ONTARIO NONPROFIT NETWORK

Foresight Exercise
Summary Report

REIMAGINING GOVERNANCE

Prepared for the Ontario Nonprofit Network by

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ABOUT THE AUTHOR

CKX is a social change agency that enables and emboldens people who are driving social change to make shift happen. You can learn more about our charitable programs and our work with values-aligned partners on our website at www.ckx.org.

ABOUT ONN

Organized in 2007 and incorporated as a nonprofit in 2014, the Ontario Nonprofit Network (ONN) is the independent nonprofit network for the 55,000 nonprofits and charities 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 and charities 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 government, 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**.

ACKNOWLEDGMENTS

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INTRODUCTION AND CONTEXT

Finding and maintaining the right kind of governance leadership is critical to the vibrancy and sustainability of nonprofit organizations and the communities we serve. While governance is important for the accountability and responsibilities of an organization, the traditional model of a board of directors isn't keeping pace with the changing nature of our sector and its work. How might we reimagine governance?

This is the driving question behind Reimagining Governance, an initiative of the Ontario Nonprofit Network that is exploring new approaches to governance to help nonprofit leaders reimagine a more effective way to fulfill organizational governance, including its structures, processes and practices.

THE PURPOSE OF THIS REPORT

This summary report highlights the process, methodology and outcomes from a day-long foresight session that took place on April 29, 2019 in Toronto. With the facilitation and process design support of the Community Knowledge Exchange, 25 nonprofit leaders with a range of perspectives, roles and experience with and in the Ontario nonprofit sector were invited to spend a day thinking about the future of the nonprofit sector. The session focused on organizational design and how nonprofits might adapt and transform in the future given

What is governance?

Governance determines who has a voice in making decisions, how decisions are made, and who is accountable.[1]

While we often equate nonprofit governance with boards of directors, it's important to make a critical distinction: Governance is a set of functions and a board of directors is one of a number of ways that fulfills them.

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[1] Mowat NFP "Peering into the Future: Reimagining Governance in the Non-Profit Sector" p. 4

the signals, trends and drivers that are already influencing and shaping organizations and the broader sector today. Further discussions in subsequent phases of work for the *Reimagining Governance* initiative will dive deeper into these insights and their broader implications for nonprofit governance.

METHODOLOGY & APPROACH

The methodology and approach to the session was as follows:

Identify a range of current signals, trends and drivers -— everything from the economy, technology, politics, the environment and demographics — the big picture things that are happening around us and that will affect everything, including the nonprofit sector;

Develop a possible/probable future for the sector that is based on these signals, trends and drivers;

Consider how different nonprofit organizational personas might respond to and be affected by such a possible/probable future; and

Reflect on the possible/probable future and the organizational personas to uncover insights about the organizational issues and challenges that will emerge, which will serve to identify and address implications for governance as the initiative moves forward in subsequent phases of work.

It's important to detach board from governance to understand all of its structures, players, and processes.

Governance functions include things like setting direction and policies overseeing performance; and ensuring compliance and accountability.

A board of directors is responsible for providing oversight to make sure the organization is realizing its mission and is using resources effectively and appropriately; acting in the best interests of the organization; and while they can delegate responsibility, they are ultimately accountable and liable.

It's also important to recognize that in many organizations today, boards of directors have assumed responsibilities for things that go beyond the legal and regulatory requirements of nonprofit governance. This includes fundraising, advocacy and program development.

A Possible Future

In advance of the exercise, research was undertaken to better understand both the macro and micro patterns that may have an impact on nonprofit organizations in the future, including fielding a survey that received responses from more than 140 nonprofit leaders who shared their views about the signals, drivers and trends they believe will have the most impact in shaping the sector over the next decade. **From this research, a series of future-facing statements that look forward to what the sector might look like in 2030 were prepared to serve as a starting point for the exercise:**

- **The world has become hyper-connected**. Lower costs and advances in technology make it possible to reach every corner of the world via wireless and mobile web connections - creating shifts in how and where people can work. Connectivity is seen and recognized as a basic human right. With this increase in connectivity, the digital divide has been exacerbated, and organizations with access to technology, data and know-how have a clear advantage over those that don't. Clients, donors and volunteers expect access to instant and customized experiences, opportunities and services.

- **Technological advancements have also changed the way that people communicate and interact with each other.** Engineers and researchers have developed technology that can understand natural human language and read facial expressions. These advancements have led to greater abilities to use technology to read sentiments, thoughts, and moods. Artificial intelligence is embedded in all forms of service delivery. Technology advancements have also led to a range of organizational efficiencies, including the streamlining and automation of most back-office and administrative functions.

