



Pro Bono Consulting for Non-Profits

Maximizing Governance: GOVERNANCE 101

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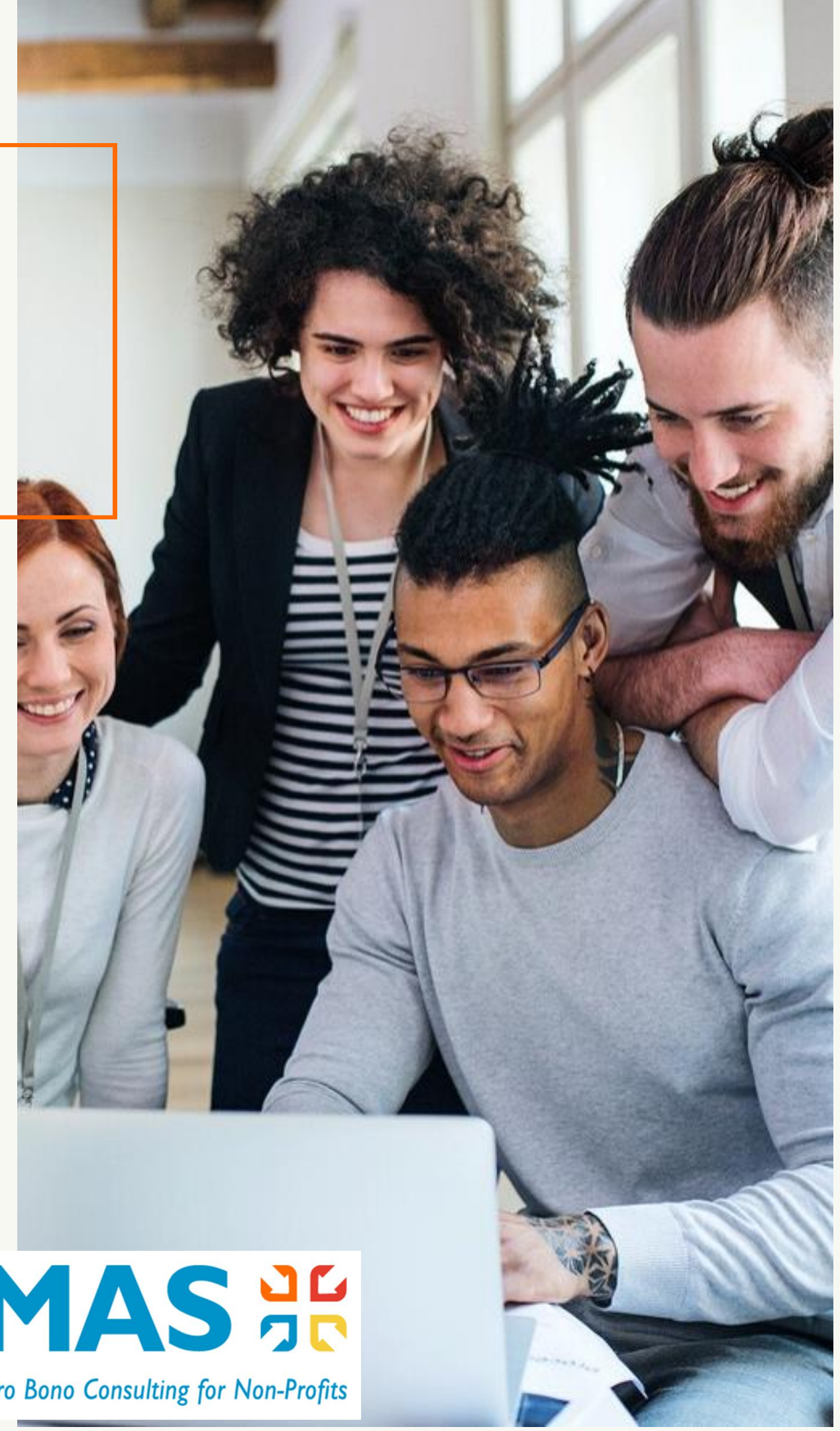
About MAS

MAS offers a wide range of pro bono consulting services for non-profit organizations, based on the extensive knowledge, expertise and resources of our Volunteer Consultants.

