

Impacts on Governance Design for Nonprofit Organizations

Overview

There are eleven broad trends and forces that arc through the nonprofit ecosystem. Many of these are familiar because they have been signals of change for over a decade; yet the COVID-19 pandemic has made the call to action even louder. These trends and forces are urgent and game-changing for the design of governance, and converge to create **six impacts that shape nonprofit organizations' governance design - its culture, people, processes and structures**. These impacts are deeply interconnected, and show up differently in each organization's governance depending on its unique circumstances. Though the impacts will differ across organizations, they are present in each.

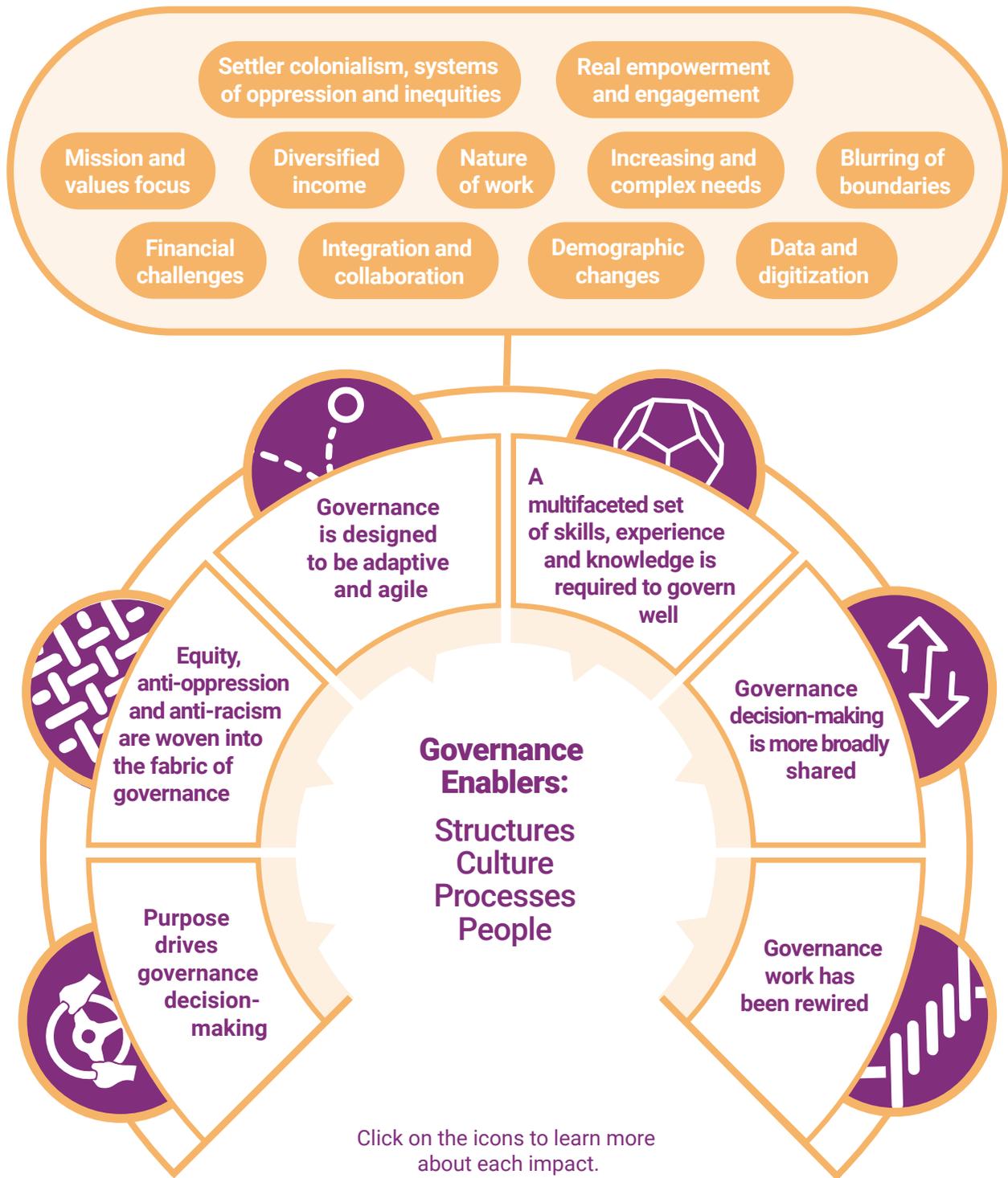
Use this research

This resource enables nonprofit leaders to proactively respond to the impacts by reflecting on how they play out in their own organization's governance - or should in the future.

