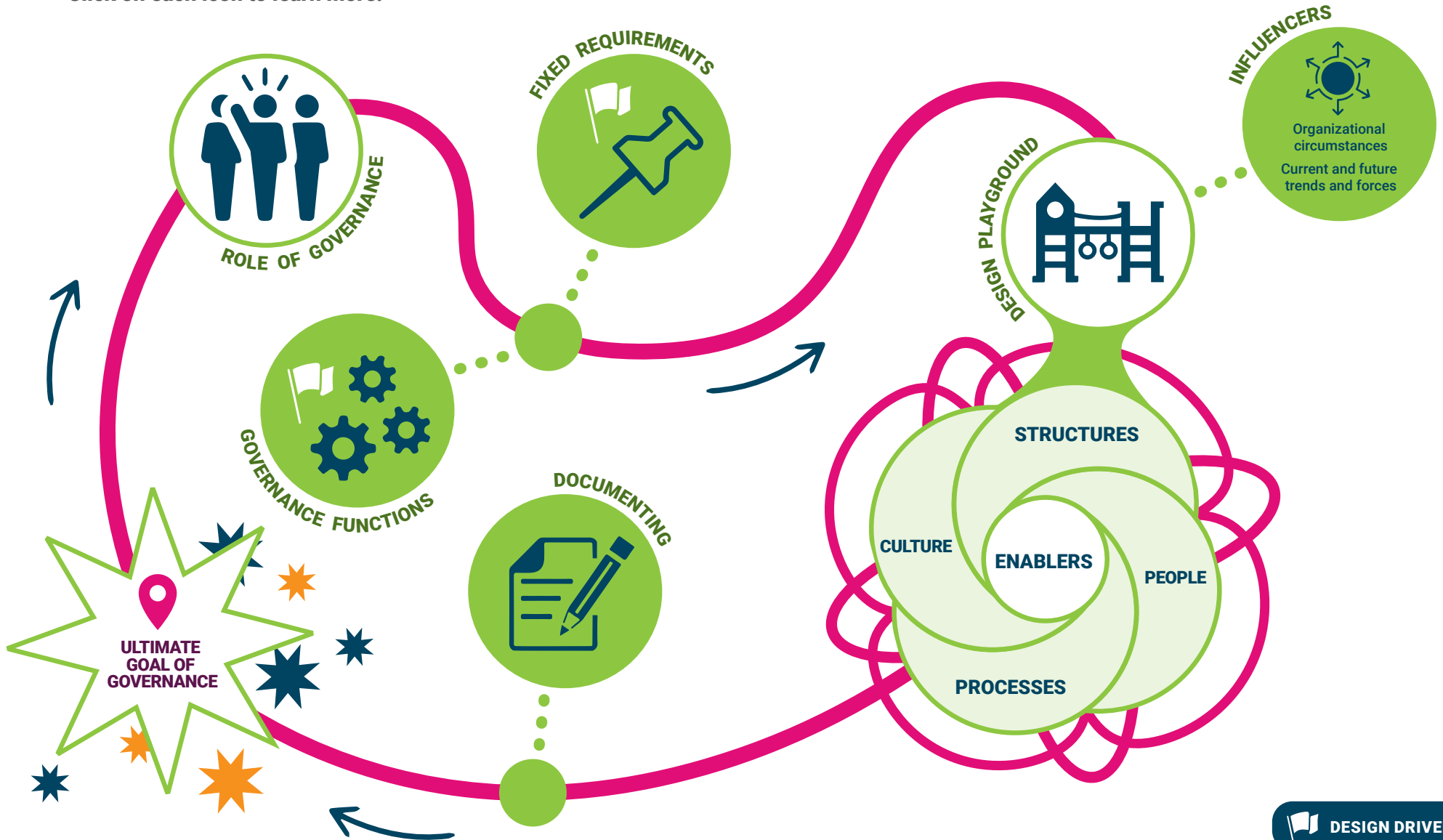


# GOVERNANCE FRAMEWORK: MAPPING A NONPROFIT ORGANIZATION'S GOVERNANCE SYSTEM

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# ULTIMATE GOAL OF GOVERNANCE

***The ultimate goal for governance of an organization is to enable the achievement of meaningful impacts and outcomes for the benefit of its communities.***

This goal should drive all governance decisions and is an important indicator of governance success.

# ROLE OF GOVERNANCE

***The role of governance in a nonprofit organization is to provide stewardship, sensemaking and foresight that advance its purpose. Governance leadership takes responsibility for building and sustaining stakeholders' confidence in the organization's integrity, legitimacy and viability.***

This high-level description of the role of governance can be interpreted in many ways depending upon the organization's history and circumstances, and the perspectives and mindsets of the governance leaders (e.g. board, CEO/ED, senior management team, members, collaborators and partners). The organization's interpretation is an important starting place for governance design because it drives choices of structures and processes, as well as speaks to how authority and power are defined.