We do not charge fees for our services and all of our Volunteer Consultants' time is donated.

For more than 25 years, we are proud to have worked collaboratively with over 1,300 non-profit organizations in the Greater Toronto area.

Clients have ranged in size from very small – 2 to 3 people working out of church basements – to major, high profile social service agencies.



SESSION OBJECTIVES

- 1. Enhance understanding of the context for nonprofit governance**
- 2. Define governance and the role and functions of the Board**
- 3. Outline the conditions & best practices for good governance**
- 4. Clarify the duties, expectations and responsibilities of a board director**

SESSION AGENDA

Module 1: Context for Nonprofit Governance

- Emerging trends in non-profits; organizational tensions
- Current Governance Landscape

Module 2: Definition of governance & role and functions of the Board

- What is governance
- Reimagining governance – how is it changing
- Role & Functions of the Board

Module 3: Conditions and practices for good governance

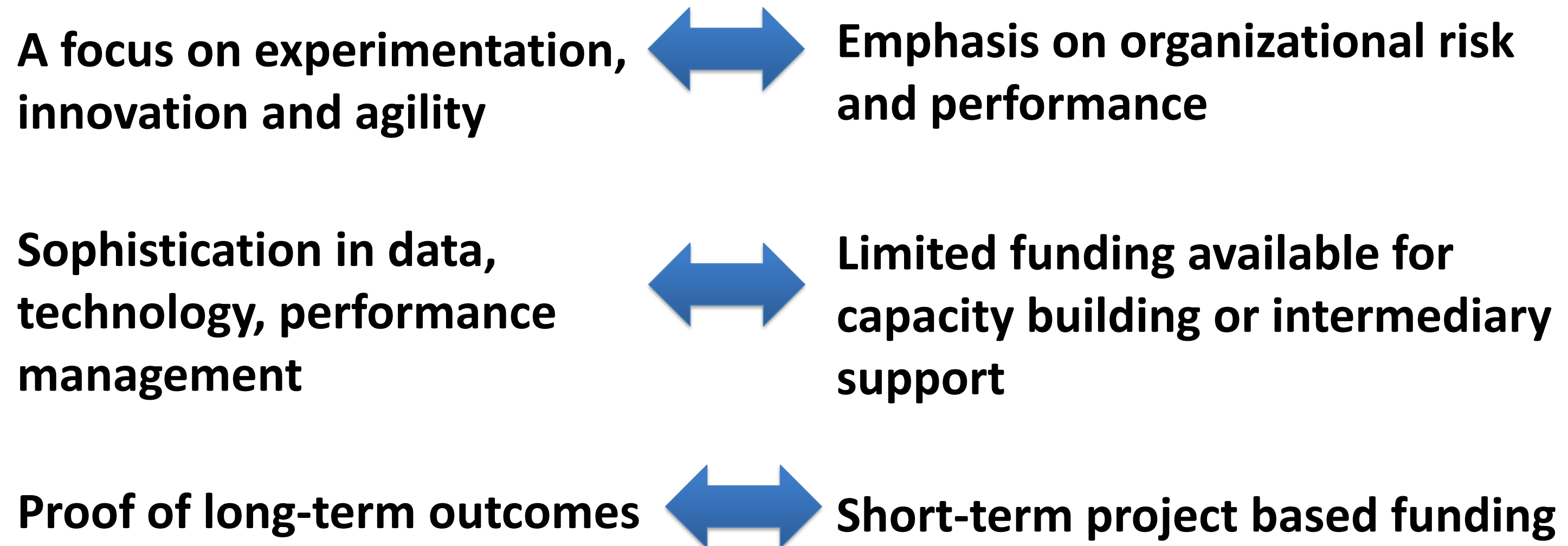
- Board Code of Conduct

Module 4: Duties, expectations and responsibilities of a Director

MODULE 1: CONTEXT FOR NONPROFIT EMERGING TRENDS

- **Growing demand for services from increasingly diverse communities and increasing demands from governments and funders.**
- **Greater focus on collaboration, mergers, network-based models of organizing, cross-sectoral partnerships**
- **Approaches to measuring impact**
- **Push for greater community engagement**
- **Technological changes**
- **Increasing focus on revenue generation & fundraising**
- **New generation of leaders**