- **Growing public debt ratios and decades of deficit-laden budgets at municipal, provincial and federal levels of government have led to significant restraint on fiscal policy and policy options.** The swinging of the political pendulum from left to right and right to left has led to a constantly shifting operating environment for nonprofits and charities, making long-term planning (funding + program and service delivery) nearly impossible. This volatility is echoed in the broader economy, with impacts on fundraising and donations. Uncertainty is the new normal.

- **The financing of nonprofits has become more complex.** There's a shift toward impact and socially-responsible investing and we've reached a tipping point with most philanthropic endowments divesting entirely from extractive and otherwise socially-harmful investments. The need for financial resources has also led many nonprofits to focus on earning income, but this shift has called into question how the sector can maintain its original role as a protected, non-commercial space for citizen voice and social experimentation.

- **The industry and sectoral boundaries that have traditionally divided companies, organizations and institutions according to what they make, what they do and how they approach their work have blurred significantly.** This means that competition is increasingly taking place across sectors, not within them, and there's now a complex marketplace for that affects an organization's ability to recruit and retain staff and volunteers, fundraise, and deliver programs and services.

- **While there are still a great many causes to advance, there has been a dramatic reduction in the number of organizations and sector infrastructure supports through mergers, closures and overall operational consolidation.** More and more organizations are working collaboratively, integrating programs and service delivery, sharing human and financial resources.

- **An ageing population has created four-generation workplaces where staff in their 70s and 80s work alongside those in their 20s.** Those hyper-connected and tech-savvy millennials make up 75% of the workforce and have significant influence on organizational culture - placing greater value on career portability and flexibility than organizational loyalty. There is consistently high turnover as people assemble 'careers' from multiple 'gigs' or roles with a number of organizations, projects or initiatives. The wage gap between men and women has decreased, with women now earning on average 95 cents for every dollar earned by a man (from 87 cents in 2015).

- **One-third of Canada's population - 14.5 million people - are members of what we used to call 'visible minorities'.** The foreign-born population has risen to 28%, growing at a rate 4 times faster than the rest of the population. Caucasians are on track to become the minority in Toronto by 2040. This shift in demographics is reflected in the staff compliments of

nonprofits and charities, with more people who identify as women, BIPOC (Black, Indigenous and People of Colour) occupying leadership positions (board and staff) in nonprofit organizations. A commitment to reconciliation with Indigenous peoples and an intentional focus on decolonizing practices has also contributed to more diverse, inclusive and culturally-attuned approaches to fundraising, volunteer engagement and program delivery.

- **While investments in clean energy and a commitment to Canada's 2015 Paris Climate Agreement have resulted in Canada now producing 90% of its electricity emissions-free (having eliminated coal-fired electricity production across the country), there are still significant challenges in reaching established targets to combat climate change.** Worker-transition programs are in place to support the transition to a more sustainable economy, and nonprofits and charities are playing a critical role in the transition through training and other support programs.

In addition to the statements that were prepared in advance, participants also had the opportunity to reflect and propose additional future-facing statements at the start of the exercise.

FUTURE-FACING STATEMENTS FROM PARTICIPANTS

Widening of the gap between rich and poor and greater inequality due to lopsided wealth distributions.	Virtual work and connectivity - less human interaction as people don't come into the office.
Smaller organizations, with vision and mission at the heart of governance	An overall decline in trust - for social and community dynamics - will influence the perception and role of the sector in society
Increase in earned income for organizations in the sector (fee for service, social entrepreneurship etc.).	Mindfulness of the barriers that people from visible minorities face when they take on leadership roles.

"Third horizon thinking" - looking to the future and acknowledging "not knowing" what comes next and being open to new solutions; applying this to a change in thinking around the role and nature of boards.[2]	How will these trends also affect the philanthropic (funding) sector?
A paradigm shift with changes to the advocacy field. Signals of a new sector emerging?	Increased segmentation in the sector - the "left" is fracturing - new left vs. old left.
Continued increase in the number of migrants and refugees - will have increased pressure on wealthy countries - linked to income and climate change.	Youth involvement and leadership on climate change - they are engaged, how do we (adults) step out of the way?
Risk of technology accelerating bias and perpetuating it.	Increase in the role of surveillance, monitoring and data collection by governments (i.e. Eye in the Sky - China's Social Credit System).
Increased ability to transfer wealth across countries and out of Canada - sometimes bypassing current fiscal systems (blockchains, crypto-currencies etc.).	Increase in movement-based changed making (youth led).
Blurring and blending of the roles and ways of operating in traditional sectors.	Adapting to the pace of change - the sector is currently known for "Slowth" - how will we balance keeping up and holding space?

