

Theoretical Framework for Interdependent Governance

I. Introduction

This document presents the **theoretical framework** for developing a **strategy** to strengthen the region's National Boards of Directors (CDN). It considers the findings obtained from the first advisory study on governance.¹

To advance this process, a **conceptual framework** was established to guide the implementation of this strategy, selecting the following publications as reference bibliography:

- 1) *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Richard P. Chait, William P. Ryan, and Barbara E. Taylor².
- 2) *Leading with Intent: BoardSource Index of Nonprofit Board Practices*, June 2021.
- 3) *Boards*, Gabriel Berger, *International Encyclopedia of Civil Society*³.

Governance as Leadership is a key work by authors who have extensive academic backgrounds and experience as consultants in the governance of nonprofit organizations (NPOs) and academic institutions:

- **Richard Chait**, professor at the Harvard Graduate School of Education and governance consultant.
- **William Ryan**, member of the Hauser Center for Nonprofit Organizations at Harvard and a specialized consultant.
- **Barbara Taylor**, senior consultant with the Academic Search Consultation Service in Washington, D.C.

The authors propose an innovative approach to understanding governance as leadership that integrates three fundamental modes: **fiduciary, strategic, and generative**. When effectively implemented, these three modes form a comprehensive vision of governance, one of the conceptual pillars of our strategic framework.

¹ Neira de Fonseca, C. **Governance Assessment: Self-Evaluation of the Functioning of the National Board of Directors (NBD) and the Participation of the National Executive Directorate (DN)**.

² Chait, R., Ryan, W. P., & Taylor, B. (2005). *Governance as leadership: Reframing the work of nonprofit boards*. Hoboken, NJ: Wiley.

³ *International Encyclopedia of Civil Society*, Springer Nature Switzerland AG (2023).

Leading with Intent is a periodic study conducted by **BoardSource** that examines various aspects of the functioning of nonprofit **boards of directors**. In its 2019 report, **689 executive directors and 131 board presidents** participated. The study addresses four key dimensions: board performance (*work*), their composition and internal organization (*people*), the prevailing culture (*culture*), and their impact on organizational performance (*impact*). Now in its tenth edition, this study is a fundamental reference for evaluating governance in NPOs, primarily in the United States, but it is also considered relevant for global analysis.

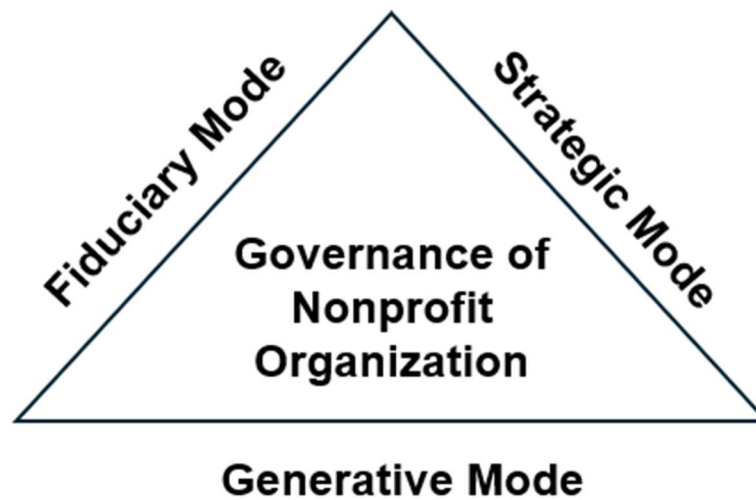
Finally, Dr. Gabriel Berger, professor at the Business School of the University of San Andrés in Buenos Aires, Argentina, offers an insightful review of the specialized bibliography on governance, contrasting in some cases with the reality of Latin America on this topic.

II. Conceptual Framework

The first significant contribution comes from the model developed in ***Governance as Leadership*** by Richard P. Chait, William P. Ryan, and Barbara E. Taylor. The authors argue that the responsibilities of nonprofit boards of directors can no longer be limited to routine tasks such as overseeing budgets, receiving audits, listening to reports, and approving strategic plans. Rather than viewing governance as a set of operational tasks, they propose a comprehensive approach to governance.

The model suggests an **evolution toward multifunctionality**, where board members actively engage in various areas and work closely with the executive leadership to integrate their responsibilities in a complementary manner. This approach fosters a **new culture of work and cooperation** that goes beyond traditional fiduciary and strategic responsibilities, encouraging more profound and more aligned collaboration between boards of directors and their organizations' management.

