

Review Article

Comparative Analysis of Governance Models Across Various Types and Sizes of Nonprofit Organizations

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A B S T R A C T

This review article provides a comparative analysis of governance models employed by nonprofit organizations (NPOs) across various sizes and types. Nonprofits operate in diverse environments, and their governance structures must adapt to their mission, resources, and stakeholder needs. The article explores traditional, collaborative, policy governance, community-driven, and hybrid models, examining the strengths, challenges, and practical implications of each approach. By comparing these governance models across small, medium, and large organizations, the review highlights key factors that influence governance choices, including resource availability, mission scope, and stakeholder involvement. Understanding these differences is critical for nonprofits to effectively manage resources, ensure accountability, and achieve their social objectives. The findings emphasize the importance of aligning governance structures with organizational characteristics to enhance performance and long-term sustainability.

Keywords: Nonprofit governance, Governance models, Decision-making

Introduction

Nonprofit organizations (NPOs) represent a wide spectrum of entities driven by various missions, including social, cultural, educational, and environmental goals. These organizations differ in terms of their mission, scale, geographic reach, and resource base, and as such, their governance models must be tailored to these specific characteristics. The governance structure plays a crucial role in guiding the organization towards achieving its mission, ensuring accountability to stakeholders, and maintaining transparency in operations. A well-defined governance framework ensures that the nonprofit remains focused on its mission, maintains the trust of its supporters, and operates efficiently. The governance models employed by nonprofits can range from highly formal and centralized systems to

more informal, community-driven approaches. This review delves into various governance models, comparing them across different nonprofit sizes and types, and exploring the factors that influence their adoption and effectiveness.¹

Governance Models

Governance models in nonprofit organizations can generally be classified based on several factors, including decision-making processes, the delineation of roles between the board and executive leadership, and the level of stakeholder engagement. These models play a critical role in ensuring that nonprofits operate efficiently, remain aligned with their mission, and fulfill their obligations to both their internal and external stakeholders.

Centralized Governance Models

- **Description:** In centralized governance models, decision-making power is concentrated in the hands of a small group, often the executive leadership or a single leader such as the CEO or Executive Director. The board, in these models, may serve an advisory role, or its decision-making power may be limited to specific functions such as financial oversight and compliance.
- **Characteristics:** The focus in these models is often on efficiency and streamlined decision-making. There is a clear hierarchy where the executive leadership has significant control over the day-to-day operations.
- **Examples:** Larger nonprofits with complex operations, such as international organizations, may favor centralized models to ensure consistent decision-making across regions. It also allows for faster decision-making and clearer accountability for outcomes.²

Decentralized or Distributed Governance Models:

- **Description:** In contrast to centralized models, decentralized governance emphasizes the involvement of multiple stakeholders in decision-making. In these models, power is spread across various individuals or groups, including board members, executive leadership, staff, and sometimes the community.
- **Characteristics:** These models typically allow for greater stakeholder input and collaboration. Decision-making is often consensus-based, and governance may involve a more democratic approach, giving voice to a wider range of participants.
- **Examples:** Grassroots or community-based organizations often adopt decentralized models, where decisions reflect the interests and needs of local stakeholders and are guided by community involvement. Smaller nonprofits may also adopt this model to maintain flexibility and responsiveness to changes within the community or environment.

Hybrid Governance Models

- **Description:** The hybrid model blends elements of centralized and decentralized governance systems, with some areas of the organization being more centralized for efficiency while other areas allow for broader stakeholder input and participation.
- **Characteristics:** This model is particularly common in medium-sized organizations where both operational efficiency and stakeholder engagement are equally important. For example, the board may focus on strategic oversight and high-level decision-making, while executive leadership manages day-to-day operations with significant input from staff or volunteers.
- **Examples:** Larger regional nonprofits or advocacy organizations may adopt a hybrid governance structure

to balance the need for strategic oversight with the need for grassroots engagement and community involvement.

Participatory Governance Models Description

- **Participatory governance models** emphasize active involvement from the community and other stakeholders in decision-making processes. These models value shared leadership, ensuring that all individuals who are impacted by the organization's work have a voice in its operations.
- **Characteristics:** These models are especially prominent in smaller, community-based nonprofits that seek to ensure alignment with the needs of the local population. Decisions are often made through group discussions or voting mechanisms, and the focus is on inclusivity and collaborative action.
- **Examples:** Small nonprofits focused on community development or local environmental initiatives often adopt participatory models to ensure that local stakeholders, including volunteers, clients, and the community, influence organizational decisions.