CONTEXT FOR NONPROFIT ORGANIZATIONAL TENSIONS



Peering into the Future: Reimagining Governance in the Nonprofit Sector; 2018; Mowat Centre; Munk School of Global Affairs and Public Policy, University of Toronto

CONTEXT FOR NONPROFIT CURRENT LANDSCAPE

New conditions in the nonprofit environment

1. Covid 19 Pandemic

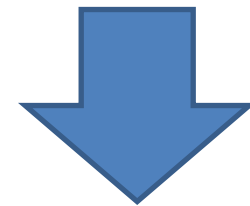
- **Changing the way nonprofits do business – shifts in programs, shifts in how we do programs**
- **Changing funding and financial models; ensuring survival and sustainability**
- **Changing governance practices**

2. Demands for Racial Justice

- **Promote diversity, equity, and inclusion; create an anti-racist organization**
- **How can organizations be explicit and intentional in eliminating systemic racism**

MODULE 2: DEFINING GOVERNANCE AND THE ROLE OF THE BOARD

Context For Nonprofit



What is Governance?

What is the Role and Responsibilities of the Board?

WHAT IS GOVERNANCE?

Governance aims to ensure organizational sustainability, robustness and a secure future.

Nonprofit board governance is the combination of systems, guidelines, and processes used to make decisions, hold decision makers accountable, and take action.

Governance is exercised through the structures, responsibilities, practices and traditions that the board of directors of an organization uses to ensure accomplishment of the organizational mission.

WHAT IS GOVERNANCE?

Peering into the Future

- **Emerging trends in the non-profit sector are altering expectations of governance**
- **Growing literature that suggests that new, transformative and adaptive approaches are needed to ensure better responsiveness to social issues, system-wide impact and adapting to a changing environment**
- **Governance is more collaborative – a function that can be shared and not limited to the Board**

