Framing Forward

REIMAGINING GOVERNANCE

September 2019 | Ontario Nonprofit Network

ABOUT ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy.

ONN works to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to governments, funders, and other stakeholders.

OUR VISION

A Strong and Resilient Nonprofit Sector. Thriving Communities. A Dynamic Province.

OUR MISSION

To engage, advocate, and lead with—and for—nonprofit and charitable organizations that work for the public benefit in Ontario.

OUR VALUES

Courage to take risks and do things differently. **Diversity** of perspectives, creativity and expertise to get stuff done. **Optimism** and **determination**. **Solutions** created by the sector, with the sector, for the sector. **Celebrating** our successes and **learning** from our experiences. **Strength** that comes from working **together**.

ABOUT IGNITE NPS

Reimagining Governance is a partnership initiative between ONN and Ignite NPS. Ignite NPS has a mission to ignite new ways of working within the nonprofit sector, shaking up the status quo and helping leaders to get out in front of change.

TABLE OF CONTENTS

ACKNOWLEDGMENTS

September 2019

REIMAGINING GOVERNANCE

Introduction

Reimagining Governance, convened by the Ontario Nonprofit Network in partnership with Ignite NPS, is an initiative designed to spark dialogue and new approaches to the way that nonprofit organizations are governed. The aim of the initiative is to steward the nonprofit sector towards a better way of fulfilling governance and more effective governing structures, processes, cultures and practices. The initiative is timely because the nature of the sector has fundamentally shifted and approaches to governance aren't keeping pace. Recent research[1] has concluded that now is a critical tipping point that requires transformative thinking about the way governance is fulfilled[2].

The current design of nonprofit organizational governance isn't optimal or sustainable. This creates an opportunity to transform the design so that it's more consistently effective and able to respond well to today's complex environment. The design includes governance structures, how governance functions are fulfilled, and how they all work together within its ecosystem.

There are four main phases to the Reimagining Governance initiative: 1) research, 2) framing, 3) design, and 4) implementation. The research phase, completed in November 2018, resulted in two research documents: Mowat NFP's *Peering into the Future: Reimagining Governance in the Nonprofit Sector* and Pillar Nonprofit Network's *Next Generation Governance: Emerging Leaders Perspectives on Governance in the Nonprofit Sector*.

---

[1] Mowat NFP "Peering into the Future: Reimagining Governance in the Non-Profit Sector"

[2] Pillar Nonprofit Network "Next Generation Governance"

This document is a culmination of the second phase - the framing phase (December 2018-July 2019) - and is a compilation of learnings and insights gathered from a wide span of people working with or within the nonprofit sector across Ontario. The intent of the framing phase was to set a clear path forward for the Reimagining Governance initiative by clearly understanding its scope and building momentum for its outcomes. The purpose of this framing document is to build on the research and hone the initiative's aspirations and goals; uncover the problem to be solved and for whom; identify the key influencers shaping governance; and the opportunities and challenges which need to be addressed.

As a network supporting the 58,000 nonprofits in Ontario, it was crucial during the framing phase to prioritize the engagement of the network, by active participation, invite deep collaboration, and practice reflective listening in order to identify next steps and confidently start the next phase of work.

Our Engagement included:
- **Survey** that engaged more than 140 people, contributing insights on the trends and forces facing the nonprofit sector in the next decade.
- **Strategic foresight session** to dive deeper into those trends and forces.
- **Open webinar** that engaged more than 300 people in the sector.
- **Focused in-person and virtual conversations** engaging 70 people directly to help answer critical questions about reimagining governance.
- **Short video series** aimed at challenging assumptions and dominant narratives around governance to provoke responses from the sector.

Aspirations for transformation

Everyone believes in the importance of organizational governance, but based on our research and what was heard during our engagement with the sector, many people also believe that nonprofit governance can, and should be, better designed. The way governance is fulfilled must be strengthened in order to be more consistently effective. This means unlocking new ways of thinking and talking about governance.

As a result, we have determined that if the initiative is successful, then nonprofit governance will be more optimal and sustainable. It will:

- Enable organizations to achieve their vision and mission, thereby creating better impacts for the community.
- Ensure resources are being used wisely and appropriately.
- Engage diverse stakeholders in governance decision-making.
- Allow leaders to navigate successfully through complex systems and times.