Since contemporary organizations require leadership capable of operating across multiple dimensions, boards of directors could **govern more effectively** by adopting this integrated leadership approach. The authors identify three governance modes that, when properly implemented, shape the concept of **governance as leadership**.



The following is a summary of these modes of functioning.

- **Mode I: Fiduciary.** The board of directors' primary concern is the management of physical assets to ensure that nonprofits remain mission-focused, accountable for performance and reporting, and compliant with relevant laws and regulations.
- **Mode II: Strategic.** The board of directors, with the support of executive management, develops a strategy to set the organization's priorities and direction and allocate resources accordingly.
- **Mode III: Generative.** When the board of directors, in coordination and cooperation with the organization's executives, discusses, analyzes, and contextualizes specific issues to find solutions, it facilitates the alignment between policies, strategies, operational plans, and actions, generating internal coherence and greater institutional effectiveness.

Without this shared contextualization and accompanying practices, boards can become mere spectators, weakening the organization's governance.

The authors Chait, Ryan, and Taylor suggest that through the generative mode, there is co-creation within the board of directors and between the board and the executive leadership.

III. Responsibilities of the National Boards of Directors (CDNs)

In his article, **Berger** identifies ten fundamental duties for the boards of directors of nonprofit organizations:

1. Establish and review the organization's **mission, objectives, and main strategies**, and analyze its performance and results.
2. Define and establish **key institutional policies**.
3. Ensure the formulation of an **appropriate strategic plan**.
4. Approve and oversee the organization's **main programs and services**.
5. Allocate the necessary resources and ensure **financial sustainability**.
6. Oversee **financial performance** and protect the organization's **net assets**.
7. Ensure compliance with **legal requirements**.
8. Select, support, and evaluate the person responsible for **overall management duties**.
9. Promote the organization's **public image**, act as a liaison with the community, and be accountable for the organization's actions.
10. Strengthen and evaluate the **performance of the governing bodies**.

By comparing these ten duties with the **Glossary of Best Practices** developed by the Area Office Governance Team (HFHI), **23 key indicators** or behaviors have been identified as essential for evaluating the performance of the CDNs.

A. Fiduciary Mode

a. Category 1: Ensure the Preservation of Resources

1. Allocate adequate resources and ensure financial sustainability.
2. Oversee financial performance and protect the organization's net assets.
3. Evaluate the executive director's performance against organizational goals.
4. Establish principal institutional policies.
5. Contribute to the generation or acquisition of resources (both tangible and intangible).

b. Category 2: Ensure Resources Are Used Efficiently and Effectively to Fulfill the Mission

6. Understand the organization's mission, vision, principles, and values.
7. Be familiar with the organization's programs.
8. Develop an annual work plan to ensure the proper functioning of the CDN and the organization.

c. Category 3: Ensure Compliance with Laws and Ethical Conduct

9. Ensure compliance with legal requirements, including legal and ethical oversight.
10. Monitor legislative and regulatory issues.
11. Promote the organization's public image.

B. Strategic Mode

1. Understand the roles and responsibilities of the board of directors.
2. Participate in developing and approving the organization's strategic plan in partnership with the National Executive Directorate (DN) and aligning with Habitat for Humanity International (HFHI).
3. Oversee the implementation of the strategic plan.
4. Hire, support, and evaluate the person responsible for overall leadership duties.
5. Leverage the connections and networks of CDN members to influence public policy decisions.
6. Establish the necessary working groups within the CDN (commissions and/or committees) to ensure the effective functioning of the organization.
7. The CDN must lead and take ownership of the institutional risk management process provided by HFHI, ensuring that the DN and the staff of the National Organization (NO) implement a risk management and mitigation framework appropriate to the institution's size.

C. Generative Mode

1. Think strategically as a board.
2. Understand the context in which the organization operates (funding landscape, public policy environment, other organizational actors, etc.).
3. Build a diverse and inclusive board committed to equality.