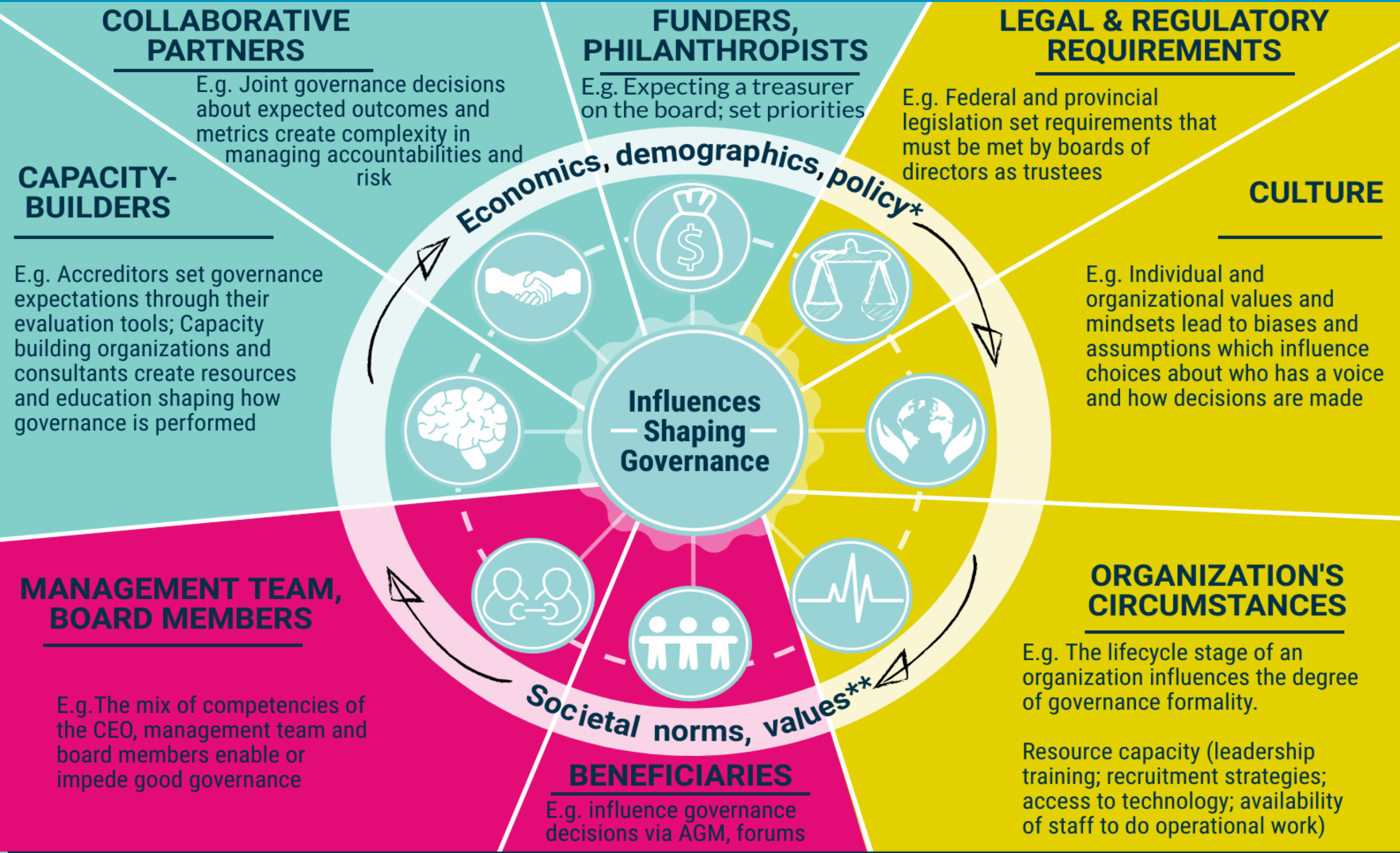
ONTARIO NONPROFIT NETWORK

Reimaging Governance Initiative

- **ONN initiative exploring new approaches to governance for nonprofits**
- **“Governance is a *complex system* – the board is just one part of it. Over the years, governance models and strategies have largely focused on the performance of the board of directors. Although the board is a critical part of the governance system, the whole system must be examined in order for governance to keep up with 21st century expectations. Doing so will shift the conversation from “*How do we make boards more effective?*” to “*How do we govern more effectively?*””**

GOVERNANCE

ECOSYSTEM



* 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

EXTERNAL FACTORS **INTERNAL FACTORS** **ORGANIZATIONAL INFLUENCES** **SYSTEM-LEVEL INFLUENCES**

GOVERNANCE – REQUIREMENTS & GUIDANCE

- **Federal and provincial not-for-profit legislation, deals with accountability, transparency, reporting.**
- **In Ontario, the Ontario Corporations Act (amended Not-for-Profit Corporations Act 2010) outlines requirements for a range of governance activities.**
- **The board is accountable to the members. It manages, and supervises the activities and affairs of the corporation. Voted in by members.**
- **Directors and officers must exercise at least the level of care, diligence of a reasonably prudent person in comparable circumstances. They must act honestly, in good faith and in the best interests of the corporation, not in their own personal interest.**
- **Accreditation systems provides significant guidance to governance standards.**

