Foundation Governance: leaders for strategic philanthropy and private welfare state

Abstract

This paper examines the role that effective governance plays in driving the strategies of grant-giving foundations as it relates to supporting various types of charitable and philanthropy activities of public interest. Today, foundations, are more than ever active as pivotal element of the so called “private welfare state” all around Europe and the USA. While other forms of organizations involved in philanthropy and public welfare face competition (i.e. corporations), budget constrain (i.e. governments) or fundraising imperatives (i.e. NGOs), private foundations do not feel such a pressure and can, therefore, tackle social issues that other organizations may not. Despite this privileged position, the role of governance in such non-profit organizations is far from certain. Prior literature review shows the lack of empirical analysis related to the role of governance in foundations as they attempt to shape various projects of strong public interest.

Given foundations’ unique societal role and obligations and the fiscal advantages enjoyed by them, the objective of this study was to explore the factors that that drive their decision making and resource allocation process and to examine the efficacy of their financial and nonfinancial resource allocation decisions. Using the data collected from 112 large Italian foundations, this paper studies the relationship between the governance mechanism and philanthropic strategies of private foundations. The significance of the study is based on the fact that in the non-profit sector, more than in the for-profit one, board members are called to play a strong advisory role at the top of their traditional monitoring role. In other words, active boards are expected to screen relevant public needs and to properly invest foundations’ resources in meritorious projects; while inert boards risks to pursuit private goals, camouflaged as public interest, and to dissipate resources by unconditionally financing unrelated grant requests. This paper aims to empirically examine if and how different governance attributes associate with different philanthropic strategies. The choice of Italian foundations represents an ideal research environment considering the strong reduction of governmental social spending due to the financial crisis and the simultaneous increase in the social relevance of private foundations to support social causes of significance.

Theoretical background

Because of their private nature and endowed capital, foundations face limited competitive dynamics and only partial fundraising imperatives. This freedom is foundations’ greatest strength, allowing them to address social issues other private and public actors will not. On the other side, this freedom might be associated with inadequate checks on the decision making of foundations’ leaders and inefficient allocation of their financial wealth and philanthropic spending (CEP,2007, p.2). What drives their decision making? Are they guided by strategies when making decisions about the use of their financial and non-financial resources? To what extend foundation CEO’s and program directors are supported and supervised by an appropriate governance system?

Endowed private foundations do not face resource-generation concerns or competition; by meeting a minimum payout on their wealth (often around 5%) they next invest this profit in the social arena according to their preferences, plans and needs. Good intentions alone, however, are not enough to gain the trust of the communities in which foundations operate. Competence and professionalism of foundations' leaders need to emerge as the driver of social initiative. The lack of market control matched with the foundations' qualitative goals call for a more accurate strategic planning, increased transparency in the grant-making process and higher degrees of effectiveness and efficiency indicators (Lichtsteiner & Luz, 2012, p.484). An increased us of managerial tools is today required to non-profit organizations in order to cope with increasing social scrutiny, and the starting point for the appropriate application of these tools is often individuated in a sound governance system.

Grant-giving foundations are intermediaries between the individual donors who found or fund them and the various social entities they financially supports. As such, the classical for-profit "agency problem" arises, even if with peculiar non-profit differences. Foundations' leaders are the "agents", while community stakeholders (donors as well as beneficiaries) are comparable to the corporate "principals" (shareholders). Because of this peculiar and composed "principal", foundations' CEOs and managers should be selected and supervised based on their creation social value (either welfare creation or disease reduction), in the same way private managers are entitled for the creation of shareholder value. More specifically, in creating social value foundations' managers are required to make the most effective use of scarce resources than either individual donors or the government could make. Furthermore, free from individual preferences or political pressure, foundations' manager should explore any possible solution to social diseases and compare prototyped experiences of social venture with the right scale, time horizon and managerial expertise (Porter & Kramer, 1999, p.122).

