’s affairs ethically and legally; not interfering with organizational operations; and assessing the risks that the organization faces. Some research suggests that administrators should set an example by making financial contributions to an organization.⁴ In addition to setting an example, having administrators donate their own money to a nonprofit prompts them to take their management role seriously.

Researchers also emphasize that board meeting attendance is important; when administrators attend these meetings, they become more actively involved in the organization, and

their attendance increases the nonprofit’s performance. It is therefore essential to keep an attendance record to discourage absenteeism.

Other researchers stress the importance of orientation sessions for new members in order to develop a common vision; others recommend ongoing training, such as assigned reading, interacting with other boards, presenting cases, offering courses, and so on.

But the research on third-sector governance tends to articulate the one “best way” for nonprofits to approach governance. At present, the empirical findings reflect a completely different reality, and several researchers question the one-size-fits-all formulas that are adapted mainly from for-profit practices.

John Carver, for example, says that few of the organizations he has studied could even account for the best practices they use. “Fewer than 5 percent of the boards I have encountered over the past decade were able to furnish me with board policies!” he writes.⁵

Based on a field study of 12 nonprofit boards in New York, Judith Miller concludes that board members have a tendency to manage according to personal and professional skills rather than use the organization’s mission as a reference point.⁶ In a study by William Brown, 30 percent of 66 executive directors say that their boards do not consider the interests of various stakeholders.⁷ Thomas Holland’s findings are similar (where a large number of study participants could not identify a single group of “constituencies”⁸), and Holland concludes that this may explain why communication with stakeholders is frequently lacking or haphazard.⁹ In fact, many respondents to Holland’s survey believed that external communication is not a board task, but rather the responsibility of the director or staff. Of course, reality often differs from the best practices identified in the literature.

While the research recommends that nonprofits should have a diversified board in order to best represent the community, a survey conducted by K.B. Fletcher reveals that members’ age, race, and education don’t significantly influence the performance of a board.¹⁰ Furthermore, the current profile of nonprofits is inconsistent with the diversified image of boards recommended in the literature. In fact, according to a survey conducted by Martha Golensky, the typical nonprofit board member is a white male

between the ages of 41 and 50 years old who holds a management or professional position in a for-profit company.¹¹

While an advisory committee should select a nonprofit board to ensure proper control, Hansmann notes that “in some nonprofits this control is really only formal: in practice, the organization’s board of directors nominates its own successors.”¹²

The literature also recommends that nonprofits have a dismissal policy to address frequent absenteeism. But the reality is that organizations often don’t have the luxury of observing this best practice. In fact, Golensky found in her 2000 study that dismissal policies are rarely applied. “Many of the respondents,” she writes, “admitted that policies allowing for the removal of a board member who has missed too many meetings are rarely enforced.”

Finally, case studies and other empirical research on board performance evaluation in third-sector organizations reveal similar conclusions. While best practices recommend the evaluation of board meetings and performance, the majority of organizations in these studies don’t evaluate the process, lack evaluation criteria, and don’t have time for these efforts, given that members are often volunteers.

Our Findings: Three Small Nonprofits

With annual revenue of less than \$250,000 and five or fewer permanent employees, our three case-study nonprofits are representative of the majority of organizations in Canada, where 85 percent of nonprofits have even less annual revenue. We compared the practices of these organizations with the literature on best practices in nonprofit governance. For the purposes of this study, we term these formal best practices under the rubric of “intentional.” Under the heading of “spontaneous,” we group practices that involve a nonprofit’s more immediate drive for survival.

We collected data over a three-month period. For each of the organizations studied, we interviewed three individuals, attended one or two board meetings, and reviewed relevant documents (such as minutes of proceedings, financial statements, and budgets). Although the cases presented here are real, we have changed the names of the organizations at their request.

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don’t use best practices for governance as prescribed in guidebooks and training programs. Instead these organizations are driven more by spontaneous mechanisms that evolve from the two pillars of the nonprofit environment:

- the organizational culture (the sharing of values and the commitment of members); and
- mission- and purpose-related activity (i.e., the solidarity perspective).

In the three organizations we studied, the intentional roles, responsibilities, rules, and regulations are at best considered theoretical principles that do not apply to the day-to-day reality of coping with cash-flow problems, staff turnover, and the difficulty of serving constituencies.