There are no quick fixes or easy answers. To bring about real transformation, it will be important to shake up the status quo and find approaches that work for the diversity of nonprofit organizations' circumstances, geographies, and purposes. The initiative will also need to tap into an emerging movement for sustainable change, engaging champions who are prepared to reimagine the way governance can be fulfilled.

Goals of the initiative

The aim of the initiative is to steward the sector towards new, innovative approaches to the way nonprofit organizations are governed, including its structures, culture, processes and practices.

The initiative has three interrelated goals:

1. Reframe the narrative about governance in order to unlock innovative ideas and solutions. The goal is to shift the way governance is talked about by those who influence how it is fulfilled within organizations (both internal and external) by challenging commonly held assumptions that shape mindsets and practices.

2. Generate support for change from key influencers within the system (e.g. board members, CEO/Executive Directors, capacity builders, regulators, funders) who can enable the adoption of new approaches to the way governance is fulfilled. (See Key Influencers shaping governance on page 11).

3. Design "products" which enable nonprofit organizations to create new governance approaches so that it's more optimal and sustainable. The goal is to enable, rather than prescribe specific models, because there isn't a single optimal way of fulfilling governance. As well, organizations can't simply overlay a new governance system onto an old one; they will need to build from their current realities and systems.

The driving question of our next phase, the design phase, is: *What is the most effective way that governance can be fulfilled?* It should not be: *How do we fix the problems and issues with the current paradigm of governance, which is usually focused on the performance of the board?*

The overarching goal of the design phase is to help nonprofit organizations to design governance that is more consistently effective and better able to respond to the complex environment of today and the future.

The target audience for designing new approaches are incorporated not-for-profit and charitable organizations serving a public benefit in Ontario, although the learnings will be relevant across Canada. These organizations might be early in their lifecycle or more mature; they might range from grassroots to large institutions; and from digitally-based networks, to those grounded in bricks and mortar. The audience represents a wide variety of geographic realities, capacities, organizational structures, and experiences of and relationships to power across the sector.

The problem to be solved

The research as well as findings from the engagement process revealed that the problem that the initiative needs to solve is that ***governance of nonprofit organizations isn't well designed to be consistently effective and able to respond to today's complex environment, nor the future.***

This includes the form governance structures take, the way governance functions are fulfilled, and how they all work within its ecosystem.

How do we know that governance needs to be re-designed? We learned:

Problem-solving is often focused on symptoms, not the root issues.

During the engagement process, participants were asked to describe problems of governance. The most common responses were related to low governance literacy, challenges in recruiting people with the right competencies, questions about who has power and control, and the lack of diversity on boards. While some progress has been made on these issues, for example through education and training or better recruitment strategies, problems have persisted for a long time and for many organizations. These problems persist because they are symptoms of deeper root issues related to design.

For instance, if the assumption is that low literacy is the problem, then it should be solved by creating and making accessible more tools and resources. However, these solutions alone won't work because many board members don't have the time and resources to acquire all the competencies necessary to govern in today's complex environment. Therefore, low literacy is a symptom. The deeper root issue is the lack of alignment between the functions and purpose of governance and the structures and processes put in place to meet them - which is a design issue.

Governance structures, practices and processes have evolved reactively.

Governance structures, practices and processes have evolved over the last few decades, but they have typically evolved as a reaction to specific issues rather than in a holistic way. For instance, nonprofit boards were put in place to increase fiscal accountability. From this premise, new models were introduced to solve specific problems. The Carver model[3], published in 1990, was developed to get boards out of operations. New models then emerged that reacted to the Carver model by finding a balance between staying out of operations, but remaining closer to the workings of the organization. In 2005, Chait, Ryan and Taylor[4] proposed ways that board work could be more engaging. The Community-Engagement model[5] emerged in 2007 exploring ways in which more stakeholders could have a voice in governance.

---

[3] Carver, John "Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations"
[4] Chait, Richard P., Ryan, William P., and Taylor, Barbara E. "Governance as Leadership: Reframing the Work of Nonprofit Boards"
[5] Freiwirth, Judy "Engagement Governance for System-Wide Decision Making." The Nonprofit Quarterly, summer 2007, p. 38-39

At the same time, the way governance is fulfilled is significantly shaped by the different mindsets (*e.g. values, philosophies, assumptions, orthodox*ies) held by organizational leaders and influencers. These mindsets, often unintentionally, drive decisions about who has power and how decisions are made, as well as the requirements of good governance. For example, funders play a large role in defining accountability through their grant proposals or service agreement requirements. Also, philosophical differences, such as views on what constitutes "impact" or cultural biases, can affect organizational and board culture and influence decision-making.

