

Governance as Leadership: Understanding the Three Modes and Their Strategic Application

Governance as Leadership, by Chait, Ryan, and Taylor, challenges us to rethink the role of Boards of Directors beyond oversight and control. At the heart of their proposal lies institutional purpose, understood as both a strategic guide and a source of meaning. This approach invites boards to lead with vision, take an active role in transforming their organizations, and act consistently with the social impact they seek to achieve.

This document adopts that perspective and links it to the current challenges facing Habitat for Humanity as a global network, offering a foundation to strengthen the leadership of governing bodies through the shared purpose that unites them.

Governance Strengthening Area
HFHI Latin America and the Caribbean

Introduction: Governance as Leadership

We chose the book *Governance as Leadership* by Richard P. Chait, William P. Ryan, and Barbara E. Taylor because it invites us to deepen our reflection on the essential role that Boards of Directors play in nonprofit organizations. Throughout its pages, the book challenges traditional governance practices and urges us to reconsider the true meaning and significance of these governing bodies.

At the heart of this reflection lies the concept of purpose, understood not as a rhetorical statement, but as a strategic compass that enables the board to align itself with the impact it seeks to create in the world. The idea of *governance as leadership* begins with the recognition that governing bodies have traditionally been reduced to functions of oversight and compliance, losing sight of their potential to lead through vision, critical thinking, and the creation of collective meaning.

In this context, the authors propose a model based on three modes of governance—fiduciary, strategic, and generative—which allow organizations to address the complexity of institutional governance from complementary perspectives. These modes are not mutually exclusive; rather, they reinforce and enhance one another. Governance is not only about

control. It is also about anticipating, interpreting, and co-creating. And on that journey, the Board of Directors cannot and must not be absent.

The Three Modes of Governance

The model developed by Chait, Ryan, and Taylor identifies three coexisting modes of governance, which a board should activate depending on the nature of the issues being addressed and the organization's current institutional context.

1. Fiduciary Mode: This mode focuses on oversight, regulatory compliance, asset protection, budget control, and financial integrity. It forms the ethical and legal foundation of governance. In this mode, the Board of Directors safeguards institutional integrity by ensuring regulatory compliance, financial oversight, risk management, and reputation protection.

Key functions include:

- Approving budgets aligned with the organization's strategic direction.
- Reviewing and updating policies as required by HFHI and country regulations.
- Ensuring the timely signing of agreements such as the Affiliation Agreement, Partnership Agreement, and Memorandum of Understanding.
- Evaluating financial sustainability by supporting audits, investment oversight, and the development of resources and appropriate funding strategies.

Note: HFHI's Governance Manual highlights the *duties of loyalty, care, and obedience* as the core ethical framework of the fiduciary mode. Additionally, the National Boards of Directors (CDN) share with the National Executive Directorate (ND) the responsibility for presenting and following up on audit findings and ensuring compliance with established standards.

2. Strategic Mode: This mode involves guiding the organization toward the future. It involves not only approving strategic plans but also actively participating in their formulation, contextual analysis, priority setting, and impact monitoring.

Key functions include:

- Participating in the development of the National Strategic Plan.
- Ensuring alignment with HFHI global strategies.
- Reviewing strategic indicators and institutional performance.
- Anticipating changes in the external environment to adapt local responses accordingly.

Practice Tip: What can the National Boards of Directors (CDN, for its initials in Spanish) do today to operate strategically?

- Request performance reports linked to the Strategic Plan.
- Incorporate environmental/contextual analysis into regular meetings.
- Evaluate whether the organizational structure is adequate to fulfill the strategy.

From the Global Network: The National Affiliation Agreement and the Partnership Agreement establish a shared strategic framework. The CDNs play a key role in translating these global guidelines into relevant, context-specific actions at the national level.

3. Generative Mode: This mode reflects the CDNs' ability to address undefined or unresolved issues, formulate meaningful questions, identify emerging patterns, interpret dilemmas, and co-create meaning alongside the ND. This mode is essential for revitalizing institutional purpose and for practicing a form of governance that not only responds or reacts but actively proposes.

Key functions include:

- Formulating questions that guide collective deliberation.
- Analyzing institutional challenges from multiple perspectives.
- Co-constructing shared meaning with the National Executive Directorate (ND).
- Safeguarding organizational identity, culture, and purpose.

Practical example: Hold regular executive sessions without operational staff to discuss strategic or cultural issues freely.

Practice Tip: The CDN can ask the executive team to introduce each relevant presentation with a *“catalytic question.”* This practice encourages generative thinking.