Policy Governance Model (Carver Model)

- **Description:** The Policy Governance Model, developed by John Carver, is a highly structured governance system where the board sets broad policies and strategic goals, and the executive director or CEO is responsible for implementing those policies. This model distinctly separates governance from management.
- **Characteristics:** In the Carver model, the board is highly focused on the organization's overall strategic direction and leaves operational management to the executive team. The executive leadership has the autonomy to make operational decisions, but within the boundaries defined by board policies.
- **Examples:** Larger, more formalized nonprofits such as healthcare organizations or educational institutions may adopt this governance model, where the division of roles between the board and executive leadership ensures clear accountability.

Advisory or Honorary Governance Models

- **Description:** Advisory boards or honorary boards often provide support to the organization without holding formal decision-making authority. These models are typically used by organizations seeking to leverage the expertise and networks of high-profile individuals without burdening them with operational responsibilities.
- **Characteristics:** Advisory boards are often used to enhance fundraising efforts, provide strategic guidance, and offer connections to resources, without having direct control over the organization's day-to-day activities.

- **Examples:** Large nonprofits with significant fundraising needs, such as those in the arts or healthcare, may utilize advisory boards composed of prominent individuals from various sectors to guide strategic thinking and provide access to influential networks.

Factors Influencing Governance Model Choices

- The decision to adopt a particular governance model is influenced by several factors:
- **Size and Complexity:** Larger organizations with more complex operations often favor centralized governance to streamline decision-making, while smaller, community-based organizations prefer decentralized models that allow for more flexibility and local responsiveness.
- **Mission and Stakeholder Involvement:** Nonprofits that focus on community development or advocacy may adopt participatory governance to ensure that their activities align with the needs and wishes of the community. Conversely, those with a narrower, more specific mission may find that a more centralized structure works best.
- **Resource Availability:** Resource constraints may influence the choice of governance model. Smaller organizations with limited staff or resources may lean towards collaborative governance or shared leadership to reduce the burden on individual leaders.
- **Accountability and Transparency:** As governance structures evolve, nonprofits must ensure they remain accountable to stakeholders. Formal governance models, such as the policy governance model, provide clear guidelines for accountability, while participatory models foster transparency by allowing stakeholders to directly engage in decision-making.
- The governance models adopted by nonprofit organizations must align with their size, mission, stakeholder needs, and operational context. Whether centralized, decentralized, or hybrid, each governance structure brings strengths and challenges. For a nonprofit to succeed, its governance model must be adaptable, ensuring that the organization remains responsive to internal and external changes while maintaining focus on its mission. As nonprofits continue to navigate a rapidly changing landscape, understanding and selecting the right governance model will be critical to their long-term sustainability and impact.⁴

Traditional Governance Model

- **Description:** The traditional governance model is commonly seen in medium to large nonprofit organizations. It is characterized by a hierarchical structure where the Board of Directors holds primary decision-making authority while the executive director or CEO is responsible for managing the organization's day-to-day operations. The governance is primarily top-down, with

the board making high-level strategic decisions and the executive leadership overseeing implementation.

- **Board Roles:** In this model, the board is responsible for strategic oversight, ensuring the organization is fulfilling its mission, and maintaining compliance with legal and financial standards. Board members typically bring expertise from various fields such as fundraising, finance, law, and organizational development. The board ensures that policies are in place and that the organization's strategy aligns with its mission and vision. They also oversee the executive director's performance and hold them accountable for results.

Strengths

- **Clear Decision-Making:** With defined roles, the traditional model ensures that there is a clear hierarchy for decision-making, which helps avoid confusion and establishes accountability.
- **Focus on Governance:** The board's sole focus is on the governance aspect, while the executive team focuses on operations. This division allows for better strategic focus and reduces the likelihood of the board becoming bogged down in day-to-day operational decisions.
- **Accountability:** The centralized structure provides an effective way to monitor financial health, ensure legal compliance, and stay aligned with the mission. Board members are typically held accountable for the organization's long-term strategy and vision.

Challenges

- **Over-Reliance on Executive Leadership:** A potential risk is the over-dependence on the executive director or CEO. The executive may exert too much influence on day-to-day decisions, leaving the board with little insight or say on operational matters.
- **Lack of Diverse Perspectives:** Since decision-making is highly centralized with the executive team and board, the voices of other stakeholders (such as staff or volunteers) may be underrepresented, resulting in less diverse perspectives in strategic planning and decision-making.
- **Communication Barriers:** The traditional model may result in challenges in communication between the board and the staff or volunteers, as the operational responsibilities lie with the executive director, creating a potential disconnect between governance and daily activities.⁵

Collaborative or Shared Governance Model

- **Description:** The collaborative or shared governance model is typically adopted by smaller or grassroots nonprofits. In this model, decision-making is distributed across several levels, including the board, executive leadership, and often staff and volunteers. The deci-

sion-making process is more democratic and flexible, with an emphasis on inclusivity and collaboration.