As you explore the different impacts and examples, consider:



Six critical impacts on governance design



LEGEND

- Broader trends/forces
- Impacts on organizations' governance

Six impacts on organizations' governance:

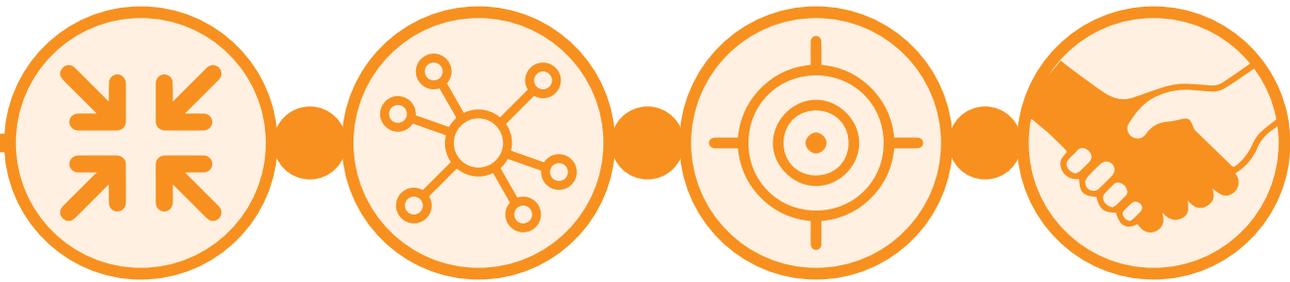
1. Purpose drives governance decision-making.



While fiduciary duties and the sustainability of individual organizations remain an important part of good governance, there is an increasing focus on the organization's purpose and how it fits into the larger ecosystem. This shift is driven by the growing recognition that siloed organizations can't move the bar on complex societal issues and the increased pressure by funders to focus on shared outcomes across organizations. Anne Wallesad, President and CEO of board Source says that governance leaders are increasingly being asked to put the purpose of the organization above the organization itself. The purpose is a melding of mission and values, in pursuit of its vision. When governance leaders are driven by purpose, and maximizing positive impacts, they put the people served at the centre of every governance decision. They acknowledge that the organization is part of a larger ecosystem – its actions can both disrupt and strengthen it, and they're comfortable working in collaboration with other organizations, including sharing some aspects of governance.

Governance leaders are increasingly being asked to put the purpose of the organization above the organization itself.

Examples of how impacts are shaping governance design:



- The **purpose of the organization, and the people it serves, is at the centre** of all governance decision-making processes. These strategic conversations are framed around the questions: ‘How do we best achieve our purpose?’ and ‘How can we achieve more impact by collaborating with others?’ When an organization offers a wide span of programs, extra attention is given to how various purposes converge, always staying true to the mission of the organization.
- All governance leaders have a clear picture of the organization’s **ecosystem** and consider the implications of their strategic choices and actions on it.
- The board defines its duty of care and loyalty as a commitment **to the purpose** of the organization, not just its sustainability.
- The **governance culture promotes and values collaboration** as an intentional and critical strategic imperative. Boards may engage in strategic discussions with the boards of other organizations about how to work together to achieve collective impacts.

Six impacts on organizations' governance:

2. Equity, anti-oppression and anti-racism are woven into the fabric of governance.

Several reports point to issues of low racial diversity on nonprofit boards and there is deepened awareness and evidence of global systemic inequities and injustices particularly impacting Black, Indigenous, and racialized communities. This includes those living at the margins and/or holding multiple identities that have historically been marginalized (e.g. based on class, gender, sexual orientation and gender identity, religion, ability, etc.). Systems of oppression, structural inequities, and legacies of settler colonialism continue to manifest in various ways for different organizations. This has pushed equity, diversity and inclusion from being a governance aspiration to a non-negotiable imperative. It's not enough for organizations to only have a diversity of people and perspectives involved in governance. Equity, anti-oppression and anti-racism must be woven into the fabric of the governance culture, processes and practices, including its planning and recruitment strategies.

...pushed equity, diversity and inclusion from being a governance aspiration to a non-negotiable imperative.