It's important to note that these future-facing statements were not meant to predict the future, but rather serve as reflective prompts for how things might play out and affect the nonprofit sector.

This portrait of a possible/probable future was not only practically helpful for the exercise, but also strategically for the Reimagining Governance initiative as it moves forward with the design and testing of new approaches to governance. It will be critical that new approaches not only work today, but are also responsive to the challenges and opportunities that will emerge in the future.

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[2] Daniel Christian Wall "The Three Horizons of Innovation and Culture Change"

Organizational Personas

With a possible future on the horizon, four different organizational personas were presented that allowed participants to explore how the current macro-level signals, drivers and trends are affecting the sector and how they might shape what the different organizational personas could look like in 2030.

While the personas were entirely fictional, they were modelled on types of organizations that exist today, with the ensemble including a range of organizational sizes, areas of focus, structural models, budgets and geographies.

With this future frame in mind, participants worked in groups to start exploring and considering the features of their organizational personas including leadership, funding, office operations, service delivery, board structure, client/service users etc. and designed prototypes using both paper and modelling clay. The visualization process and use of play allowed for teams to embody creativity and work with various mediums to express their perspectives and thinking in diverse ways.

INSIGHTS FROM THE EXERCISE

Polarities

Starting broadly, the exercise surfaced a number of polarities or tensions related to nonprofit organizational design that should be considered as new approaches to governance are developed, tested and implemented. These polarities are wide in scope, stretching us to think broadly about the complexity of a large interconnected system such as the nonprofit sector. It is important to remember that in any scenario, elements of both poles will be true to varying degrees.

What do we mean by polarities?

We often think of challenges or ideas as problems that need solving. Typically problems present two ideas that are opposed or in conflict. It's a binary choice between two options: yes or no; for or against. Polarities present two ideas that are

complementary and connected - a paradox that needs to be balanced. It is critical that the design of new approaches to governance hold these poles in tension and avoid trying to 'solve a problem' by picking one pole over another.

Here's a simple analogy:

"Think of it like breathing. Breathing isn't a choice between inhaling or exhaling. If you inhale to the exclusion of exhaling, the negative results show up quickly. And the reverse is also true. The polarity approach says, we must both inhale and exhale."[3]

Formality ← → Agility

How might we balance our desire to be responsive, nimble and agile - with the benefits, consistency and experience that come with more structured and formal processes?
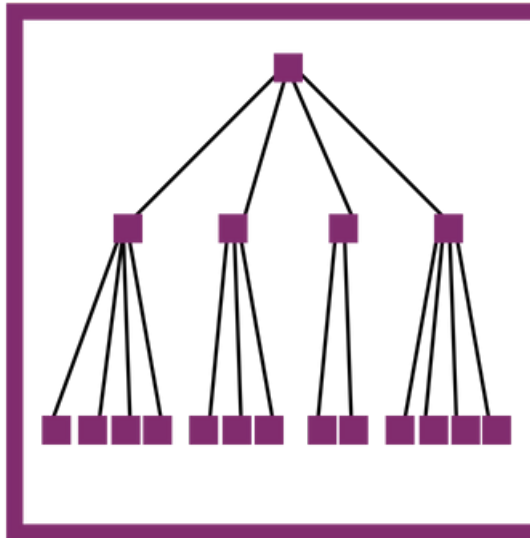
Centralized Model← → Network Model

How might we take advantage of both networked and centralized approaches to better deliver on our social missions? When does it make sense to distribute? When does it make sense to integrate or centralize within an organization and between organizations (e.g. backoffice)? How can we share decision-making more broadly, but ensure it leads to decisive and best possible decisions?
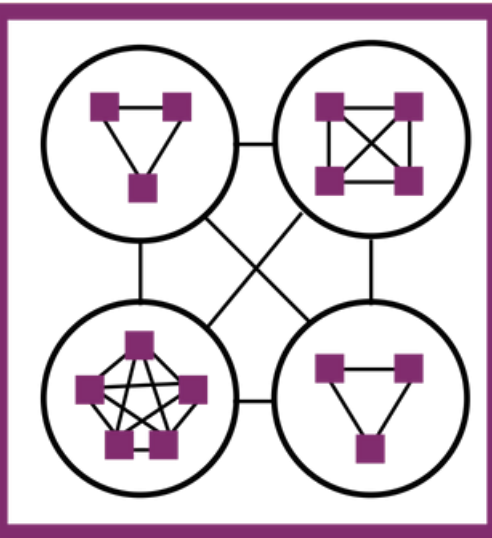
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[3] Stephen P Anderson ["The Joys of Polarity Mapping"](#)

Centralized Model   **Network Model**

- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

Existing Leadership ← → New Leadership

How might organizations leverage the skills, wisdom and experiences of veteran leaders while harnessing the talent, ideas and approaches of new and next-generation leaders?

