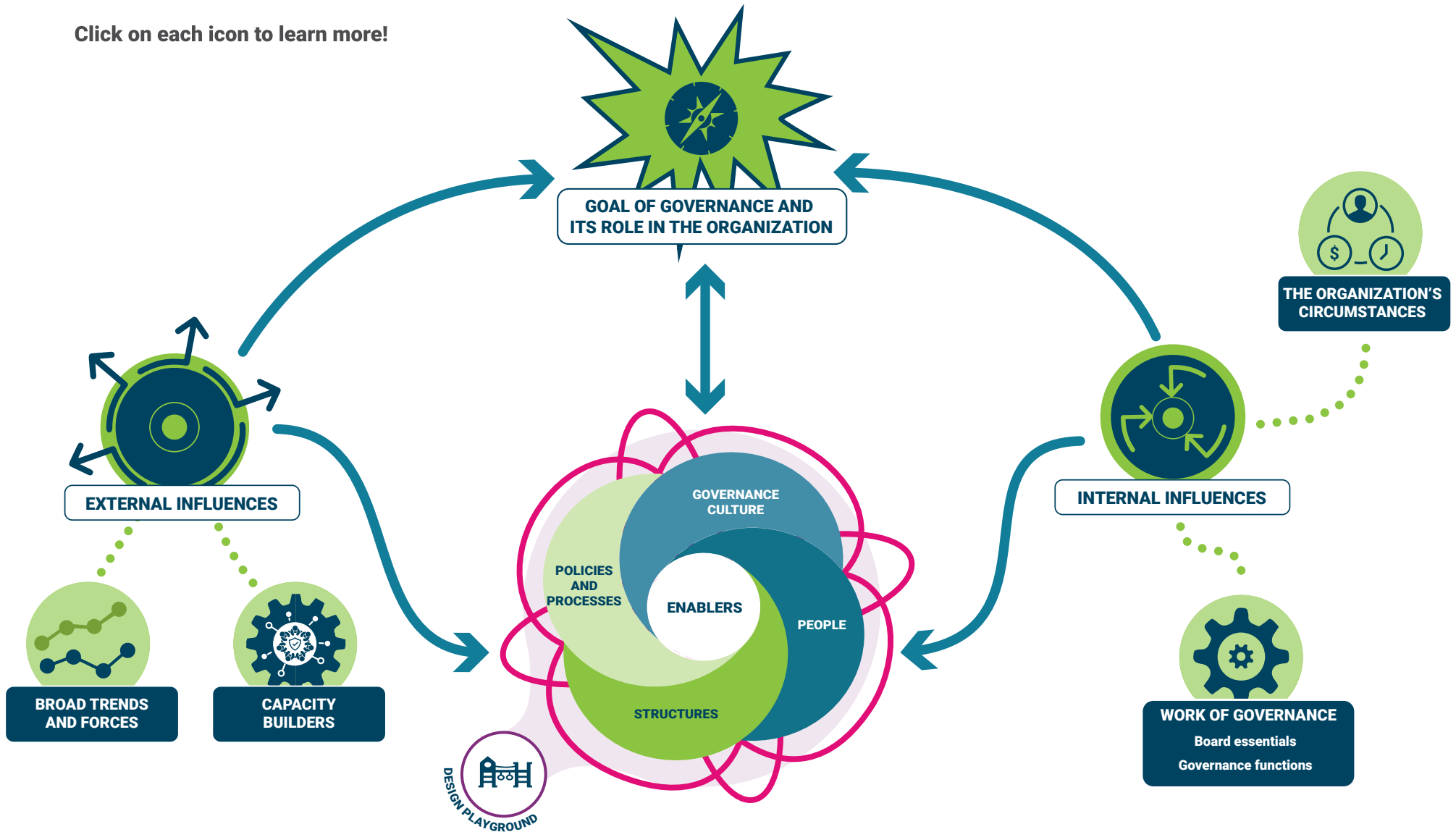


A NONPROFIT ORGANIZATION'S GOVERNANCE ECOSYSTEM

Click on each icon to learn more!