Non-profit agents behavior is thus fully comparable to corporation managers, but at the top of that, foundations' manager also face the additional complexity of spending money generally favored through tax preferences which belongs, in a sense, to the whole community. In doing so, only effective governance systems can mediate between the conflicting goals of the different principals interested in social value creation (donors, beneficiaries and community) and other agent's goals which typically add up (career planning, short-termism, consolidation of his/her own network, consolidation of the foundations' size, scope, power, financial return, etc.). Finally, because of foundations' broad community mission, agents' actions should be performed in the full interest of all major stakeholders, not only the principals, such as: employees, state, suppliers, partners, etc. Accordingly, the governance system is required to carry-on its strategic and advisory functions on agents leveraging on its independence, knowledge, experience and relying on the appropriate governing processes designed to inspire and monitor the agents' actions.

A first temptative classification of foundations' records in term of social value maximization and trustees' role (i.e. board members) was proposed by the Center for Effective Philanthropy (2007) in its publication titled "*Beyond the Rhetoric: foundation strategy"*. CEP researchers extracted from detailed interviews four categories of decision makers that range from nonstrategic to strategic, namely: "*Charitable bankers"*, foundations that describe decision making solely in terms of processes for reviewing, making or denying grants requests; "*Perpetual adjuster"*, which typically note many options for focus, decision making, activities and processes proposing uncompleted strategic frameworks; "*Partial strategists",* which define a clear decision making framework not articulating hypothesized causal connections between use of resources and goal achievement and "*Total strategy",* which use externally focused strategic framework connecting foundation resource use and goal achievement.

According to these authors, a foundation lacks in strategy when its governing and strategic processes are internally driven and looks only inward. For example, in supporting children's education, a grant-making processes is not strategic if described as "based on applications reviewed by blind reviewers and awarded with grants to facilitate collaborations". While, on the opposite side, it is more strategically driven if described as "support for improving teacher training because analysis shows that under-qualified teachers are the biggest reason why children's educational achievement is not progressing fast enough".

A clear connection between governance and strategic spending is next proposed as starting point of the right strategic attitude, when CEP states (2007, p. 5) that foundation are hungry for better data to assess foundation strategy and need to develop the key benchmarks that will help boards to measure progresses and refine strategy. And, again, when CEP proposes (2007, p. 6) to measures foundations progresses in three key areas: managing operations, optimizing governance, and setting the agenda through strategy.

Governance role is thus pivotal in linking the foundations' spending tracks (all foundations deliver grants) with an optimal strategic track (only some foundations drive grant-making strategically). Governance contribution to the creation of a sound strategy and high social value, however, is a pioneering field of research. Some authors have suggested that the innovativeness and effectiveness of foundations could depend on their governance model (Bradshaw, Hay Day, & Armstrong, 2007) and on the boards' characteristics in terms of structure, composition, and performance (Brown & Iverson, 2004; Herman & Renz, 2000; Miller-Millensen, 2003). This argument is, however, not fully developed in the existing literature on the non-profit sector, possibly because of the complexity of measures related to the organizations' value creation. It is notably difficult to measure the outcome of grant-making activities which need to be measured in term of disease reduction or well-being creation.

To fill this gap the present paper aims to address the various elements of a sound governance system and their relationship with the design of appropriate philanthropic intervention in specific social environments. By investigating the relationship between governance attributes and philanthropic spending procedures, this study tries to empirically test the following research question: is there a visible connection between philanthropic strategy and board's characteristics in grant-making foundations? And, if so, what type of changes are visible in the board's characteristic in presence of different philanthropic spending patterns?

Methodology & Results

We collected data on philanthropic spending preferences and governance practices by submitting a questionnaire to the 169 foundations (66% return rate) associated into the two principal Italian national networks: ACRI (which associates the 88 foundation of banking origins, the largest national philanthropic players) and ASSIFERO (which associates 81 grant-giving institutions of corporate, family or community origins). Preliminary versions of the questionnaire were presented to a sample of these associations for preview and suggested changes and were tested on a pilot sample of four foundations in order to standardize terms and information. Only the foundation's chair and/or the general director were invited to fill out the 38-question survey that was posted on a dedicated website. The final analysis consisted of data collected from 52 foundation of banking origin (FBO), 41 corporate or family foundations (CFF) and 19 Community Foundations (CF) on the degree of development of several strategic and governance attributes that lead to different philanthropic approaches (see appendix 1 for additional details on foundation types).