Examples of how impacts are shaping governance design:



- **Barriers are removed** from structures and processes so a diversity of individuals can participate authentically in governance decision-making, including those the organization serves. This includes **deep, intentional conversations** among governance leaders about values and social norms, spanning from personal biases and perspectives to dominant ideologies and perspectives and how they influence governance.
- When boards and governance bodies weave equity, inclusion, and anti-oppressive, anti-racist practice and principles into their work, they better understand that token representation (e.g. someone who is expected to represent whole communities) is counteractive. More **innovative and expansive ways are designed to ensure there is a diversity of voices** directly involved in, and contributing to, governance decision-making.
- Governance leaders understand that taking a **public stand on systems of oppression, the legacies of settler colonialism, and systemic inequities** is necessary. They recognize they can't just build awareness and expect things to change, they must put their learnings into action and build anti-oppressive processes and approaches.
- Governance leaders commit to continuously increasing knowledge of structural and systemic inequities that is not allocated to one person or expert, but **that applies to all governance leadership.**

Six impacts on organizations' governance:

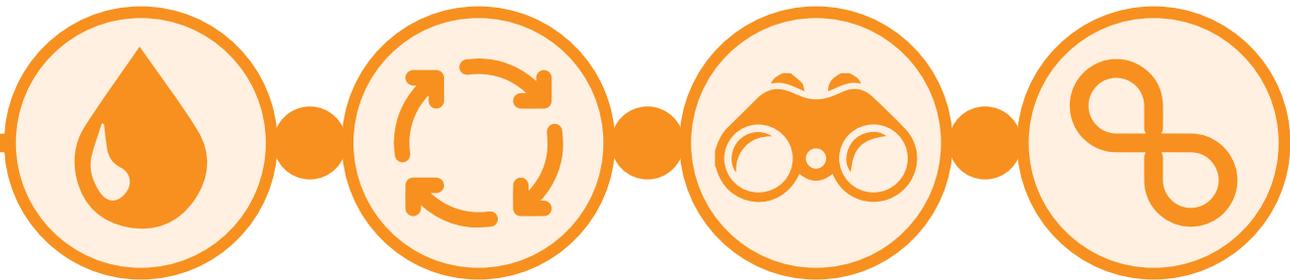
3. Governance is designed to be adaptive and agile.



Governance design is becoming more adaptable and agile in response to disruption, changing expectations of stakeholders, and the complexity of the nonprofit ecosystem. Decision-making is nimble. The governance culture places value on innovation and resiliency, and leaders can pivot easily as circumstances shift, seize opportunities and welcome complexity, rather than resist it. This focus on adaptiveness and agility enables governance to anticipate and address changes in the landscape and shifting funder demands. It also provides the flexibility to meet the expectations of multiple generations and a diversity of stakeholders and to be more responsive to complex collaborations and partnerships.

Decision-making is nimble.

Examples of how impacts are shaping governance design:



- **Governance structures are fluid**, not hierarchical or cemented into charts. There are more time-limited task groups than standing committees, and engagement ebbs and flows depending on the decisions and tasks required. As well, leaders start with what functions need to be fulfilled, the decisions that must be made and who can best inform the work and then build the structures to achieve it.
- Governance processes include continuous **planning cycles and comprehensive early warning systems** of threats and opportunities. There are also clear rationales for what must be more **formal and stable**, like complying with regulations and making high-risk decisions, and what can be more **adaptive and agile**, like stakeholder engagement and strategic planning.
- The governance culture values **foresight and generative thinking** as much as fiduciary responsibilities. There is also the recognition that **strong relationships** built on trust allows an organization to better adapt during a crisis.
- There are continuous conversations that focus on which **long-held assumptions, norms and habits** get in the way of rapid governance decision-making and problem solving, and the culture and processes are intentionally reset.

Six impacts on organizations' governance:

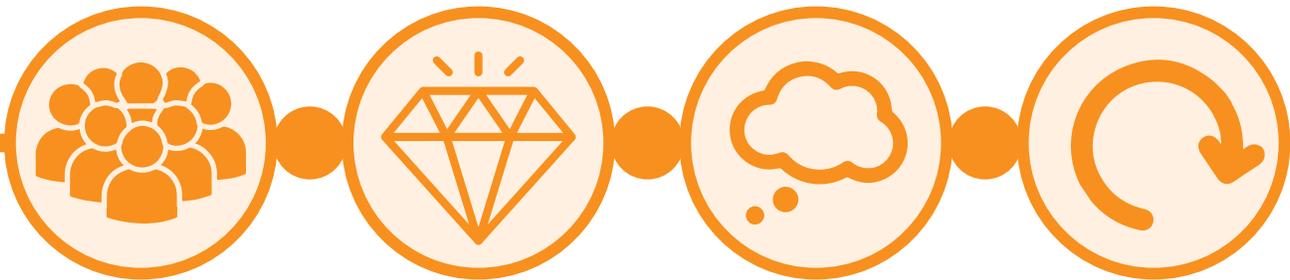
4. A multifaceted set of skills, experience and knowledge is required to govern well.