Conversations with stakeholders found that many people believe that the legal and regulatory requirements determine the roles, responsibilities and processes of governance. However, the research uncovered that there is significant room for transformation in how governance is structured and its functions fulfilled. It is also interesting to note that many of the roles and responsibilities that boards take on are not actually governance work. (See Mowat NFP's *Peering into the Future*.)

A more proactive approach which focuses on the overall design of governance, including the interrelated parts of structures, processes and mindsets as well as external players, will lead to better solutions.

Governance is not designed for 21st century expectations.

Traditional governance design hasn't kept pace with the demands of a complex environment. For instance, technological advances, the more competitive and sophisticated marketplace, the next generation's way of working, and evolving community needs have significantly changed the nonprofit landscape (See Future Forward: Trends and Forces on page 11). As a result, the competencies (*skills, knowledge, connections, mindsets*) required to govern in this environment are more demanding and expansive than those required when governance structures were first put in place. These competencies include: understanding how to create more adaptable organizations, managing complex data and measuring impacts; working with complicated financing models; overseeing multi-faceted accountabilities and risks; and utilizing technological advances (See *Mowat NFP's Peering into the Future* link on page 4.)

The current governance design is not sustainable.

The sector will face a shortage of leadership volunteers with shifting generational interests. The work of governance is not always seen as attractive. The *Next Generation Governance* research found that many emerging leaders perceive governance work as "demanding, with onerous and complex accountability in an environment of underfunding and restricted capacity to innovate". Many EDs and CEOs say that the challenges of working with boards, which is currently the primary locus of governance, can sometimes have a minimal return for the investment of effort. As well, many organizations are under-resourced, which means that boards are often consumed with operational, not governance, work.

There may also be a shortage of leadership volunteers to fill governance positions because Gen Xers can't replace retiring baby boomers. Even members of this smaller cohort may not be drawn to traditional governance work with more attractive alternatives available, such as social enterprises, corporate cause work, or more entrepreneurial ventures.

Finally, the current design of governance isn't sustainable because it is dependent upon all success factors being consistently present, such as strong volunteer leadership, sophisticated recruitment processes, and deep engagement of diverse perspectives. If just one element is not in place, it can mean the difference between good and bad governance. For example, a board chair or CEO without the right competencies or with a specific agenda can offset all other success factors.

The Ecosystem: Key influences shaping governance

Governance of nonprofit organizations doesn't take place in a vacuum. It is a complex ecosystem with many influences that shape the way that governance is fulfilled. An ecosystem map was developed through learning and listening during the framing phase. There are external (blue) and internal (pink) players, as well as system-level (white) and organizational-level (yellow) influences. Each of these influences are interconnected. They can shape governance both intentionally or

unintentionally, and they can enable good governance or perpetuate ineffective practices. An example of how each influence shapes governance is provided in the diagram below.

COLLABORATIVE PARTNERS
E.g. Joint governance decisions about expected outcomes and metrics create complexity in managing accountabilities and risk

CAPACITY-BUILDERS
E.g. Accreditors set governance expectations through their evaluation tools; Capacity building organizations and consultants create resources and education shaping how governance is performed

FUNDERS, PHILANTHROPISTS
E.g. Expecting a treasurer on the board; set priorities

LEGAL & REGULATORY REGUIREMENTS
E.g. Federal and provincial legislation set requirements that must be met by boards of directors as trustees

CULTURE
E.g. Individual and organizational values and mindsets lead to biases and assumptions which influence choices about who has a voice and how decisions are made

*Economics, demographics, policy**

Influences Shaping Governance

MANAGEMENT TEAM, BOARD MEMBERS
E.g. The mix of competencies of the CEO, management team and board members enable or impede good governance

ORGANIZATION'S CIRCUMSTANCES
E.g. The lifecycle stage of an organization influences the degree of governance formality.