As mentioned in the above paragraph, the research question investigated in this paper aims to empirically verify the relationship between governance attributes and philanthropic spending patterns as first basic element of the overall relationship between governance effectiveness and strategic action. As such, Italy represents a good research environment for the presence of several large players – the 88 FOBs accounts for over 43 billion of assets and 2 billion of grants each year; while the 81 CFF & CF represents the best and the brightest out of a pool of over 5.000 foundations – more and more required to support the declining welfare state. The state intervention in many social areas, in fact, is being strongly reduced because of the EU sovereign debts crisis and is emerging the creation of a "private welfare system" in which foundation plays a crucial role in funding meritorious social projects able to reduce several types of social diseases: rising unemployment, aging population, decreasing educational level, deteriorating art sites, over exploited natural environments, and so on. In all these vital social areas, the state is progressively "surrendering", because of budget cuts, and only strategic oriented private foundations can invest their tax-free funds in the genuine interests of all citizens.

The questions formulated were comparable with a similar survey ran in 2004 by the Center for Effective Philanthropy titled *Foundation governance: the CEO viewpoint* and with other *likert* scales used by Payne, Benson and Finegold (2009) to measure the most relevant corporate board attributes for financial success of listed companies.

That CEP survey targeted the largest 250 foundations in the USA with a 52% return rate (129 completed surveys) and provided preliminary results, based only on CEO perspectives, about the main predictors of board effectiveness. According to this study, it is relevant to measure some drivers of good governance such as: the board capacity to support strategic oriented spending; the board involvement in assessing the foundation's overall performance; the board ability to bring thought provoking and important concerns to the attention of the CEO; a low proportion of "insiders" and "donors" seating in the board; the public relation activism of board members.

Following CEP's methodology, rather than asking CEOs whether their foundations were strategic, we first asked question designed to understand how they made funding decisions. Accordingly, we measured foundations spending track by asking to foundations' CEOs to self-asses their priority (1 low, to 5 high) in funding three possible grant-making initiatives, different in their strategic formulation – definable as the degree of hypothesized causal connections between use of resources and goal achievement - but formulated in order to appear mutually attractive for a CEOs interested in creating social value on a specific community (*Our foundation social funding priorities are*):

- unconditional grant-giving to external meritorious beneficiaries, if and when the beneficiary's activities are very likely to increase local welfare;
- donations to complex and participated projects in which the foundation invests together with others partners, if and when the project's goals are very likely to reduce some causes of social disease;
- seed capital to social ventures studied and proposed by the foundation itself, if and when the venture's plan is very likely to maximize the social outcome of each euro spent.

The above questions about spending tracks were not mutually exclusive, as such CEOs were allowed to indicate with the highest priority more than one answer. The reason being that foundations with large staff and resources might prefer to invest in all possible social directions. This methodological solution was recommended by foundations during the questionnaire's testing.

Second, we measured several "tangible" governance attributes in term of: size; scope; composition; meetings' activity, schedule and agenda; document analysed and produced; processes, procedures and tools applied for the decision making. All these elements are often mention by the "*agency theory*" literature as elements able to reduce the information asymmetry between principal (shareholders) and agent (managers) and can be certainly adopted by a non-profit foundation where principals are donors as well as beneficiaries (all interested in the foundation as institutions able to leverage on each single dollar of donation) and agents are the foundation leaders (in charge of spending each dollar better than any individual could have independently done).

Third, we merged in the final questionnaire additional questions inspired by a relevant empirical study on board's effectiveness performed on 210 companies out of the Fortune 1000 list. In this article, Payne at al. (2009) identified five attributes of high-performing board teams – knowledge, information, power, incentives and opportunity/time – and argues that these attributes can promote board effectiveness, which in turn influences corporate financial performances. Consequently, an additional set of likert scales where proposed to CEOs to measure these "intangible" attributes in their boards. All these additional attributes fit with the "*resource based theory*" which assigns a strong relevance to the so called "board capital" inside any organization and argues for the creation of "knowledge work groups" able to bring in the organization relevant and diversified talents and to merge them in the appropriate group dynamic for extracting the best possible contribute to the organizations' goals achievement.