The Reality of Small Nonprofits

Founded in 1998, the New Immigrants Network (NIN) helps immigrant family members reunify. NIN’s mandate is to develop a support network for families arriving in Montreal. There are three full-time employees and a chief coordinator. The organization’s budget is approximately \$120,000. At the time of our study, the seven positions on the board were filled by six external members from the area and one member representing beneficiaries (who was often absent from meetings). Members often did not respect their mandates because they did not have enough time to give to the organization. The coordinator manages the agenda of board meetings, provides a report and feedback on past activities, and presents upcoming events. According to board members, their roles consist mainly of attending board meetings, trying to find new sources of funds from government or other donors, and assisting the coordinator in the supervision of activities offered to beneficiaries.

Founded in 1997, Drop-in Center (DC) is a walk-in care center for underprivileged members of the neighborhood. Originally, the founders hoped to create a facility with full accommodations, but lack of funds prompted DC to open a daily care center instead. The staff has six part-time employees, including a part-time director. The operational budget is approximately \$230,000. At the time of our study, the organization faced a serious financial crisis. The size of its board has varied over the years, from three founding members to a maximum of 17 positions. At the time of the study, however, 11

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volunteers sat on the board, and members were trying to enlist additional recruits. The board comprises mainly businesspeople. Opinions differed among volunteers as to whether the organization should operate as a daily center or fight to establish a full-accommodation center. The importance of the mission statement, financial factors, board responsibilities, and controls were also perceived differently by the interviewees.

In 1986 a group of parents from a poor area of Montreal created Snowdon Family Circle (SFC). The mission is to support parents of young children and to develop collaboration and friendship among underprivileged families. Two full-time staff members—neither of whom hold the position of director—work for the organization, which has a budget of approximately \$100,000. In 1999 the organization almost closed because of a major financial crisis, but the government sent a consultant to help it recover and become better organized. The board is made up of nine members, six of which must be nominated by the beneficiaries (in concert with the consultant's recommendations). During interviews and meetings, we observed that board members had an operational agenda, in part because a director had not yet been identified.

The Solidarity Perspective

If nonprofits are not conforming to norms of best practice, should we impose a standardized approach to their governance, particularly in the case of smaller organizations? According to Lucie Bégin, principles of solidarity differentiate nonprofits from for-profits:

The community sector is run based on a solidarity perspective that characterizes the organizations' relationships to their environment: the solidarity of donors who voluntarily contribute to the funding of services of which they are not the primary beneficiaries; the solidarity of volunteers who donate their time for the betterment of the community; the solidarity that makes cooperation and consensus the preferred coordination methods.¹³

The solidarity perspective allows small nonprofits to operate without all the material incentives that for-profits offer. At least in smaller nonprofit organizations, the monetary reward of

the for-profit sector is replaced by the value of mutual aid and a willingness to improve the community. So how is governance exercised in this context?

Using our analytical framework,¹⁴ we attempted to answer this question and capture the degree to which small organizations use an intentional versus a spontaneous approach and to shed light on the natural benefits of solidarity, an issue ignored in much of the literature.

In our three case-study organizations, none of the recommended practices were consistently observed, with the exception of including external members on each of the boards. The management approach concentrates on survival, thus formal requirements often fall by the wayside in the face of the demands of survival and service—and those demands can be severe. The lack of financial resources, for example, leads to a significant change in the mission for NIN in order to be eligible for Emploi-Québec grant programs.

In some cases, board members were hard to come by, and the lack of availability of current members were the main reasons for SFC's failure to respect the rules regarding the selection of members and length of tenure. Two board members from two different organizations argued that the most important criterion for board members is a willingness to contribute to a nonprofit's well-being rather than professional background. For the NIN coordinator, who is actively involved in the recruitment of board members, her main concerns were to find board members who can help the organization get more funding, who get along well with fellow board members, and who support the organization's activities by contributing financially or by contributing free time. In her view, such board members are difficult to find and nonprofits should retain board members who fit the criteria as long as they can, regardless of suggested tenure rules.

In all three cases, board members believed that their key role was to attend meetings. One DC board member noted that nonprofits should look for board members that can contribute financially too, but admitted that he had been unsuccessful in convincing his own colleagues to make yearly donations.

Our results show that there are no risk assessment and control analysis mechanisms in place.

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Administrators are not very concerned about their nonprofit's relationship with resource providers and do not have reservations about insurance coverage. Little emphasis is placed on budgeting, even in the case of DC, which is experiencing serious financial difficulties. It is worth noting that DC has the most businesspeople on its board of any of the three organizations. Lastly, with the exception of DC—whose several board members from the business community generally know their legal obligations—most of the board members we interviewed aren't well versed in statutes and regulations.