YOUR GOVERNANCE ECOSYSTEM

GOVERNANCE IN A NONPROFIT ORGANIZATION IS A COMPLEX ECOSYSTEM WITH MANY INTERCONNECTED PARTS.

Each nonprofit organization is unique. There isn't one perfect model of good governance or a set of 'best practices' that apply to them all. While the parts of the ecosystem described in the map remain constant, the way that governance is done varies significantly.

Governance design is dynamic. It should be approached as a continuous process of learning and adaptation. As conditions change, like a significant shift in the board's work or in organizational circumstances, its governance design should also evolve.



YOUR NONPROFIT ORGANIZATION CAN USE THIS RESOURCE TO:

- Create a clear and shared understanding about your governance ecosystem as part of an orientation or when building or renewing your governance.
- Enable new ways of doing things by shifting conversations about governance, from just a board function to a wider, more complex system.
- Tackle an emerging governance issue by considering all its interconnected aspects.

GOAL & ROLE OF GOVERNANCE



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ULTIMATE GOAL OF GOVERNANCE

The goal of governance describes what it's ultimately intended to achieve for the organization. It should drive all governance decisions and is an important indicator of governance success.

Here's a sample definition:

The ultimate goal of governance in our organization is to enable the achievement of meaningful impacts and outcomes for the benefit of the communities we serve.

ITS ROLE IN THE ORGANIZATION

The role of governance is a high-level description of what it does for the organization, and all those who are impacted by it. It's shaped by legal and regulatory requirements, the organization's unique circumstances, and external trends and forces.

The way an organization describes the role of governance influences its practices, processes and structures, including mechanisms for accountability and how decisions are made. It's important to have a clear and shared understanding of the role of governance because the way the words are interpreted by those who participate in it (e.g. board, staff leadership team, members, community volunteers, collaborators and partners) has a powerful, and often unintended influence on how relationships and power dynamics take shape.

Here's a sample definition:

The role of governance is to provide stewardship, sensemaking, and foresight that advance our organization's purpose. Governance leadership takes responsibility for building and sustaining stakeholders' confidence in the organization's integrity, legitimacy, and viability as well as for the impacts it has on the larger system in which it operates.

For a deeper dive, check out:

- [*Build the foundations of good governance tool.*](#)

EXTERNAL INFLUENCES



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BROAD TRENDS AND FORCES

There are trends, forces, opportunities, and barriers facing organizations which have an impact on strategic choices and decisions, including socio-economic, demographic, cultural, and political changes.

There are also trends and forces that specifically impact how governance is done, such as the growth in collaborations, commitment to equity, and shifts in how people choose to work together.

For a deeper dive, check out:

- [*Impacts on Governance Design for Nonprofit Organizations*](#)

CAPACITY BUILDERS

The design of governance is influenced by capacity builders, such as:

- Accreditors
- Consultants
- Trainers
- Educators

They shape governance by setting standards of practice, identifying and supporting the necessary skills and processes, and building and sharing knowledge.



INTERNAL INFLUENCES



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THE WORK OF GOVERNANCE

The work of governance is the functions and responsibilities that need to be fulfilled, including the board essentials. While they remain fairly constant between organizations, the ways they are carried out (e.g. *tasks, structures, and processes*) vary widely depending on the organization's unique circumstances.

There are several documents that formalize how an organization does its governance. Articles of incorporation or letters patent, which are filed when the organization is created, and bylaws are legally required documents. These documents reflect the organization's current governance system, but they aren't fixed. They can be revised as circumstances change.

THE BOARD ESSENTIALS

There are binding rules that dictate some aspects of governance. These are the responsibilities and requirements that must be fulfilled by the board based on law and regulations. While these may not be all the functions fulfilled by the board, they are the essential ones. For example, they include the duty of care and of loyalty, fulfilling the rights of members and meeting the distinct rules about how a board is constituted.