Fourth, we included some self-assessed board's performance measures (grant variety, board members' profile variety, managerial richness, managerial approach to decision making, etc.) as measured by the CEOs' satisfaction about governance's action. These measures are emerging in the nonprofit literature as a good proxy for the evaluation of boards' performance (Fredette and Bradshaw, 2012; Lichtsteiner and Lutz, 2012).

Finally, the dataset was enriched with financial performance (total assets, total grants, board expenses, grants variety, etc.) as provided by the two national foundation networks (ACRI and ASSIFERO) who sponsored the research and administered the on-line survey among their associates; as well as with Table 1 reports the full list of the variables.

*** Table 1 – Variable list ***

Building on these methodological premises, the empirical tests performed after having collected all observations consisted in a cluster analysis. The spending tracks and governance attributes were used as basis for grouping foundations that varied in their strategic approach to philanthropy. In other words, the strategic approach is measured by selected and measurable items that portrayed the role of board members in shaping projects of strong public interest in terms of six main areas: [1] foundation's spending preference (unconditional grant-giving, complex projects, social ventures); [2] board's key activities (*ex ante* screening, *in progress* funding, *ex post* evaluation); [3] board capital (appointment procedure); [4] board membership incentives (influence and or reputation); [5] new board members' grant-making knowledge (pre-existing and start-up training) and [6] governance structure (governance bodies information). Four statistically different clusters emerged with distinct spending preferences, key activities and governance attributes (110 foundations out of 112 were correctly clustered).

*** Table 2 - Clustering ***

Cluster 1 is the largest group with 48 foundations. These foundations focus mainly on unconditional grant-giving (83% priority), even if they do not refuse to get involved with complex project (67%), while they are not open to experiment social ventures (0%). Accordingly to their priorities, the main activities are related to the *ex ante* screening of beneficiaries (80%) matched with some *ex post* control (20%). *Ex post* control, however, is not statistically different across clusters. In selecting their board capital, cluster 1 does not pre-define needed profiles and foundations prefer visible (99%) and political profiles (75%). In running the board activities, these foundations rely on trustees' pre-existing grant-making knowledge (99%) and do not offer any specific training after the appointment in the board (0%). Their boards are fairly large (>8 members) and always supported by an executive committee, a control committee as well as, on average, two other additional committees (either nomination, scientific, ethical, etc.).

Cluster 2 presents a mixed situation in which all spending tracks seem to be mutually preferred (around 60% priority) and activities are equally distributed (around 30 to 40% each). Some foundations profiled the researched board member (26%) but, on average, they still prefer politician or other highly visible people. This group (23 foundations) records the highest score in term of training activities for new board members (17%).

Foundations belonging to Cluster 3 (19) have a visible preference toward complex projects (75%) but they do not neglect the two other spending tracks (respectively 52% for unconditional grant-giving and 71% for social ventures). Accordingly, they are more inclined toward the pre-profiling of new board's members and prefer people with outstanding business records (59%, the highest score across all clusters). In supporting these complex projects they show, on average, the highest number of supporting committees inside the board (2.32).

Finally, cluster 4, 19 foundations, records the strongest preference for social ventures initiatives (74%), the largest board commitment for the *in progress* activities (running the ventures), the highest interest in pre-profiling new board members (58%) and in appointing people with proved grant-making expertise (84%). These foundations show the highest incentive in term of power of influence and reputation for their members (respectively 40% and 59%) and they are often required to report about their progresses to the annual meeting of the main foundation's founders (shareholders).

While it appears clear that the four cluster are different in their overall philanthropic approach and governance attributes, further analysis on their actual performances is needed in order to better investigate if we are really observing different strategic approaches. In particular, only the analysis of their board performance and financial performance can help in understanding the presence of an hypothesized causal connections between use of resources and goal achievement. In order to asses such differences, the cluster classification was next used to perform and ANOVA analysis on self-assessed board performance's measures (level of heterogenic composition of boards; level of managerial tool adoption; planning relevance; project managing relevance; project screening relevance; project monitoring relevance; business planning relevance; benchmarking relevance) and actual financial performance (assets; grants; board expenses).

The foundations belonging to different clusters showed statistically significant variances at all performance levels.