Governance Types: Shared Leadership Quadrants

One of the most valuable contributions of the theoretical framework is the proposed typology, which is based on two variables: the level of involvement of the CDN and that of the ND. Combining these two factors results in four types of governance:

- **Executive Governance:** High engagement from the ND and low engagement from the CDN. The board becomes a passive approver.
- **Governance by Decree:** High involvement from the CDN and low involvement from the ND. This often leads to tensions or operational gridlock.
- **Governance by Default:** Low involvement from both parties. Inertia and misalignment prevail.
- **Generative Governance:** High engagement from both the CDN and the ND, characterized by shared vision and collaborative work.



This matrix allows for a realistic diagnosis of an organization's current state of governance. The goal is not to pass judgment but to understand which quadrant the organization currently occupies and whether that position supports the institutional purpose or requires

transformation. Movement between quadrants should be a conscious, strategic, and adaptive decision—not a one-size-fits-all mandate for every organization.

Six Keys for the National Executive Directorate (ND) in a Renewed Governance Model

Transforming the governance model impacts the Boards of Directors and requires a shift in mindset and practice from the National Executive Directorate (ND), which must be prepared for a new dynamic of collaboration with the board. The following are six essential principles:

- 1. No off-limit topics:** Ensure that everything can be discussed openly and confidently within the board.
- 2. Not having all the answers:** Accept that management's role is not always to have the solution but to facilitate valuable questions.
- 3. Invite dissent:** Create the conditions for differing viewpoints to emerge without perceiving them as a threat to leadership.
- 4. Share power and information:** Practice collaborative leadership by sharing data, decision-making, and visibility.
- 5. View governance as a partnership:** Welcome the board's questions not as control but as part of a shared responsibility.
- 6. Don't cling to the past or rush too far ahead:** Balance accumulated experience with a realistic perspective on the institution's pace and capacity.

This shift in perspective strengthens interdependent governance and positions the CDN and ND as **strategic partners in leading the organization.**

Theoretical Framework Expanded by Regional Practice

Habitat for Humanity's accumulated experience in Latin America and the Caribbean through governance strengthening processes confirms that the distinction between governance modes is useful not only as an analytical tool but also as an operational framework for designing work agendas, distributing responsibilities, and evaluating performance.

For example, the **fiduciary mode** translates into practices such as regularly monitoring audits, reviewing institutional policies, and assessing financial risks. The **strategic mode** is expressed through the National Boards of Directors' (CDN) ability to question the assumptions behind intervention models, prioritize underserved populations, or drive partnerships to scale impact. The **generative mode** becomes evident when the CDN engages in redefining the organization's identity in the face of new challenges or leads processes to co-create a future vision together with the ND.

The conceptual framework has also proven to be a powerful tool for training board members. It provides a clear vision and shared terminology that enhances the quality of board deliberations and strengthens commitment to the organization's mission.

Interdependence as a Cross-Cutting Principle

The HFHI network operates under principles of interdependence and mutual accountability. The CDNs play a key role in translating that interdependence into practice. How is this interdependence reflected across the three modes?

- **In the fiduciary mode:** By complying with global standards and safeguarding the shared reputation.
- **In the strategic mode:** By aligning global goals with national plans.
- **In the generative mode:** Through peer dialogue (with other CDNs and HFHI) to build shared learning.

Generative leadership makes decisions and cultivates internal and external partnerships that sustain the common mission across diverse contexts.

From the Network: HFHI promotes interdependent governance. This calls for generative capabilities to engage in synergistic dialogue to discern what should be adapted and adopted and how to translate it into our organization's specific institutional context.

Interdependence as a System: Risks and Lessons Learned

Governance within organizations that are part of global networks—such as Habitat for Humanity—adds an additional layer of complexity. In these cases, interdependence is an ethical principle and an organizational practice that demands coordination, mutual respect, shared standards, and trust.

However, when that interdependence is poorly understood or mismanaged, it can lead to serious failures. The following illustrative cases highlight this risk:

- **Oxfam (2018)**: Misconduct by field staff and institutional cover-up. Supervision and organizational culture failed.
- **World Vision (2016)**: Misappropriation of funds in conflict zones. Financial controls and oversight of local offices failed.
- **Save the Children (2018)**: Allegations of harassment were not handled transparently. Internal culture and accountability mechanisms failed.

These examples demonstrate that interdependent governance requires robust frameworks for ethics, transparency, monitoring, and learning, where each level of the organization takes responsibility for a systemic vision.

Final Reflection: Governing from Purpose

Adopting the three-mode model is not a trend or a conceptual imposition. It is an invitation to rethink the work of the Board of Directors through the lens of leadership. Leading is not only about making the right decisions—it is about asking the right questions, engaging in courageous conversations, and aligning decisions with the purpose that unites us.

When a board operates solely from the fiduciary mode, it limits its transformative potential. When it succeeds in integrating all three modes, it becomes a strategic actor that safeguards the organization and helps shape its future.



Ultimately, governance as leadership means recognizing the Board of Directors as a learning community that reflects on its actions and learns from them. As such, it requires time, training, practice, and commitment to fully realize its value.

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