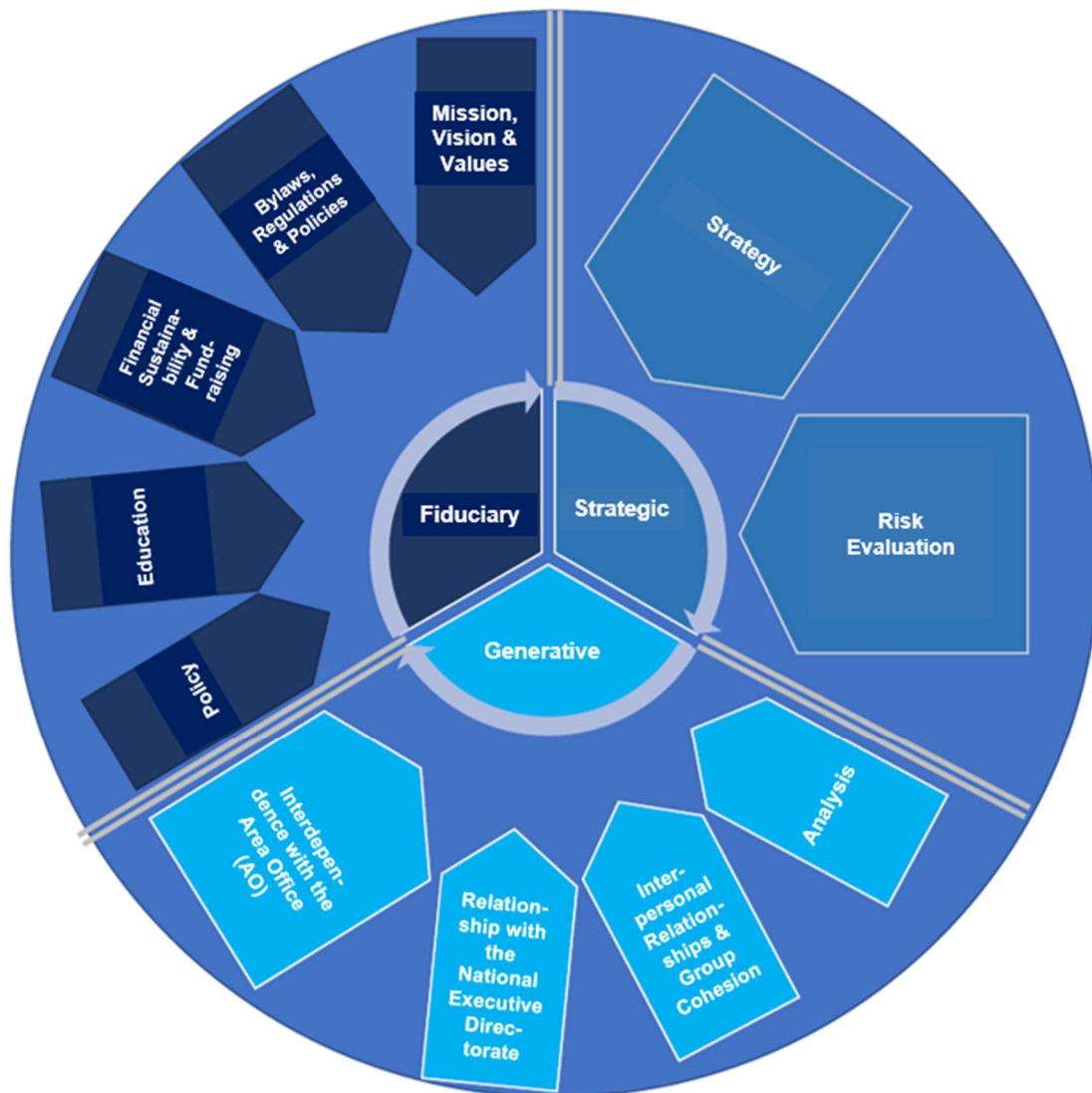
4. Ensure evaluation and capacity-building processes to increase the board's contribution to achieving the organization's objectives and mission.
5. Maintain a high level of commitment and engagement.

The Area Office (AO) team has developed a methodology to assess the progress of governance consolidation within each National Organization (NO) and across the region. This self-assessment evaluates performance⁴ based on the three modes of the theoretical framework and currently encompasses 11 dimensions and 84 items.

With this methodology, a comprehensive performance evaluation of the NO boards of directors could be conducted in the future, helping to identify areas of opportunity within each governance mode (fiduciary, strategic, and generative).

