

Managing the Small Nonprofit

How to be successfully small

By Mary Quirk & Bonnie Watkins

As the manager of a small nonprofit, you're frequently given advice more appropriate to a big nonprofit. If you're following that advice, trying to be a small-scale version of a large organization, you're likely wasting resources and losing focus on your mission. You may even be entering a downward spiral that can destroy your organization. Modeling your organization after a mega-nonprofit won't work when you yourself are the fundraiser, secretary, newsletter editor, program director, volunteer manager, and personnel department as well as the executive director.

There is an alternative. Success lies in understanding how small nonprofits are different from larger ones, and in translating standard practices into something doable for an organization your size.

Not a Miniature

"Small" is a relative term. Here, we'll define a small or "micro-nonprofit" as one with a budget of under \$250,000 or with five or fewer staff.

Small nonprofits aren't just miniatures of larger ones. Most directors of micro-nonprofits soon notice critical differences in managing a small organization:

- **You are it:** All the management knowledge must be in your head.
- **Time is scarce:** There are only a few hours a week to spend on management functions that larger nonprofits have many staff doing full-time.

Take Advantage of Your Assets

You're not alone if you're managing a small nonprofit. In the United States, 86% of registered nonprofits have revenues under \$250,000. In fact, close to 80% of registered nonprofits have revenues under \$100,000. Of the nonprofits large enough to file tax returns (revenues over \$25,000 a year), about two-

Although over half of nonprofits are small, the vast majority of management advice is geared towards larger nonprofits.

thirds have revenues under \$250,000.¹ A study in Indiana found that only 52% of nonprofits had any paid staff, and of those, 41% had two or fewer full-time equivalent staff.²

Don't be ashamed to be running a small organization. Be sure your organization really wants to grow before you commit to growth. You don't have to model yourself on larger organizations, on the theory that every good nonprofit is destined to have a gigantic staff and budget – or doomed to failure and disintegration. On the contrary, the great asset of a micro-nonprofit is its focus on mission. If you aren't distracted by "building your empire" or maintaining a bloated infrastructure, you'll find you can move mountains – as many small nonprofits are proving every day. Additional assets of micro-nonprofits include:

- **You're likely to be closer** to your community and your customers and, therefore, more effective and credible.
- **You're likely to serve** a smaller geographic area, thereby understanding it better and responding more quickly to changes.
- **You can dispense with** many formalities and conventions, since your aim is to get the job done, not impress the world with your sheer size.
- **You can attract** staff, board, and volunteers who will go the extra mile, because you keep the focus on your mission.

Have You Been Frustrated with Traditional Management Advice?

"It happened to me again just a couple of months ago. I sat in a training session with 150 others, hoping to acquire vital information that would solve key problems for my organization. The advance flyer sounded so great, and at least this one didn't cost an arm and a leg. BUT, the dynamic presenters and their beautiful PowerPoint slides were completely worthless to me. At least I've learned this much over the years: I snuck out the side door after only an hour and a half, instead of wasting the entire day."

Have you been annoyed to discover and rediscover that many training programs and other "resources" for nonprofits aren't helpful? Don't think there's something wrong with you. The program (or network or book) is designed for a larger, wealthier organization than yours.

Although over half of nonprofits are small, the vast majority of management advice is geared towards larger nonprofits and takes more staff time than you have. This advice has to be translated to be useful to you, and much can be ignored altogether. There are many other passionate, talented leaders of micro-nonprofits out there. They forge ahead, making up new rules and strategies as they go. Here are some of their secrets.

Four Keys to Being Successfully Small

1. Watch for hidden time bombs that might go off in your face.

- Treat part-time positions as career positions if you depend on them for important responsibilities.

continued on page 12

- Have a succession plan for key staff, volunteers, and board members. When there are just a few of you, the loss of one person is much greater than in a large organization.

- Nip in the bud staff conflict, poor work performance, or tensions on the board. There is no extra time to waste.