On the other hand, for all three organizations, spontaneous mechanisms such as organizational culture, shared values, and member commitment are high priorities. All three organizations cited a culture of friendship, which confirms research by Jill Mordaunt and Chris Cornforth.¹⁵ The respondents even said that while the consensus dynamic is time-consuming and can undermine decision making, it is respectful and emphasizes the importance of many points of view, so they still valued it. These findings are in line with Bégin's solidarity perspective, which suggests that cooperation and consensus are central to smaller and less-resourced organizations. Roméo Malenfant's research reveals similar results; he found that shared values makes management less hierarchical.¹⁶ This reinforces organizations' need to be nimble in an unstable environment.

Our study also validates characteristics such as members' mutual trust and commitment. But these spontaneous mechanisms do not necessarily guarantee effectiveness and efficiency. In DC, which is experiencing financial difficulties, members realize that too much confidence, coupled with few intentional controls, have led to the fraudulent behavior of staff members.

These organizations also validate other spontaneous mechanisms such as competition and legitimacy. Competition is a decisive factor for each of the three nonprofits, since their survival depends on it. Respondents criticized the lack of funding requirements, which has led to an increasing number of organizations having to rely on the same pool of funding. Legitimacy is an important mechanism in nonprofit governance, because any doubts regarding the legitimate use of funds or the quality of work can threaten a nonprofit's existence. After SFC was

sued in 2000, its revenues decreased by half. Subsequently, the board established a task force to better control the hiring of employees and volunteers and the handling of finances.

Limitations and Future Research

Our research of small nonprofits confirms our hypothesis: the intentional governance mechanisms suggested in the literature do not apply to smaller organizations to any significant extent. That's unsurprising given that these mechanisms don't apply to many other nonprofits as well. Our study has also allowed us to better understand why certain practices recommended in the literature may be difficult to apply in small nonprofits. Among the many determining factors, 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."

Nonetheless, the exclusive use of spontaneous mechanisms may place small nonprofits at a serious disadvantage. Future research should focus on the distinctive characteristics of a nonprofit's context. Then it may be time to advance some of the good-governance principles associated with the solidarity perspective (and a graduated adoption of intentional practices). The solidarity practices of small groups are an important asset for small nonprofits to govern with a realistic grasp of their context.

Endnotes

1. The term *stakeholders* refers to all parties to whom an organization is indebted: sponsors, employees, clients, suppliers, the community, and so on.
2. See, for example, Ginette Johnstone, *Nonprofits: Understanding Governance: What Every Board Needs to Know* (Kemptville: Johnstone Training & Consultation, Inc., 2002); John Carver, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, 2nd ed. (San Francisco: Jossey Bass, 1997); and Thomas Wolf, *The Nonprofit Organization: An Operating Manual* (Upper Saddle River: Prentice-Hall, 1984).

3. Lucie Bégin, "L'Allocation des Ressources dans une Organisation Communautaire: Le Cas de Centraide du Grand Montréal," *École des Hautes Études Commerciales*, 2000.
4. David Olson, "Agency Theory in the Not-for-Profit Sector: Its Role at Independent Colleges," *Nonprofit and Voluntary Sector Quarterly*, Vol. 29, No. 2, 2000.
5. John Carver, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, 2nd ed. (San Francisco: Jossey-Bass, 1997).
6. Judith Miller, "The Board as a Monitor of Organizational Activity: The Applicability of Agency Theory to Nonprofit Boards," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.
7. William Brown, "Inclusive Governance Practices in Nonprofit Organizations and Implications for Practice," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.
8. The word *constituencies* may be defined as "all the stakeholders within a given organization."
9. Thomas Holland, "Board Accountability: Lessons from the Field," *Nonprofit Management and Leadership*, Vol. 12, No. 4, 2002.

10. K.B. Fletcher, "Effective Boards: How Executive Directors Define and Develop Them," *Nonprofit Management and Leadership*, Vol. 2, No. 3, 1992.
11. Martha Golensky, "Board Governance: Perceptions and Practices: An Exploratory Study," Grand Valley State University, September 2000.
12. Henry Hansmann, *The Ownership of Enterprise* (Cambridge: Belknap Press, 1996).
13. Bégin, 2000
14. Our framework is inspired by Gérard Charreaux, who developed a typology of governance mechanisms for for-profit organizations in which he considers both intentional and spontaneous aspects. We significantly adapted the components of his framework to reflect a nonprofit's conditions.
15. Jill Mordaunt and Chris Conforth, "Rising to the Challenge or Running for the Door? The Role of Governing Bodies in Dealing with Organizational Crises," delivered at ARNOVA Conference, November 13-16, 2002.
16. Roméo Malenfant, "La Gouvernance Stratégique d'un Organisme sans but Lucratif: sa Dynamique, ses Composantes," Éditions D.P.R.M., 1999.

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