⁴ *The first applications of this tool took place by the end of the first half of 2024.*

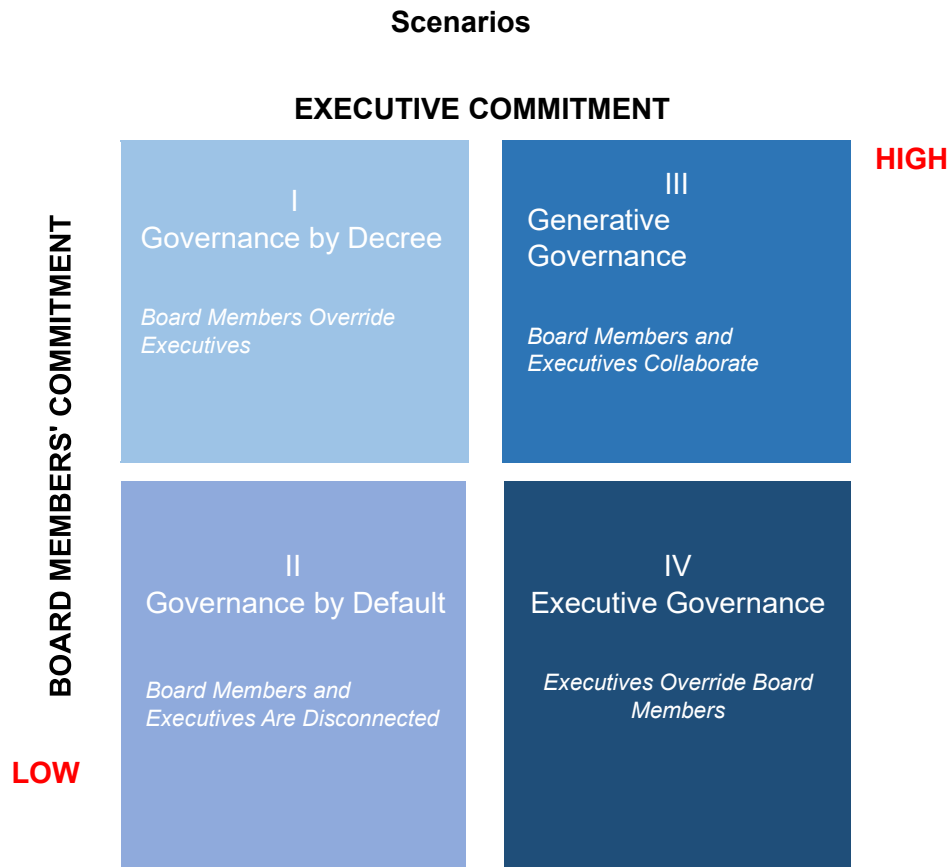
Conceptual Map for Evaluating Performance of CDNs



IV. Governance Scenarios

In *Governance as Leadership*, the authors develop a framework for governance based on two variables: (1) the level of commitment⁵ of board members and (2) the level of commitment of the executive leadership; in both cases, ranging from “low” to “high.”

⁵ In the *Governance as Leadership* model, we use the term “commitment” to describe board engagement and executive engagement, understanding that it encompasses the active participation and dedication of these groups in the governance and leadership of the organization.



This combination creates a matrix of four governance scenarios.

- **Governance by Decree:** The board controls and dictates decisions, and the executive leadership follows orders.
- **Governance by Default:** The board and executive leadership are passive, and other actors (e.g., employees, donors, etc.) take control of governance.
- **Generative Governance:** The board and executive leadership reflect and collaborate to explore new ideas and redefine the organization’s purpose with a long-term vision.
- **Executive Governance:** The executive leadership overrides the board, and a generative space develops within the executive team.

This approach serves as a valuable resource that boards and executive leadership can use as a **compass** to identify which of the four governance scenarios their organization falls into. By positioning themselves within one of these scenarios—**by decree, by default, generative, or executive**— board

members will better understand the organization's **institutional state** and evaluate whether this approach is appropriate for the current situation.

Some organizations may find themselves in a **Governance by Decree** or **Governance by Default** scenario during times of crisis when quick and centralized decision-making is necessary. It could also be appropriate when executive leadership is highly competent and requires more autonomy. Both scenarios carry risks that should be carefully assessed.

Using this **compass** will allow board members to diagnose their current position and **define the direction where they need to go**. In many cases, transitioning toward a **Generative Governance** model is recommended, as it fosters a balance between critical thinking, innovation, and operational efficiency while maintaining appropriate and strategic oversight.

This approach invites reflection and dialogue within the board of directors to assess which scenario best fits the organization's reality in a given context and how to continue evolving toward a robust and collaborative governance model. Adapting governance style to the institutional context is key to the long-term sustainability and success of the organization, and this approach provides clear guidance to facilitate reflection.