- Stay aware of cash flow and any potential loss of a funding source. When the budget is small, finances are critical.

- Have in mind a dollar amount that a fundraising project must generate to justify the time it will take away from programmatic work.

- Be stubborn with your time management and everything else. Keep on top of the big picture, no matter how much you're pulled in other directions.

Be sure your organization really wants to grow before your commit to growth.

2. Learn the tricks of the trade.

No matter how small you are, key functions still have to be performed. Many small start-ups miss the deadline for filing their first 990 or neglect some other key piece as they're starting up. A few things that have taken some by surprise:

- Raffles have rules.
- Payroll taxes must be paid.
- There's a difference between exempt and non-exempt employees.
- When hiring, there are questions not to ask and equal-opportunity rules to follow.
- Check references, and screen volunteers working with vulnerable clients.
- Avoid board micro-management. Know staff versus board roles.
- File a 990 return if income is over \$25,000. Be sure you know state filing rules.
- Use internal controls when

"The dynamic presenters and their beautiful PowerPoint slides were completely worthless to me."

handling money.

- Bank statements and other financial records need to be kept for specific amounts of time.

- Remember the 70/30 rule on program expenses versus fundraising/administration (70% of your funds should be spent on your programs and only 30% on raising funds and dealing with other administrative tasks).

- The sales tax exemption in many states applies to phone bills and other items you might not think of — but you may need to pay sales tax on items you sell.

- There are documents, such as bylaws and articles of incorporation, that you must have in place. Other documents, such as personnel policies, are wise to have.

- Few funding sources will automatically renew their commitments every year, so you need to meet their goals and submit the required reports.

3. Develop "quick and dirty" approaches.

Use shortcuts to perform functions in less time than the big guys with big budgets do. Quality board

Don't Be Taken by Surprise

You can find details on important tricks of the trade in *Nonprofit World* articles (www.snpo.org/members), including the following: "Should You Hold a Raffle?" (Vol. 13, No. 1), "Hire the Best But Hire with Care" (Vol. 21, No. 1), "Don't Let Volunteers Put Your Organization at Risk" (Vol. 10, No. 1), "Who's in Charge Here?" (Vol. 4, No. 4), "Setting Up a Control System" (Vol. 16, No. 3), and "To Write Or Not to Write: Do You Need a Personnel Handbook?" (Vol. 11, No. 3).

training can be done in two hours. Strategic planning can be accomplished in 15 hours or less (as explained in the box on page 13). Think in terms of the needed outcome — a committed board, a clear work plan for yourself — rather than the standard process. It's better to do a shortened version of a good management practice (or possibly not do it at all) — than get part way through an unworkable process and then drop it.

4. Figure out how to hang in there for the long haul.

Once the flurry of start-up is over:

- Address with your board whether the organization should grow. Develop criteria for deciding whether to grow and, if so, when and how. View growth as a conscious decision, not an inevitable outcome.

Modeling your organization after a mega-nonprofit won't work.

- Be aware of many thoughtful perspectives on how to be a small, high-quality, mature nonprofit. Learn how to evolve without growth, avoid stagnation, and help the board transition from the excitement of growth to ongoing service.³

Avoid the temptation to go back to how things were done in the early days, or to stay stuck in those early methods, as many organizations do when they want to recapture the excitement. The reality is that change and adaptation are always needed. Challenge assumptions, make peace with the organization's current status, and plan where the organization wants to go. Finding rewards in managing change, while staying committed to your purpose, can keep you motivated and renewed on a personal level as well as keeping the organization strong. You can do great work if you understand and take advantage of the benefits of being small.

HOW TO DO STRATEGIC PLANNING IN 15 HOURS OR LESS

Many small nonprofits never quite get to strategic planning — scared away by the time commitment and cost of a consultant. The following strategic planning process is an adaptation that can be done without a consultant and with 15 hours of staff time or less, spread out over three board meetings. While a more complete process may be critical in times of transition, this is satisfactory when time is short.