Gaining clarity and confidence that the board is meeting its essential requirements is a critical part of unlocking governance innovation.

For a deeper dive, check out:

- [The Board Essentials resource](#)
- [Meeting the board essentials tool](#)

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INTERNAL INFLUENCES

THE WORK OF GOVERNANCE



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GOVERNANCE FUNCTIONS

There are eight critical governance functions which are fulfilled by those who participate in governance, such as the board, staff leadership, volunteers from the community, the people served or impacted by the organization, or other stakeholders. Some must be fulfilled by the board, but most can be shared or delegated.

The functions are deeply interconnected. For example, the organization's strategic choices are impacted by the availability of resources, and stakeholder engagement strategies are influenced by the organization's culture. They also range from those that require more generative conversations and are highly strategic to those that are more tactical and routine.

For a deeper dive, check out:

- [Create a shared understanding about governance responsibilities tool](#)
- [Governance responsibilities in a nonprofit organization resource](#)
- [Improving governance by unpacking governance responsibilities and decisions tool](#)

THE FUNCTIONS OF GOVERNANCE ARE:



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INTERNAL INFLUENCES

THE WORK OF GOVERNANCE



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ORGANIZATION'S PURPOSE <p>Develop the organization's purpose (<i>what it does, for whom, and why; typically expressed in a mission statement</i>), keeping it relevant to the communities served and at the centre of all governance decisions.</p>	STRATEGY <p>Develop strategic directions that clearly advance the organization's purpose and address the changing environment. Anticipate and respond to emerging strategic opportunities and issues.</p>	Highly generative and strategic
ORGANIZATIONAL CULTURE <p>Provide leadership in setting and communicating shared values, ethical standards, and desired organizational behaviors. Confirm that they are reflected in all the ways the organization works.</p>	RESOURCES <p>Ensure the strategies are developed and implemented to attract, retain, and grow the right resources (<i>e.g. financial, people, infrastructure and social capital</i>) for achieving the organization's purpose. Determine that the resources are mobilized effectively.</p>	
ENGAGEMENT <p>Ensure the strategies and processes are in place to meaningfully engage the right internal and external stakeholders, including community partners, in advancing the organization's purpose.</p>	GOVERNANCE FRAMEWORK <p>Design the organization's governance framework (<i>e.g. accountabilities; assignment of roles; principles driving governance decision-making</i>), continuously measuring its performance and adapting the design to changing circumstances.</p>	Highly routine
ASSETS <p>Ensure the organization is adhering to all relevant laws, regulations, and other compliance commitments, including meeting its accountability requirements.</p>	COMPLIANCE <p>Safeguard the organization's assets (<i>e.g. people, financial, property, data, reputation</i>) as tools to advance the organization's purpose.</p>	

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INTERNAL INFLUENCES



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ORGANIZATION'S CIRCUMSTANCES

The organization's unique circumstances drive governance design and are highly interconnected

Here are some examples:

LIFECYCLE STAGE

A new organization may require less formal governance processes than a mature one.

FIELD OF ACTIVITY

For example, health care has different expectations of governance than sports associations.

FUNDERS AND DONORS

Government funders or major gift donors may have specific expectations about how governance is performed.

FINANCIAL MODEL

More complex financing requires different governance skills, experience, and knowledge than simpler models.

ORGANIZATIONAL HISTORY

Organizational history - there may be set precedents for how governance 'has always been done'.

COMMUNITIES IMPACTED

There may be set expectations for how community members are included in decision making.