PRIMARY GOVERNANCE FUNCTIONS

Setting Direction

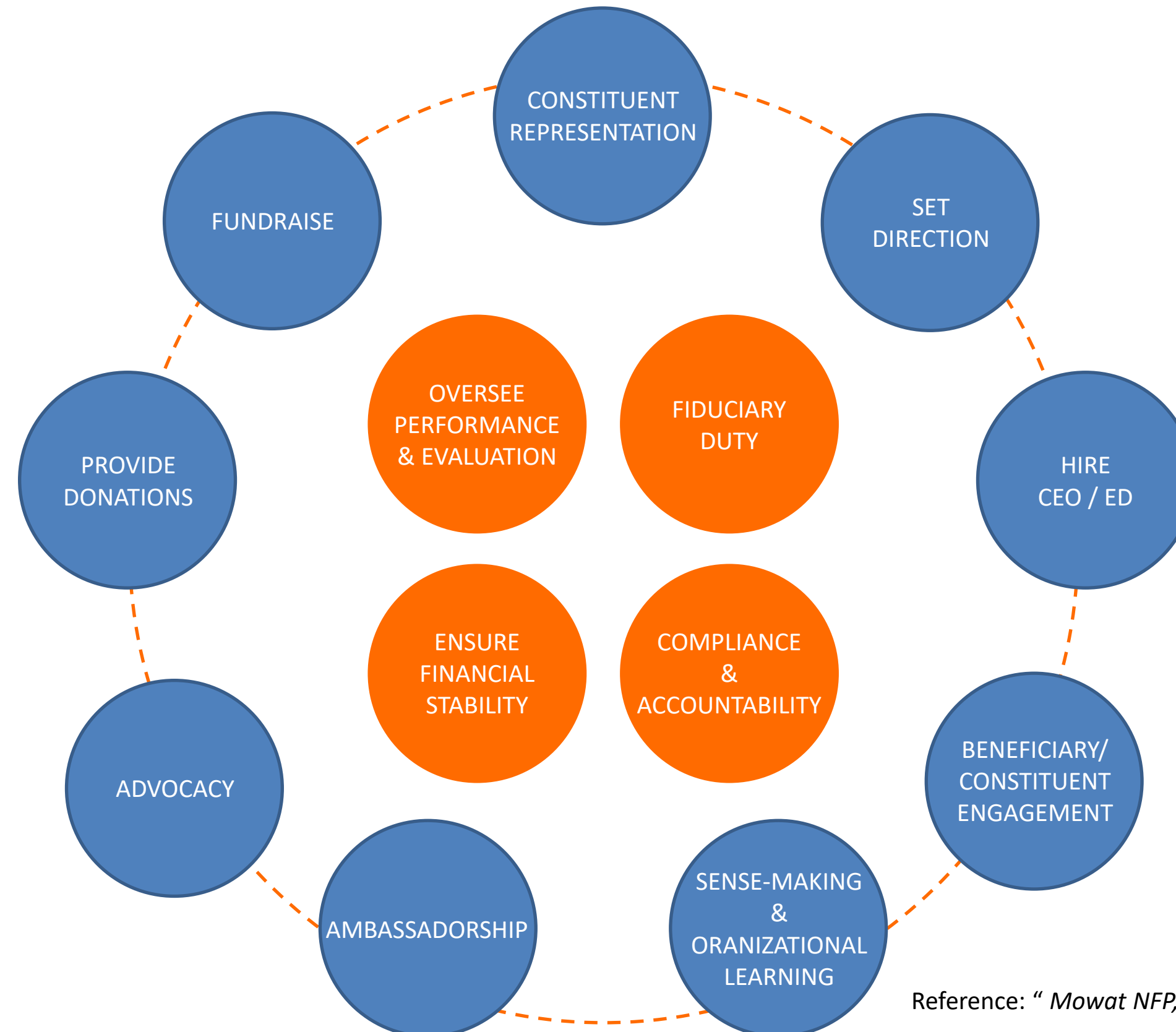
Overseeing Performance

Ensure Financial Stability

Compliance and Accountability

Incorporated non-profit organizations must have a board of directors and their central purpose is to ensure that resources are used efficiently and appropriately. Boards must provide organizational oversight to ensure the organization is realizing its mission.

BOARD FUNCTIONS



Reference: " Mowat NFP, University of Toronto: Reimagining Governance, 2018"

LINES OF AUTHORITY & ACCOUNTABILITY



Accountability



A CLOSER LOOK – ROLE & FUNCTIONS OF A BOARD

- 1. Approve strategic goals and direction**
- 2. Establish a framework for performance oversight**
- 3. Oversee program effectiveness and quality**
- 4. Oversee financial condition and resources**
- 5. Oversee enterprise risk management**
- 6. Supervise leadership**
- 7. Oversee stakeholder relationships; and,**
- 8. Manage the board's own governance**

1. APPROVE STRATEGIC GOALS & DIRECTION

- **Mission, Vision, Values**
- **Strategic plan**
- **Implementation plan (Operating Plan)/ timetable/
targets/ milestones**
- **Monitoring implementation**
- **Quarterly or Annual review**