1. Preliminaries – 1 staff hour

- Obtain board buy-in to doing strategic planning.
- Determine the number of years your plan will cover. A three-year planning cycle is often fine.
- Decide what the plan will look like. One page of main goals? More detailed objectives?

2. Identify strategic issues – 3 staff hours

- Set aside a half-hour at a board meeting for visioning. Ask, “What are your hopes and dreams for what this organization will be like five years from now?” Go around the room so everyone gets to talk. Keep it a brainstorming session where ideas are raised but not discussed.
- Give board members and staff a short survey to fill out: What are our major strengths? What are our major weaknesses? What critical issues do we face over the next three years?
- From the visioning process and the survey, identify four to seven strategic issues the organization is facing. Look for themes (challenges, opportunities, uncertainties, options) that reoccur.

3. Hold a planning session – 6 staff hours

- Prepare a planning packet. Include: list of strategic issues, results of visioning and survey, and whatever other information you can easily put together (trends in service growth, financial trends, needs assessment information, etc.)
- In place of a board meeting, hold a two to three hour planning session. Facilitate the session yourself, or ask a board member or volunteer to facilitate.
- Begin the planning session by asking, “What in the planning packet stood out as critical?” Then discuss each strategic issue (with a time limit for each one). Don’t try to resolve the issues, just discuss each one enough to see if a direction emerges.
- Conclude by asking, “What else is important for the future?”

4. Draft a plan – 5 staff hours

- Design a plan that addresses the strategic issues. If a strategic issue (like fundraising) has a related committee, involve them in drafting that aspect of the plan. Have staff and board leadership review and adjust the draft.
- Bring the plan to the board for a vote.
- Make a commitment that no idea will be pursued unless it fits into the plan or the board approves a revision to the plan.

5. Follow the plan and revise as needed.

Put the plan up where it can be seen. Refer to it regularly. Once a year, have the board review it to see if revisions are needed. In three years (or whatever your designated time frame), start over. ■

Footnotes

¹National Center for Charitable Statistics, www.nccsdataweb.urban.org.

²Gronbjerg, Kirsten A. and Linda Allen, “The Indiana Sector: A Profile,” www.indiana.edu.

³See Connolly and Klein in “Resources.”

Resources

*Connolly, Paul and L.C. Klein, “Good Growth, Bad Growth and How to Tell the Difference,” *Nonprofit World*, Vol. 17, No. 3

*Klein, Laura and Paul Connolly, “Getting in Shape: Fitness Tips for Established Nonprofits,” *Nonprofit World*, Vol. 18, No. 1

Henley, Michael and Diane Hodiak, *Fund Raising and Marketing in the One-Person Shop*, Minneapolis: Development Resource Center (www.di-good.biz).

*“Seven Easy Ways to Get into Legal Trouble,” *Nonprofit World*, Vol. 18, No. 6.

*Starred resources are available at www.snpo.org/members. Also see Learning Institute programs on-line: Strategic Planning (www.snpo.org/li).

Close to 80% of registered nonprofits have revenues under \$100,000.

Mary Quirk (maryquirk@usfamily.net) spent seven years directing a medium-sized nonprofit and then 11 years directing a micro-nonprofit. After several years of trying to model her small nonprofit on the larger one, she realized there weren't enough hours in the day and began creating shortcuts. She has master's degrees in public affairs and public health.

Bonnie Watkins (BonniePWatkins@cs.com) has directed micro-nonprofits for 10 years, managing initiatives for state government before that. She is currently the executive director of the Minnesota Women's Consortium, a statewide coalition of 160 organizations. Many of them are micro-nonprofits, and Bonnie thanks them for sharing their wisdom. She is author of In the Company of Women (Minnesota Historical Society Press (www.mnhs.org/market/mhspress)). Bonnie has a master's degree in liberal studies.