The combination of leadership skills, experience and knowledge required to navigate the dynamic nonprofit landscape has become increasingly complex. While passion for the mission is essential, governance leaders must also be adaptive, entrepreneurial, technologically savvy, and able to span boundaries. They must be proficient risk managers, use data strategically, and be comfortable with complicated financing models. If organizations are struggling to recruit for all these competencies, then they should be creating more innovative governance structures and approaches that extend beyond the board to draw from a larger network of people with the right mix of skills, experience and knowledge to contribute to governance.

If organizations are struggling to recruit... they should be creating more innovative governance structures.

Examples of how impacts are shaping governance design:



- Governance structures are intentionally designed to **draw from a broader pool of people** and to incorporate more shared decision-making processes and practices.
- Governance **talent is valued** as much as other organizational resources, like access to capital.
- Recruitment of governance leaders isn't just focused on credentials. It **focuses on skill sets** like 'strategists', 'solvers', 'system thinkers', and 'facilitators' and characteristics such as 'adaptive', 'open', and 'reflective'. Governance leaders don't need to have all the answers, but they need to know how to ask the right questions.
- Strategic conversations focus on **refreshing the organization's concept of governance leadership** – how it's understood, what attributes are valued, and ways that it's supported.

Six impacts on organizations' governance:

5. Governance decision-making is broadly shared.



Traditional approaches to governance design built around rigid, top-down structures are making way for more participatory designs that engage more voices in governance decision-making. There is a shift from a narrow group of decision-makers sitting at the apex of governance to networks of teams with broader, deeper, and more meaningful connectivity. This shift is spurred by the growth in digital technology which enables more rapid and targeted communications, and by stakeholders' desire for more active participation in decision-making. As well, research has demonstrated the importance of a diversity of governance voices and perspectives to the success of the organization, including its resilience and ability to innovate. The shift to broader decision-making is also driven by the growth in integrations and collaborations, which require power, authority and accountabilities to be shared.

Research has demonstrated the importance of a diversity of governance voices.

Examples of how impacts are shaping governance design:



- Strategic discussions **redefine** what mission impact, accountability, evaluation, and risk management look like when authority and accountability are shared more broadly. They also help to identify the mindset shifts required to support it.
- Governance leaders have **intentional conversations** about issues that emerge, effectively navigating the diversity of voices, such as different, and sometimes competing, philosophies and cultures, including between system partners (e.g. Ontario Health Teams) and within the organization (e.g. clinicians and harm reduction).
- The design of governance structures always starts with what kinds of decisions need to be made and then who is in the **best position** to fulfill them.
- Governance **approaches** are clear about the intent of engagement (e.g. inform, consult, involve, co-lead, lead) and are then customized to each distinct stakeholder group.
- Along with providing good oversight, board members are **adept coaches**, able to engage a span of decision-makers by utilizing digital tools and putting the right supports in place. When governance decision-making is shared beyond the board, it is done with **great care and intention**. For example, there is clarity about what decisions are being made and by whom, real authority and accountability is given along with responsibilities, and leaders consider what they are willing to give up.

Six impacts on organizations' governance:

6. Governance work has been rewired.



Advancements in technology have rewired aspects of how governance work gets done. It means that geography means less when recruiting governance leaders; working collaboratively is more effective, and strategic decision-making is based more on data, less on hunches. The increase in virtual work has prompted a reconsideration of what 'the office' means and has reconfigured the concept of the 'board room table'. While technology enables many opportunities, it also brings new and different risks which require careful governance navigation, such as managing privacy issues, shifting cultural norms and rethinking who can and should participate in governance decision-making.

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Examples of how impacts are shaping governance design:



- Governance leaders look at what **norms, habits and processes need to be reset**. For example, what can effectively be done virtually and through digital communications (e.g. routine decisions) and what can't? Do virtual meetings enable greater diversity because people can participate from a distance? How does working virtually free-up or hinder the capacity for more generative and strategic governance conversations? How do we address potential risks, such as managing confidentiality? How do we create alternative ways to communicate if people don't have the same access to technology?
- The governance culture focuses on **building connections and trust** between governance leaders so they can have tough or complex conversations virtually. Strategic conversations consider the alignment between use of technology and governance values.
- Governance leaders are **supported to work in new ways** through targeted training and development (e.g. increase comfort with technology).
- **Data and information**, facilitated by technology, is accessible to governance decision-makers and is used effectively to answer key strategic questions and to measure and monitor performance. At the same time, attention is paid to issues of context and reliability, and hard facts don't replace the value of intuition and storytelling.