Resource capacity (leadership training; recruitment strategies; access to technology; availability of staff to do operational work)

*Societal, norms, values***

BENEFICIARIES
E.g. influence governance decisions via AGM, forums

* E.g. Government funding priorities and policy directions set an organization's outcomes; Economic conditions influence the availability of time to commit to volunteer leadership; The depopulating of rural communities presents recruitment challenges

** E.g. Public perceptions create assumptions, like non-profit organizations should be volunteer-led or funds should not be diverted to capacity-building; Intensified public scrutiny increases concerns about liability and lowers risk tolerance, making governance work less attractive

Future Forward: Trends and forces

During the framing phase, a strategic foresight session was held with sector leaders to explore how Reimagining Governance could solve for the world that is coming, rather than for what has been. The session gathered information about the key forces and trends that will most likely impact governance in the future and considered the kinds of organizational designs that might emerge.

Here are a few highlights from the [strategic foresight report](#) describing the world in which nonprofit organizations might be operating in 2030:

Complex marketplace:

- Uncertainty is the new normal.

- Old paradigms with distinct nonprofit, corporate, and government sectors is long gone; instead there is a complex, competitive marketplace. This has challenged the sector's original role as a protected, non-commercial space for citizen voice and social experimentation. It also makes it more challenging to recruit and retain quality leadership.

- There is a reduction in the number of organizations due to mergers, closures, and operational consolidations, and causes continue to grow. There is also a significant growth in the number and complexity of collaborations.

- The financing of nonprofit organizations is more diverse and complex, requiring highly sophisticated competencies to find and manage funding.

Organizational design and talent:

- There are significant shifts in where and how people work. Staff represent four generations, 75% of which are millennials, which has a major impact on organizational culture.

- One-third of Canada's population are members of what used to be called visible minorities. Caucasians are on track to become the minority in Toronto by 2040. This shift is beginning to be reflected in the makeup of governance leadership.

Technology:

- Technological advancements have changed the way people communicate and interact. Organizations with access to technology, data, and expertise have a clear advantage over those that do not.

- With the advances in technology, clients, donors, and volunteers have come to expect access to instant and customized experiences, opportunities and services, as well as more of a voice in governance decision making.

- Technology has led to a range of organizational efficiencies, including the streamlining and automation of back office and administration. This allows more time for board members from organizations with limited staff to focus on governance.

Bringing about change: opportunities and challenges

Clarifying understandings of governance

The engagement process uncovered that many people are confused about what is meant by 'governance' in nonprofit organizations. For instance, some interpretations are based on an assumption that 'governance' and 'the board' are interchangeable, even though organizational governance is part of a larger, complex system, and the board is just one of the structures put in place to implement it (see The Ecosystem: Key Influences Shaping Governance page 11). Its interpretation can also reflect very different ideas about power, accountability, and authority.

This lack of clarity and shared understanding can be an impediment to exploring new ways of doing things because new solutions and approaches can get tangled in vague, inaccurate or biased notions. Therefore, early in the design phase of the initiative, it will be important to frame more clearly what we mean by governance of nonprofit organizations. This demystified understanding of governance should provide a picture of governance as a complex system, describing its purpose, functions, and interrelationships. The goal is to make it easier to understand governance, without oversimplifying it; describe 'what' it is, not what it should be, and avoid biases and incorrect assumptions. Some questions to resolve might be:

- What is the purpose/intent of governance?
- What are the components of governance (e.g. structures, processes, practices, culture) and how do they interrelate?
- What is the ecosystem in which governance resides (e.g. interconnected players/contributors and relationships)?
- What are the functions of governance that must be fulfilled? What are the roles, responsibilities, and the kinds of decisions that need to be made?
- Where can power and control manifest?
- Given that governance goes beyond the board, what exactly are boards of directors, as trustees of the organization, accountable and liable for?

Next Steps: Key approaches, challenges and solutions

In the upcoming design phase, the Key Influencers diagram on page 11 will be the starting point to determine which of the influences are the most critical levers of change and then to develop strategies to address them. The strategies will address questions like: What must change before something else can change (e.g funders will need to support new approaches in order for organizations to adopt them)? To what degree are the legal and regulatory requirements a barrier to change? How can capacity-builders be enablers of change? What can realistically be changed within our resource capacity?

This chart outlines some of the key approaches that will be used during the next steps of Reimagining Governance, potential challenges to the work, and solutions to those challenges.