## FIXED REQUIREMENTS

There are binding rules that drive an organization's governance design based on the law, regulations and other compliance requirements. For example, federal and provincial rules on nonprofit incorporation set out the rights of members and distinct rules about how a board is constituted.

There are also responsibilities that must be met by directors and by no other person or entity, as well as duties of directors that cannot be delegated.



# INFLUENCERS

There are external and internal factors that influence the design of an organization's governance (culture, people, processes and structures). These are the most critical:

- **There are trends, forces, opportunities and threats** that have significant implications for the way organizations are governed now and in the future. For example, the growth in collaboration and integration between organizations; changing demographics; a more complex and competitive marketplace for volunteers and resources; and technological advancements.
- The organization's **unique circumstances** drive governance design. **Here are some examples:**

## FUNDERS AND DONORS

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

## LIFECYCLE STAGE

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

## BENEFICIARIES AND STAKEHOLDERS

there may be set expectations for their engagement in decision-making

## FINANCIAL MODEL

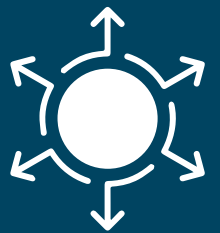
more complex financing requires different governance competencies than simpler models

## FIELD OF ACTIVITY

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

## ORGANIZATIONAL HISTORY

there may be set precedents for how governance 'has always been done'



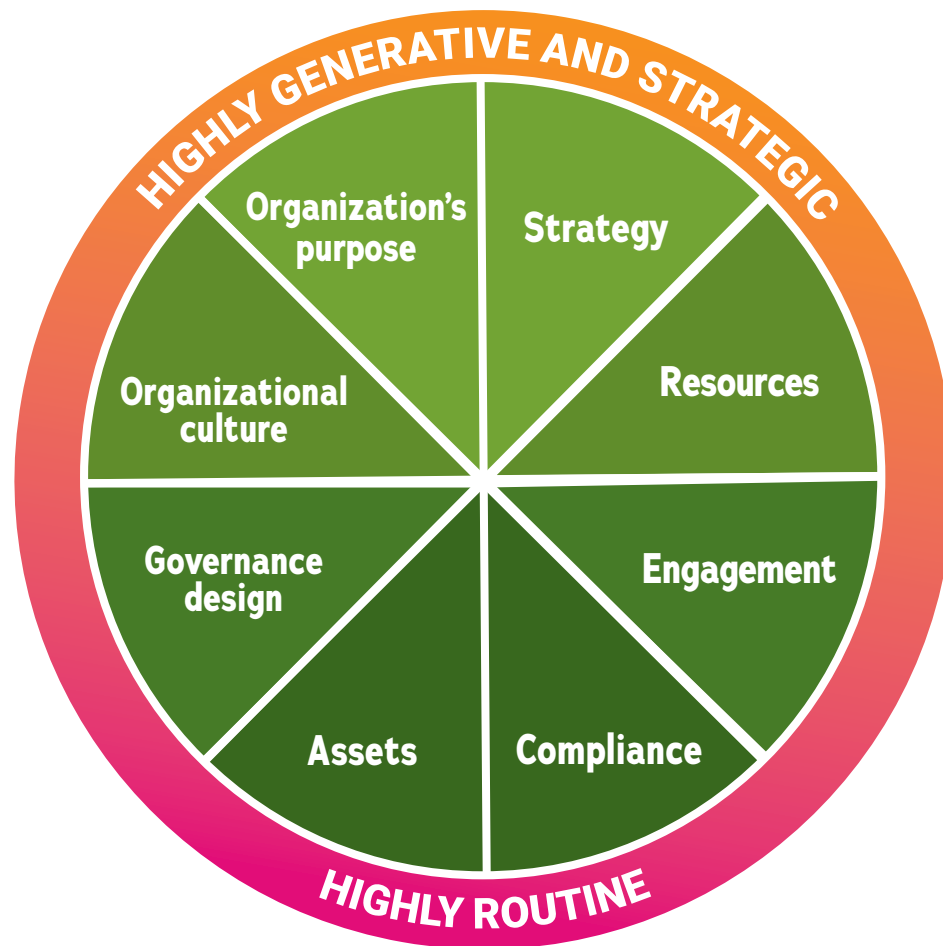
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# FUNCTIONS

There are critical functions that must be fulfilled to achieve the role of governance for an organization. They are important design drivers and can be fulfilled by a wide range of governance leaders including board members, CEO/ED, senior management team, members, collaborators and partners. They are also deeply interconnected. For example, the organization's strategic choices are impacted by the availability of resources. Stakeholder engagement strategies are influenced by the organization's values.