Staying true to nonprofit ethos ← → Opening up to new approaches

How might we be open to new approaches and ways of working in a system where lines are blurring between nonprofits, corporations, public sectors and hybrids models such as social enterprise, while staying true to the essence of our role and purpose as the nonprofit/charitable sector?

Urban-centric governance ⟵ ⟶ Rural-based governance

How might we design governance models and approaches that are relevant to both urban and rural realities? How do we acknowledge and design different approaches for each?

Stable Core Funding ⟵ ⟶ Entrepreneurial Revenue Generation

How might nonprofit business models leverage stable external core funding while also building entrepreneurial approaches to generate revenue? How do we blend these approaches to ensure financial viability and sustainability?

Organization-centred ⟵ ⟶ Client-centered

As organizations become more agile and networked, and less 'bricks and mortar', how do we ensure that the client remains at the centre? Will it be easier or more complicated for clients to access services?

Considerations for the *Reimagining Governance* Initiative

The process of reviewing a possible future for nonprofit organizations, identifying features of the organizational personas, and naming critical polarities produced a number of insights for the *Reimagining Governance* initiative. These insights should be considered as new approaches for nonprofit governance are identified, reviewed and prioritized.

Identify the right competencies

This future sees the changing nature of work, technology, organizational design and service delivery outpacing the current skills and capacity of sector leaders. It will be important to consider what kinds of competencies are required to lead these organizations (e.g. more agile, networked organizational designs; sophisticated financing; data and digital capacity; broader-based shared decision-making). Once defined, it will be important to understand how these competencies can be recruited to fulfil governance work, including the motivation to get involved.

Understand shared decision-making and accountability

Consider how shared decision-making, which is an important part of a more agile, networked organizational model, can work effectively, including the implications for managing multiple accountabilities, sharing power and authority and governance processes. People currently look to board decisions on governance as a legitimate source of decision-making. If governance activity takes place in the board as well as beyond it, consider the implications for how we understand legitimacy and accountability.

Ensure win-wins

As new approaches to governance are designed, it will be important to consider who or what 'wins' and 'loses'. For example, governance will need to be more agile and nimble in its decision-making and in responding to the complex and ever-changing environment, while ensuring that it keeps the people served at the centre of decision-making. It will need to compete effectively in a more complex ecosystem, without losing the values and culture that set nonprofits apart from other social benefit endeavours.

Think about the whole ecosystem

Given the complex ecosystem in which organizations will be working (e.g. funders and financers; social enterprises; shared platform and backbone organizations; collaborative partners), consider the implications for governance accountability, data control, risk management and mission-focus. For example, how can the *Reimagining Governance* initiative work with funders to find alternative ways to structure accountability in more decentralized organizational models?

Attract emerging leaders

Identify ways in which governance structures, processes and practices can be more attractive to future leaders. Consider how organizational culture can be more inclusive now, so governance is reflecting true diversity within the community, including more BIPOC and millennial perspectives. Place value on an organization's social capital. Make sure that emerging leaders have a strong voice in the design of any new governance approaches.

Consider the impacts of technology

The level of access to technology, the capacity to use it effectively and the availability of data will set organizations apart. Consider the implications of this reality for organizational governance. For

example, be careful not to assume that technology and artificial intelligence are the answers to all service delivery issues. Also, consider what governance activities and decisions can be automated and what warrants more personal connections.

Clarify the distinction between governance and board

If the initiative is challenging the assumption that governance and board are not the same thing, then clarify the distinction so that it's easier to understand. Identify governance functions versus board roles and responsibilities. Understand that a mindset shift is required to bring about real transformation in the way that governance both understood and fulfilled.

Promote experimentation and consider how long change may take

Encourage and support organizations to experiment with new approaches to the way that governance is fulfilled. Consider the length of time it will take to bring about real change (*e.g. does new leadership need to be in place in order to bring it about?*)

What's Next?

As stated earlier, the exercise and the insights presented in this report are part of a broader initiative that seeks to reimagine governance for nonprofit organizations in Ontario. We already know that the nature of the sector is shifting and that approaches to ensuring governance effectiveness aren't keeping pace. As sector and organizational leaders, we must all tune in to the signals, drivers and trends that are already influencing our sector and our organizations and start shifting our approaches to governance today.

REIMAGINING GOVERNANCE

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