Broad trends and forces shaping nonprofit organizations

The following trends and forces emerged through the Reimagining Governance research. They have a significant impact on the organizational design, culture, management, programs and strategic directions of nonprofit organizations. These trends and forces were used as foundational research to identify the six impacts that specifically relate to governance design.

Settler colonialism, systems of oppression, and systemic inequities are named and addressed.

The recent attention shed upon long-standing systemic and structural racism disproportionately impacting Black and Indigenous communities, and the realities of inequity exacerbated by the global pandemic, has called upon organizations to prioritize action around naming and addressing systemic oppression. There has also been an increase in the direct naming of settler colonialism and its relationship to those systems of oppression (e.g. history of nonprofit governance being grounded in colonial systems and perspectives). These realities create an imperative for action and meaningful change on many scales. This includes work internally within the organizational team, the work being done by the organization, the organization's position within the greater ecosystem, etc.

Financial challenges result from compounding shocks and shifting operating environments.

The financial health and options of many nonprofit organizations have been impacted by a number of factors, such as a 'zero' percent increase in government funding, a fifteen-year trajectory of instability in charitable giving and the compounding impacts of the great recession and the COVID-19 pandemic. As well, swings in the political pendulum generate constantly shifting operating environments, creating instability and hampering long-term planning.

Increasing and complex needs create greater demands of programs and services.

People's needs are becoming increasingly challenging to serve, particularly vulnerable people (e.g. *changing demographics, prevalence of chronic disease and mental health issues, opioid and methamphetamine crisis, risk factors of homelessness, poor access to basic primary care*). This creates many tensions, including how to expand access to programs, while maintaining a high quality of service and how to meet changing funder mandates, while staying true to purpose.

Non-traditional diversified income is a financial essential.

The austere economic environment and the increasing experience of nonprofits working with and alongside private sector models is prompting organizations to learn new methods to generate revenue. Diversifying income, so it's sourced from multiple funders and types of fundraising, insulates from shock, and creates more financial agency for organizations.

Demographic change spurs adaptation.

Demographic change is shifting widespread practices in the sector, as nonprofit organizations adjust to match myriad and diverse generational and population expectations. Organizations need to maintain relevance to their stakeholders by offering alternatives, based on their vision and mission, to meet the distinct expectations of various groups of stakeholders.

Mission and values are the central focus for relevance and credibility.

In the face of continuous change and uncertainty, effective nonprofits are harnessing their core purpose, mission and values to drive their work, decision-making and choices. They invest time and resources in change management and to build the culture necessary to ensure the alignment of people and systems within an organization. They also effectively manage the increasing demand for measuring and evaluating impact.

Purpose-driven work blurs the lines between sectors.

Doing purpose-driven work is a shared field, with nonprofits finding themselves working alongside, or with, for-profits and social purpose businesses. Nonprofit organizations need to have the versatility to move across multiple sectors with ease in order to succeed. At the same time, this blurring of the lines between the for-profit and nonprofit sectors means that organizations are competing for talent because younger people can ‘do good’ outside of traditional nonprofit organizations. It also reinforces the need for nonprofit organizations to have a clear and distinguishing ‘value add’.

Integrations and collaborations are the norm.

The past model of individual organizations offering siloed services no longer meets stakeholder expectations or community needs. Organizations are finding ways to integrate service and back-office functions, collaborate on collective impact initiatives and work with system-level governance structures. The focus is on maximizing mission-impact and performance over maintaining status quo structures. The shift toward increasing integrations, and mergers, also creates tension between the need to be hyper local and highly attentive to specific needs, while creating greater efficiencies of scale.

Data and digitalization are basic standards for decisions and performance.

Nonprofit organizations are adapting to the digitalization of work, learning to capture and use data strategically and meet the immediate expectations of stakeholders online. The capacity to use technology effectively has become a great differentiator between nonprofits that thrive and those that struggle.

Authentic engagement and participation are the core expectations.

Nonprofit organizations face a groundswell of fundamental change in the patterns and expectations for stakeholder engagement. Regular, inclusive and meaningful stakeholder engagement and building in all aspects of organizational life is an essential practice for those that wish to maintain support and relevance.

The nature of work and compensation reflects a sea change.

Changes in the organization of work and compensation of workers/paid staff require a new and intensive degree of human resource adaptation. As well, movements, such as Decent Work, are prioritizing staff well-being as a critical focus, which is essential if organizations are going to attract and keep talented people.

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