*** Table 3 – Board Performances ***

Cluster 1 foundations assigned the largest relevance to long term planning (99%), followed by screening (75%) and monitoring relevance (75%). Interesting enough, all other managerial performance measures are strongly neglected (three of them show a 0% relevance across all foundations belonging to this cluster: project's development, business planning and benchmarking). Thus, matching data in table 2 and 3, one can observe a strong connections between unconditional *grants* preference and classical *ex ante* managerial tools. This cluster partially fits with the "*charitable bankers*" category discussed in the literature review: foundations that focus on processes for reviewing, making, or denying individual grant requests, rather than implementing a feedback driven strategy.

Cluster 2 foundations assigned the largest relevance to developing processes (63%) while all other managerial measures are adopted but rarely with strong relevance (in all cases below 50%). The picture portrayed by data for this cluster shows foundations active in all philanthropic arenas with a strong managerial focus on daily operations. As such, they fit well with the "*perpetual adjuster*" category: foundations which use strategy very infrequently, mentioning processes they use for review and revise decision making, with little or no interest in increasing their options for strategic planning.

Cluster 3 foundations matched their preference for complex projects (as reported in table 2) with the largest use (52%) of the most common managerial tools (budget, scorecard, HR planning, etc.); a strong relevance of projects' development (57%); and the largest relevance (33%), across clusters, for the benchmarking of their performances and actions with similar foundations. As such, this group fits well with the "*partial strategist*" category, where CEOs perceive the connections between resources and goals and use at least some managerial frameworks to drive their decisions. However, the strong focus on daily operations and the choice of the simplest managerial framework (benchmarking) very likely preclude them to articulate detailed hypothesized casual connections between the use of resources and goal achievement.

Cluster 4 foundations, finally, matched the most challenging philanthropic activity (social ventures) with the most advanced managerial practice: business planning (28% the highest score among clusters) as well as projects' development (61%) and other classical managerial tools (budget, scorecard, HR planning, etc.). As such, this group partially fits, better than all others, with the "*total strategist*" category, even if some of the other board performance's measures are still under focused.

The showed data are portraying a clusterization that partially supports the theoretical framework discussed by CEP (2007) for the main USA foundations. This result represents a first contribution of this paper, our research confirms the overall validity of CEPs' research framework in a different country environment and the role of selected governance attributes in pushing foundations toward one category or the other. To better support this first contribution, however, we next analysed how the four categories performed in term of financial outputs. The assumption being that more sophisticated governance and more strategic approach should reflect in better financials.

*** Table 4 – Financial Performances ***

Italian "*Charitable bankers*" are, on average, the smallest foundations in term of assets (7.2 millions). Their limited dimension probably forces them to not remunerate boards' trustees and to adopt more simple strategic processes. However, they tend to focus only on some specific social areas when approving grants (their variety index is only 2.9) and, accordingly, show a good degree of concentration of their limited resources. Many of them are also very active in fundraising, and the good results of this activity compensate for the little or almost zero assets, in fact, on average, each year they distribute grants over and above their assets (370%) by raising additional money for their sponsored programs.

"*Perpetual adjusters*" are the second largest cluster in term of average assets (391 millions). Their relevant dimension explains their broadness in philanthropic scopes and activities. The larger foundations belonging to this cluster - which happen to be among the largest in the sample as well - however, record very limited grants expenses (9.9 millions, as average). Accordingly, "*perpetual adjuster*" seem to be large foundations is search of a clear mission and a better strategic planning.

"*Partial strategists*" are, on average, the largest foundations (976 millions) and grant-makers (27.3 millions each on average) of the sample. They also record the largest grant variety (7.6 social areas). However, their capacity of spending and creating social capital could be much larger, and their low index of grant over assets (4% on average, the lowest among all clusters) shows a missed opportunity.

“*Total strategists*”, finally, are the second smaller group in term of assets (342 millions), but they show the best ratio of grants over assets (19%) and a good productivity of their board members, which total cost is only 9% of their grants.