For a deeper dive, check out:

- [*What's fixed or fluid? Map the organization's circumstances shaping your organization's governance tool*](#)

ENABLERS



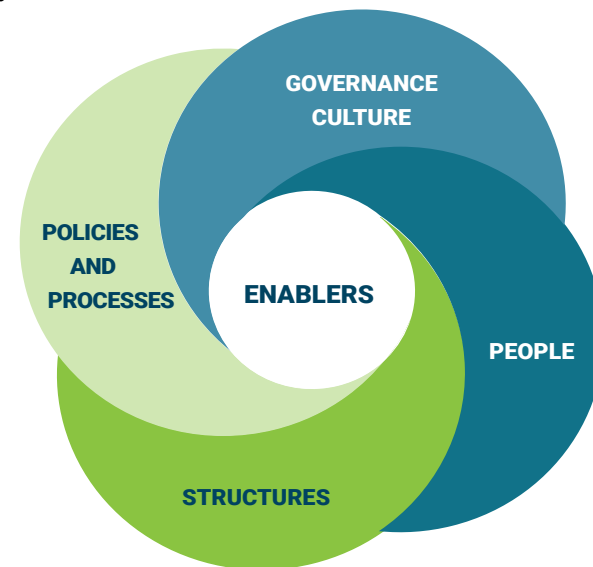
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There are four components of governance design that enable an organization to carry out its governance. They are shaped by internal and external influences as well as how the organization defines the role of governance. They can help create good governance or be an impediment. The enablers can be seen as a playground for innovation because they can be built, refreshed, or transformed as circumstances shift. The enablers are deeply interconnected. To bring about real change, it's important to consider how they positively or negatively reinforce one another.

For example:

- A change in the culture of the organization, such as in the values or mindsets of governance leaders, can result in a corresponding change in decision-making processes.
- Putting an effective governance structure in place, like an advisory group, can be blocked because of the poor relationships between people.

These enablers of governance are also complex. Within each there are explicit rules and practices which are formally documented as well as more implicit understandings and habits which can manifest as 'it's the way we've always done it'. Bringing about real change in governance design requires unpacking both the explicit and implicit elements. For example, it's important to look at what the formal governance policies say (or don't say) about decision-making processes, as well as how decisions are actually made.



For a deeper dive, check out:

- [Governance as shared leadership: Who participates in governance and how tool](#)
- [Uncover innovations in how your governance works tool](#)
- [Create a more intentional governance culture tool](#)

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ENABLERS



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GOVERNANCE CULTURE

The culture that drives governance is made visible in the organization's formal documents, such as the written vision and value statements and ethical standards, and in the stated views and behaviours of governance leaders. Culture is also expressed in less open ways, such as the unconscious mindsets, beliefs and assumptions of governance leaders. All of these expressions of culture enable governance because they drive actions, decisions, rules and power dynamics. This includes who is consulted in governance decision-making; what types of knowledge and opinions are valued; the degree of risk tolerance; and how leadership is expressed and conferred.

PEOPLE

Many people play a part in the governance of the organization, such as the Board, CEO/ED, management team, other staff, members, those served, collaborative partners and major funders. All these players create a web of interrelationships, and expectations, which enhance or impede governance. An organization's ability to fulfill governance well depends on the array of skills, experience, and knowledge of governance leaders, particularly board directors and the CEO/ED.

ENABLERS

POLICIES AND PROCESSES

Governance policies and processes guide how the work is done and typically include descriptions of mandates, reporting requirements, risk management protocols, and decision-making procedures. They are often described in a governance policy manual. Policies and processes also include practices which are essential to making informed decisions (*e.g. tracking the external and internal environment; financial reporting*).

STRUCTURES

Structures are the entities (e.g. formal informal bodies created to do governance work, like the board or task groups). The design of structures includes their roles, expectations, and the assignment of governance authority and accountability. The collection of governance structures forms a system which defines how tasks are allocated, coordinated and monitored.



ABOUT ONN

The Ontario Nonprofit Network (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.



ABOUT IGNITE NPS

Reimagining Governance is a collaborative initiative between ONN and Ignite NPS. Ignite NPS is a foundation which supports the development and broad distribution of practical research and tools designed for leaders across the sector. Its goal is 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.

We're grateful for the financial support of Ignite NPS, the Lyle S. Hallman Foundation, the City of Toronto, and Toronto Foundation.

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