- **Board Roles:** The board in this model still maintains overall strategic oversight, but its role is less centralized compared to the traditional model. The board collaborates with executive leadership to set policies, but it often involves staff and volunteers in discussions around operational planning. The board may seek input from these stakeholders when making decisions to ensure that a broad range of perspectives is considered.

Strengths

- **Fosters Community and Ownership:** Shared governance encourages a strong sense of community and ownership among staff, volunteers, and other stakeholders. When people feel involved in decision-making, they are more likely to be invested in the organization's success and sustainability.
- **Promotes Inclusivity and Innovation:** By engaging multiple voices in decision-making, the shared governance model fosters a culture of inclusivity, creativity, and innovation. The collaborative approach allows the organization to address challenges from multiple angles and generate new ideas.
- **Flexibility:** The flexible decision-making process allows the organization to adapt quickly to changing circumstances or community needs. It is particularly effective in dynamic environments where quick decisions are often required.⁶

Challenges

- **Lack of Clarity in Decision-Making:** A significant challenge with shared governance is that roles and decision-making processes may be unclear, which can lead to confusion about who is responsible for what. This lack of clarity can result in delays in decision-making or inefficient operations.
- **Difficulty in Accountability:** Since the decision-making process is distributed, it can be harder to pinpoint who is responsible when decisions do not work out as planned. Accountability can become diluted when multiple individuals or groups are involved in decision-making, especially when roles are not well-defined.
- **Risk of Inefficiency:** With so many stakeholders involved, decisions can become more time-consuming and less efficient. The need for consensus or widespread agreement can lead to delays, and the organization may struggle to maintain momentum in decision-making.
- These two governance models, while both popular in the nonprofit sector, serve different organizational needs. The traditional governance model works well for larger organizations that require clear oversight and accountability, while the collaborative governance model is more suited to smaller, community-based

nonprofits that prioritize inclusivity and shared decision-making. Each model has distinct strengths and challenges that should be carefully considered when designing a governance structure that aligns with the organization's mission and operational environment.

Policy Governance Model (Carver Model)

- **Description:** The Policy Governance Model, created by John Carver, is a distinctive governance approach that separates policy-making from day-to-day management. Under this model, the board establishes policy guidelines and broad end goals for the organization while delegating the operational management to the executive director or CEO. This allows for a focus on long-term strategic planning and results without board members getting involved in daily operations.
- **Board Roles:** The board in the Policy Governance Model is primarily responsible for creating overarching policies and setting clear ends goals for the organization. The board does not get involved in specific management decisions but ensures that the executive director works within the defined policy boundaries to achieve those goals. The executive director is empowered to make decisions about daily operations but must report back to the board on progress toward meeting organizational goals.

Strengths

- **Clear Role Delineation:** This model provides a strong separation of powers between governance and management, allowing each to focus on its respective responsibilities. It minimizes the risk of micromanagement and fosters accountability in the leadership team.
- **Strategic Focus:** The board can concentrate on long-term strategic direction, policy development, and overall organizational health without getting bogged down in operational details.
- **Empowerment of Executive Leadership:** The executive director or CEO is empowered to execute strategies without interference from the board, ensuring efficiency in decision-making.⁷

Challenges

- **Potential Disconnect:** Since the board's focus is on policy and strategy, there can be a disconnect between the board's decisions and the reality of day-to-day operations. This could result in the board becoming too distant from operational issues and challenges that the executive director or staff may be facing.
- **Limited Board Involvement in Operations:** The board's disengagement from operational matters can sometimes lead to a lack of understanding about internal challenges, which may hinder the board's ability to make informed strategic decisions.

- **Risk of Overlooking Internal Dynamics:** If the board does not regularly engage with staff or stay involved in operational nuances, it may miss out on critical information regarding staff morale, resource challenges, or other operational difficulties.

Community-Driven or Participatory Governance Model:

- **Description:** The community-driven or participatory governance model is most commonly found in community-based or advocacy-driven nonprofits, where decision-making is shared among stakeholders such as community members, service users, staff, and volunteers. This model aims to reflect the interests and needs of the community that the nonprofit serves, with active involvement in all levels of governance and decision-making.
- **Board Roles:** The board often consists of members drawn from the community, which ensures that those directly affected by the organization's work have a voice in decision-making. The board works closely with the staff and volunteers to shape policies and ensure the organization's activities remain aligned with community needs and values. The community's involvement ensures that the board is in tune with local perspectives and concerns.