2. ESTABLISH FRAMEWORK OF PERFORMANCE OVERSIGHT

- **Relevant measures identified and tracked (e.g., QIP)**
- **Funder indicators & requirements**
- **Balanced scorecard or dashboard compiling all critical indicators/ measures**
- **Compliance with legislated standards**
- **Operations overview reports**

3. OVERSEE PROGRAM EFFECTIVENESS AND QUALITY

- **Program goals, targets and effectiveness**
- **Client experience and satisfaction**
- **Program access and flow**
- **Specific education sessions on programs for the board**

4. OVERSEE FINANCIAL CONDITIONS & RESOURCES

- **Budget processes – operating and capital or equipment**
- **Funding agreements; Capital assets**
- **Operating financials; effective financial controls and systems**
- **Investment policies**
- **Annual audit process**

5. OVERSEE ENTERPRISE RISK MANAGEMENT

- **Identify risks – liabilities and losses; business viability, reputational**
- **Define policies & develop plans to mitigate risks; policies re staff and volunteers, pandemic plan, insurance plans**
- **Define limits of decision making/action for staff**
- **Analyse client & worker safety risks & develop processes & plans to handle risks**

6. SUPERVISE LEADERSHIP

- **Defining executive officer expectations; role description, executive limitations**
- **Leading the executive officer recruitment**
- **Overseeing the annual executive officer performance review; development plan**
- **Ensuring a succession plan for the executive officer**

7. OVERSEE STAKEHOLDER RELATIONSHIPS

- **Overall policy re accountability, engagement and communications with stakeholders (funders, community members, community organizational partners)**
- **Community partners, agreements, shared resources**
- **Community engagement plan and processes; periodic review of community relationships; stakeholder relationships**

8. MANAGE THE BOARD'S OWN GOVERNANCE

- **Articulating the role and functions of the board**
- **Governance policies – Conflict of interest, Code of Conduct, confidentiality, meeting policies, board goals and annual plans**
- **Clarifying board - management relationship**
- **New board member recruitment, orientation**
- **Board education and development**
- **Policies and practices for quality governance**
- **Structure and processes for board evaluation**

Recap: ROLE & FUNCTIONS OF A BOARD

- 1. Approve strategic goals and direction**
- 2. Establish a framework for performance oversight**
- 3. Oversee program effectiveness and quality**
- 4. Oversee financial condition and resources**
- 5. Oversee enterprise risk management**
- 6. Supervise leadership**
- 7. Oversee stakeholder relationships; and,**
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MODULE 3: CONDITIONS AND PRACTICES FOR GOOD GOVERNANCE

- **Conditions for Good Governance**
- **Board Code of Conduct**
- **Best Practices**

CONDITIONS FOR GOOD GOVERNANCE

BOARD ROLE	BOARD QUALITY	BOARD STRUCTURE AND PROCESS
<ul style="list-style-type: none">• Board role & functions• Duties of directors• Effective governance/management relationship	<ul style="list-style-type: none">• Size• Composition (skills, experience, qualities)• Recruitment, term• Orientation & education• Feedback & Evaluation	<ul style="list-style-type: none">• Board leadership – chair’s role & officers roles• Committees – roles and relationships• Meeting processes• Relationships & Culture

BOARD CODE OF CONDUCT

- **Director's Duties**
- **Best interests of the Corporation**
- **Confidentiality**
- **Board Spokesperson**
- **Media Contact and Public Discussion**
- **Respectful Conduct**
- **Corporate Obedience – Board Solidarity**
- **Obtaining Advice of Counsel**

BEST PRACTICES FOR GOOD GOVERNANCE (1)

- **Board Meetings**
 - Comprehensive agenda materials; deal with decisions early in meeting; structure items aligned with strategic directions; keep it fresh – presentations by program leads, key stakeholders
- **Board Composition**
 - Ensure skills and diverse perspectives
- **Board Recruitment & Orientation**
 - Using a Board committee to manage the process; clear information for prospective candidates; comprehensive orientation, partner new and seasoned board members; engage new board members

BEST PRACTICES FOR GOOD GOVERNANCE (2)

- **Board Engagement & Evaluation**
 - Provide opportunities for Board members to share their expertise; balance strategic, fiduciary and generative work; building board knowledge
 - Evaluation – understand how to improve board performance
- **Committees & Task Forces**
 - Engage board members and possibly external key stakeholders; clarity of purpose, timeline
- **Policies and Bylaws**
 - Ensure policy manual including all policies; educate on bylaws; a strong foundation for the boards work

CHALLENGES FOR GOOD GOVERNANCE

What are some of the challenges that boards may experience?