The way an organization chooses to carry out these functions, (e.g. tasks, activities, structures and processes) varies widely depending upon their unique circumstances and styles.

## THE FUNCTIONS OF GOVERNANCE ARE:



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## ORGANIZATION'S PURPOSE

Develop the organization's purpose (what it does, for whom and why; typically expressed in a mission statement), keeping it relevant to the communities served and at the centre of all governance decisions.

## STRATEGY

Develop strategic directions that clearly advance the organization's purpose and address the changing environment. Anticipate and respond to emerging strategic opportunities and issues.

## ORGANIZATION CULTURE

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.

## RESOURCES

Ensure the strategies are developed and implemented to attract, retain and grow the right resources (e.g. financial, people, infrastructure and social capital) for achieving the organization's purpose. Determine that the resources are mobilized effectively.

## GOVERNANCE DESIGN

Design the organization's governance (people, structures and processes), continuously measuring its performance and adapting the design to changing circumstances.

## ENGAGEMENT

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.

## ASSETS

Safeguard the organization's assets (e.g. people, financial, property, data and reputation) as tools to advance the organization's purpose.

## COMPLIANCE

Ensure the organization is adhering to all relevant laws, regulations and other compliance commitments, including meeting its accountability requirements.

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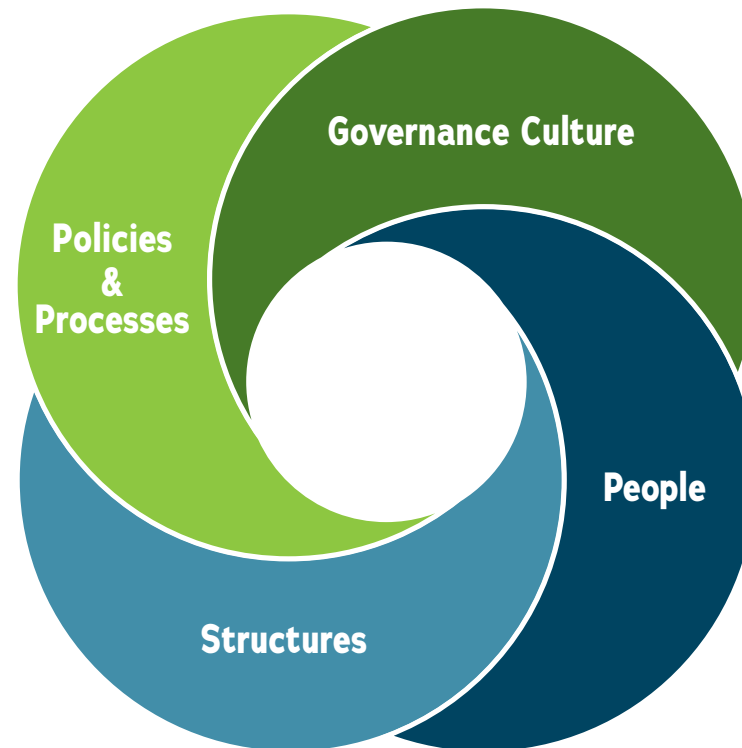
# ENABLERS

These are four enabling factors that are the foundations of governance design. They can make good governance possible or create barriers. They also create a space that can be used as a playground for innovation.

Organizations can focus on strengthening one enabler, such as improving a process; however it's important to recognize that all four of the enablers are deeply interconnected. To bring about real change, it's critical to consider how they reinforce one another. For example,

- a change in the mindset of governance leaders based on new learnings can trigger a similar change in the way governance functions are fulfilled
- putting an effective process in place can be blocked because of poor relationships between governance players.

The enabling factors are also complex. Within each there are explicit rules and practices (e.g. those captured in formal documents) as well as more implicit understandings and habits (e.g. '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, by whom and why.



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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 behaviors of governance leaders. Culture is also expressed in less open ways, such as the unconscious mindsets, beliefs and assumptions of the 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.

## STRUCTURES

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

## 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.

## 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 information processes which are essential to making informed decisions (e.g. tracking the external and internal environment; financial reporting).

# DOCUMENTING

There are a number of 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. Many organizations also create a board policy manual or governance mandate document. These documents reflect the organization's current governance system, but they aren't fixed. They can all be revised as circumstances change.





## 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.

## VISION

A strong and resilient nonprofit sector. Thriving communities.  
A dynamic province.

## MISSION

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

## 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 success 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 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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