Strengths

- **Democratic Involvement:** This model ensures that community members are actively involved in governance, making the organization more responsive to local needs and enhancing community accountability.
- **Strong Stakeholder Relationships:** By involving the community in governance, the model helps to build strong relationships and trust between the nonprofit and the people it serves.
- **Increased Trust and Legitimacy:** With community participation in decision-making, the organization enhances its legitimacy in the eyes of its stakeholders and builds deeper community connections.

Challenges

- **Decision-Making Delays:** Since decisions are made through consensus or collective input, the process can be time-consuming, leading to potential delays in action or implementation.
- **Balancing Efficiency and Democracy:** The democratic nature of the model can sometimes conflict with the need for effective decision-making. Efforts to involve everyone can delay urgent decisions, especially when there is a lack of agreement.
- **Risk of Conflicting Interests:** When different stakeholders, such as community members and board members, have diverse interests, it can be challenging to find common ground, leading to conflicts or inefficiencies.⁸

Hybrid Governance Model

- **Description:** The hybrid governance model combines elements from various governance styles to adapt to the complex needs of larger or multifaceted nonprofits. In this model, the board may use a policy governance approach for strategic oversight while also incorporating community-driven decision-making in specific programs or service areas. The hybrid model seeks to leverage the strengths of both centralized strategic direction and decentralized community participation.
- **Board Roles:** In a hybrid model, the board's role can be multifaceted. Some board members may be involved in high-level strategic decisions using a policy governance approach, while others may engage more directly with community stakeholders in specific program areas. For example, some board members may work closely with staff and volunteers in programs that require community input, while others focus on setting overall policy and overseeing financial sustainability.

Strengths

- **Flexibility:** The hybrid model provides flexibility to accommodate the different needs of a complex organization. By combining elements from multiple governance models, nonprofits can adapt to both external environments and internal operations.
- **Balance Between Oversight and Participation:** The hybrid model can balance strategic oversight with community engagement, ensuring that the organization stays focused on its mission while remaining responsive to community needs.
- **Enhanced Responsiveness:** This model allows the organization to engage in localized decision-making in certain areas, which can make the organization more agile and capable of addressing specific community concerns quickly.

Challenges

- **Role Confusion:** A potential challenge with the hybrid model is the blurring of roles. When the board is involved in both strategic oversight and community-driven decision-making, it can be unclear who is responsible for what. This may lead to conflicts over decision-making authority or overlapping responsibilities.⁹
- **Communication Challenges:** The hybrid model requires strong communication systems to ensure coordination across different governance structures. Without clear channels of communication, different parts of the organization may not be aligned, causing inefficiencies.
- **Complexity:** Implementing a hybrid model can be complex and require significant coordination and planning. Ensuring that the board and staff are well-aligned and that there is a clear understanding of roles across all

governance levels can be challenging, especially for larger organizations.

Comparing Governance Across Nonprofit Sizes: Small Nonprofits

- **Governance Structure:** Smaller nonprofits tend to operate with fewer resources and staff, meaning governance structures are often less formal and rely heavily on the direct involvement of board members in both strategic and operational activities. In these organizations, board members may play a hands-on role in daily operations, and the decision-making process is typically more informal and collaborative.

Challenges

- **Lack of Structure:** The absence of clear role definitions can lead to role confusion and a lack of accountability. It may also be difficult for staff and volunteers to differentiate between their operational duties and the board's strategic role.
- **Overburdening Volunteers:** Board members and staff may find themselves overburdened by a lack of specialization in smaller nonprofits, as they are often required to take on multiple roles.
- **Inadequate Oversight:** With blurred lines between governance and management, it can be challenging to ensure adequate oversight and accountability. This could lead to operational inefficiencies or missed opportunities for improvement.
- Each governance model has its unique strengths and challenges, and the choice of model depends on factors like the size, complexity, and mission of the nonprofit organization. As nonprofits evolve, governance models must adapt to ensure continued alignment with their mission, efficient decision-making, and active stakeholder engagement.¹⁰

Medium-Sized Nonprofits

- **Governance Structure:** Medium-sized nonprofits typically adopt formalized governance structures, with a clear distinction between the board and executive leadership. This often involves adopting a hybrid model or a policy governance model, where the board provides strategic oversight and policy direction, while the executive director or CEO is responsible for the day-to-day operations of the organization. The governance framework balances the need for oversight with flexibility, allowing the executive leadership to manage operations without micromanagement from the board.