Approach	Challenge	Solutions
Allow time and multiple iterations to achieve real change	It is necessary to work on multiple fronts simultaneously, as well as utilize a process of testing, experimentation, learning, and refining.	The initiative will seek out the resources that allow for a long-term, iterative process. It will be critical to align goals and expectations with the available resources. Also, the initiative will need to adopt a culture of innovation in its approach (e.g. continuous learning, comfort with risk).
Make a persuasive case for change	The current funding environment in Ontario, and wider socio-political-economic realities, are generating anxiety among sector leaders. Many believe they don't have the time, energy, and risk tolerance necessary to take on significant change. Developing persuasive key messages and ways to deliver those messages will be important.	There is an opportunity to challenge the assumptions that keep people grounded in the status quo, and to promote an abundance, not scarcity, mindset. This will open up space for innovation.

Build a critical mass of key influencers	A critical mass of key influencers will need to be persuaded that disruption is necessary. It must be clear that current governance challenges can't be addressed by continuing with the status quo or by only focusing on symptoms.	The next phase can clearly identify which key influencers must be on-side in order to move forward with confidence. For example, nonprofit board members and CEOs are key gatekeepers.
Empower 'Champions of change'	A critical step will be to find champions that have the connections and resources, and are able/willing to take the necessary risks to innovate and experiment.	Success will be defined as having a critical mass of champions that are demonstrating ownership for change.
Watch for assumptions	Taking on transformation requires vigilant attention to the assumptions and mindsets that may influence how design decisions are made. The initiative must avoid reinforcing the status quo.	Take time to reflect on biases and assumptions to help ensure there is a shared understanding about language and concepts among those who are reimagining. It will be important to garner a wide diversity of perspectives and life experiences from inside and outside the sector.
Address governance as a complex system	Governance is increasingly complex and interwoven with the organization's design and culture. It is also part of a larger ecosystem which shapes the form that governance takes. For example, organizations will struggle to adopt new governance approaches if these are not reinforced by funders and capacity builders. *See more in [Strategic Foresight summary report](#).*	The initiative can approach design holistically so it is addressing the whole system, rather than tackling a portion of it. It will also be important to manage the tension between existing polarities. Polarities describe two ideas that are complementary and connected - a paradox that needs to be balanced, such as balancing formality with agility. Care must be taken not to solve problems by choosing one polarity over another. (See page 9 of *[Strategic Foresight summary report](#)*).
Build confidence that new approaches work	New approaches must be seen as viable, with the benefits outweighing the costs. People must believe that change is possible.	Through the innovation process, we can validate that new approaches can work in the real world, with all its idiosyncrasies and wide variety of organizational circumstances.

	The challenge will be to find early adopters who are ready to take the initial risks of trying something new. Followers will need a higher level of proof that new approaches can generate positive outcomes. Early adopters might be those who are: -- Newly forming and don't yet have a governance system in place. -Comfortable with change and innovation. -- Dissatisfied with their current governance and looking for alternatives, but not in immediate crisis (for example, unable to find board members; or have ineffective/disengaged board members). -- Struggling with governance challenges and feel a sense of urgency (for example, under pressure to think differently and creatively about governance because of a merger).	It's important to co-design approaches with the people who will use them. Creating something early in the process that people can touch and feel will allow them to envision how it works. Change frameworks will be helpful to track where organizations might get stuck. The adaptive cycle, for instance, is a model which views organizational change as interlinked processes of growth, conservation, collapse/creative destruction, and reorganization.

Conclusion

Reimagining Governance provides an opportunity to strengthen governance by challenging deeply rooted assumptions, reframing how we think and talk about governance, and exploring new approaches to the way governance is fulfilled so that its' design works for this complex environment.

The framing stage was an important building block of this initiative to ensure we were clear about what we were doing, for whom and why. This meant being clear about the language we use and the problem we are solving. The framing phase also captured the trends and forces shaping the sector in the next decade, as well as the ecosystem in which it must operate. As we move to the design phase of the initiative, we have a clearer understanding of the challenges and opportunities we face. Everyone has a stake in strong nonprofit governance. We look forward to more Champions joining our movement and reimagining governance together. Finding and maintaining the right kind of governance is critical to the vibrancy and sustainability of nonprofits and the communities they serve.

REIMAGINING GOVERNANCE

WE WANT TO HEAR FROM YOU!

Let us know what you think. What resonates? What's missing? Who else do we need to engage?

https://theonn.ca/our-work/our-people/reimagining-governance/

Stay connected to our work, become a Champion, and get updates directly:

Subscribe to the Reimagining Governance newsflash