- Poor or mixed participation of board members at meetings
- New board members struggling
- Board members pushing discussion on operational items
- Difficult to fill Board officer roles

MODULE 4: DUTIES AND RESPONSIBILITIES OF A DIRECTOR

- **Duties of Directors**
- **Responsibilities of Individual Board members**
- **Tips for New Board members**

DUTIES OF DIRECTORS

- **Fiduciary Duties – directors stand in a fiduciary relationship to the corporation they serve**
- **Standard of Care – requires a director to apply the level of skill and judgment that may reasonable be expected of a person with his/her knowledge and experience**
 - Act honestly, in good faith with a view to the best interests of the corporation; and
 - Exercise the care, diligence and skill that at reasonably prudent person would exercise in comparable circumstances
- **Required to comply with the Applicable Act and regulations, the corporation's articles and bylaws**

RESPONSIBILITIES OF INDIVIDUAL BOARD MEMBERS (1)

- **Attend all board and committee meetings, functions, special events.**
- **Be informed about the organization's mission, services, policies, and programs.**
- **Review agenda and supporting materials prior to all meetings.**
- **Serve on committees or task forces and offer to take on special assignments.**
- **Inform others about the organization. Advocate for the organization.**

RESPONSIBILITIES OF INDIVIDUAL BOARD MEMBERS(2)

- **Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.**
- **Keep up-to-date on developments in the organization's field.**
- **Follow conflict-of-interest and confidentiality policies.**
- **Refrain from making special requests of the staff.**
- **Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's financial statements.**

TIPS FOR NEW BOARD MEMBERS

- 1. Be a knowledgeable director. Your responsibility for learning is on-going.**
- 2. Understand the rules that govern the corporation and the Board's policies.**
- 3. Ensure that your behaviour contributes to effective governance.**
- 4. Maintain a commitment to continuous improvement.**
- 5. Participate constructively.**

Governance Centre of Excellence: Anne Corbett, Partner, Borden Ladner Gervais LLP and Jim Mackay, Managing Partner, Berkeley Consulting Group

CHALLENGES RE: BOARD MEMBERS AND THEIR RESPONSIBILITIES

- **Attendance and participation**
- **Effective committees – involving board members**
- **Engaging with staff and bypassing the Chair**
- **Lack of clarity for board members in what they are to be doing**

A RECAP: GOVERNANCE – ROLE, RESPONSIBILITIES, BEST PRACTICES

Key Messages

- **Board members - ensure all directors understand the role and responsibilities**
- **Board leadership – deepen your knowledge of governance, drive work to ensure all responsibilities are fulfilled, develop policies and plans according to best practices, lead..**
- **Issues / problems – assess board roles, quality, structure, processes**
- **Board reflection and celebration – look for ways to improve; acknowledge and celebrate successes**

A GOVERNANCE DIALOGUE

Are there other Board functions that have been missed?

Are there new ways to enhance the effectiveness of Boards?

How can we help directors do their best work?

KEY RESOURCES

Guide to Good Governance: Not-for-Profit and Charitable Organizations (Sept 2013);
Governance Centre of Excellence, Ontario Hospital Association

BoardSource: Board Fundamentals: Understanding Roles in Nonprofit Governance, 2010

Peering into the Future: Reimagining Governance in the Nonprofit Sector; 2018;
Mowat Centre; Munk School of Global Affairs and Public Policy, University of Toronto

**Governance as Leadership: Reframing the Work of Nonprofit Boards; 2005; Chait, Ryan
and Taylor**

Ontario NonProfit Network; Reimagining Governance

<https://www.cpacanada.ca/en/business-and-accounting-resources/strategy-risk-and-governance/not-for-profit-governance>



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Thank you!