Challenges

- **Scaling Governance:** As these organizations grow, they face challenges in scaling governance practices

to meet increasing complexity. It becomes harder to maintain a balance between keeping processes flexible and ensuring strong governance and oversight. The organization must find a model that is adaptable but still maintains accountability and operational effectiveness as the nonprofit expands.

- **Maintaining Engagement:** Medium-sized nonprofits may face challenges with maintaining board engagement and involvement in day-to-day activities. With growth, it can become difficult for the board to stay connected to operational realities while focusing on high-level strategic concerns.
- **Resource Constraints:** These organizations may lack the resources to hire specialized governance experts or consultants to navigate complex governance issues. They may struggle with ensuring adequate internal controls, formalized training, and structured decision-making frameworks.

Large Nonprofits

- **Governance Structure:** Large nonprofits generally implement highly formal governance structures due to the complexity and scale of their operations. They often adopt models like policy governance or utilize board committees to handle the organization's strategy, fundraising, and other critical functions. In large organizations, the board is mainly responsible for high-level strategic decision-making, with executive leadership handling the day-to-day operations.
- **Policy Governance Model:** In large nonprofits, boards tend to prefer the policy governance model, which ensures separation of duties between governance and management. The board sets overarching goals and policies, while the executive team is empowered to carry out daily tasks, giving the board more time to focus on strategic planning and monitoring.

Challenges

- **Bureaucracy:** As the nonprofit expands, the governance structure can become bureaucratic, leading to slow decision-making and less organizational agility. The larger the nonprofit, the more decision-making may be centralized or tiered, potentially disconnecting the organization from the grassroots or communities it serves.
- **Disconnectedness:** There is also a risk that large boards may become disconnected from the operational reality of the organization. When boards are removed from the day-to-day activities of the organization, they may be less aware of internal challenges, such as employee morale, program effectiveness, or community needs, which can reduce the effectiveness of governance.

Key Factors Influencing Governance Choices:

Mission and Scope:

- The mission and geographical scope of the nonprofit significantly influence its governance model. For example:
- Local, community-based organizations often favor participatory governance models that encourage democratic decision-making and community involvement.
- Larger, international nonprofits tend to adopt centralized governance structures to ensure uniformity in policies and practices across diverse regions. These organizations need a clear, centralized decision-making process to maintain consistency and control, especially when operating in multiple countries or regions.

Resource Availability

- The availability of financial resources, skilled personnel, and time plays a crucial role in determining the governance model. Nonprofits with substantial funding and access to skilled governance professionals are more likely to adopt formalized models such as the policy governance model, where roles and responsibilities are distinctly separated.
- Smaller nonprofits, on the other hand, often face resource constraints and may rely on volunteer boards and informal decision-making structures. As such, these organizations may lean toward more collaborative or shared governance models, where decision-making is more fluid and less hierarchical.

Stakeholder Involvement

- The level of stakeholder involvement in governance varies depending on the nonprofit's mission and the constituency it serves:
- Nonprofits deeply embedded in local communities or grassroots movements often adopt community-driven or participatory models. In such organizations, service users, community members, staff, and volunteers actively participate in decision-making processes, ensuring that governance reflects the needs and desires of the people being served.
- International or larger nonprofits may prioritize efficiency and consistency over direct involvement, using more centralized governance models to maintain focus on organizational alignment across diverse regions and programs.

Conclusion

Governance in nonprofit organizations is a dynamic and evolving process that must adapt to the specific needs, mission, and context of the organization. The size and

scope of the nonprofit significantly influence its choice of governance model. Smaller nonprofits often benefit from collaborative governance models that emphasize participation and community engagement, whereas larger organizations typically require more formalized governance structures to manage complex operations and ensure effective strategic oversight.

By tailoring governance practices to fit their mission, resources, and operational realities, nonprofits can ensure greater accountability, stronger organizational effectiveness, and long-term sustainability. As the nonprofit landscape continues to evolve, the ability of organizations to adapt their governance models to their specific needs will be essential for navigating challenges, improving performance, and fostering trust with stakeholders.

Ultimately, nonprofits that focus on aligning governance with their mission and engaging key stakeholders will be better positioned to achieve their goals and make a lasting impact on the communities they serve.

This review article provides a broad overview of various governance models, comparing their application across different nonprofit types and sizes. For further exploration, future studies can focus on empirical data that investigates the relationship between governance models and organizational outcomes in different sectors of the nonprofit world.

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