Discussion

The clusters that emerged from our analysis were largely consistent with the four strategic approaches proposed by the renowned Center For Effective Philanthropy. Our analysis also showed that these categories are related to selected governance attributes and to the relevance of the relationship between the foundation’s resources and goal achievement. While foundations sharing characteristics of “*charitable bankers*” and “*perpetual adjuster*” showed simpler governance attributes and a stronger preference for unconditional grant-making intervention; foundations sharing the characteristics of “*partial strategists*” and “*total strategists*” had more complex governance attributes and provided higher levels of managerial project support.

Results also show that higher board capital and more elaborate and complex operative processes were associated with foundations’ preference toward the development of complex social projects, such as the launch of operational partnerships with external third agents and other local institutions for the relief of specific social needs (better education, better health care, better art management and so on). On the contrary, absence of elaborate governance attributes associated with a stronger preference toward unconditional grant-giving and charitable donations.

In addition, the four clusters also differed in terms of their performance as related to extent of assets, grants and grant variety. Taken together, these results provide support for the view that a governance system with extended board capital and elaborate board processes is associated with a more sophisticated strategic approach and better financial results.

In confirming the CEP theoretical framework, this study highlighted some additional elements of discussion, which are probably the result of its application outside the USA borders. Italian “*charitable bankers*” are the smallest foundation in the national context, but they are also very active in formal long term planning and fundraising. As such, we can observe a better connection between limited resources and limited strategic action which partially opposes the “nonstrategic” definition adopted by the USA researchers. Given their size constraint and their founding preference for the unconditional grant-giving - it is often written in the founding document that they will focus mainly on unconditional grant-giving - one could argue that they are managing their mission at their best level, despite the fact that they do not adopt a detailed strategic framework: long run planning matched with fundraising is the only possible strategic framework given their dimensional limits. But detailed strategic planning is not impossible in small size organizations. Thus, these organizations could certainly build a better strategic case moving from a simplier “fundraising and spending” model to a more articulated one: “goals’ definition, projects outline, fundraising, spending and monitoring” which is currently far from their daily operations.

Assessment, for example, is not a priority at all for these foundations, and it represents the first area of possible strategic improvement.

"*Perpetual adjusters*" seems to be the most critical category in the Italian context. Their large size allows them to focus with appropriate resources to strategic planning techniques. But they extract very little value out of this attitude and, as a result of that, they seems to be "money in search of scope". These foundations frequently add more programs, communities, grantee types, and decision-making frameworks to their work, yet rarely remove anything. The high presence of politicians in their decision making rooms do not help in solving this issues; a "scope" for the money is, ultimately, always found, but with little or no connection with the strategic exercise performed by its professional managers. Looking at data, boards are very likely to use foundations as ATM machines for their personal or group interests. They frequently take their cues from stakeholders and worry about being perceived as arrogant, especially in any attempts to say "no" to anybody as a consequence of their being strategically oriented.

"*Partial strategists*" leverage on their large size better than "*perpetual adjuster*" by adding more business exposure and expertise to their large boards. This stronger managerial attitude - both in the decision making rooms and in the operational lines - helps the convergence of CEOs and program officers on the importance of strategy and their use of it in their daily work. However, large endowed private foundations do not face resource-generation concerns or competition, and so there is no external imperative that compels the development of implementation of a strong strategy. Data are there to show how these foundations are consistently under-playing their strategic approach, by missing in clarity of focus and effective philanthropic spending.

Last but not least, Italian "*total strategists*" are far from an optimal implementation of their strategic profile. They have understood that strategy is necessary to maximize their impact, but their hypothesized casual connection between use of foundations resources and goal achievement can often be improved. The external context in which the foundation works changes rapidly (more and more with the financial crisis) and Italian "*total strategists*" lack in flexibility and "time to market" because of a superficial and not completed adoption of the most common strategic tools (which are often present on the paper, but not necessarily absorbed by all organizational levels). These foundations' boards include checks and balances in their operations to ensure a better connection between goal and strategies, but it is still difficult for them to exit some projects and long term grants based on analysis of the collected performance data.

Relevance and implication for research and policy/practice

While this paper investigated the relationship between governance and philanthropic strategy – an aspect seldom examined by previous researchers – there are limitations associated with the sample and data collection techniques that would qualify the findings of this study as exploratory in nature. The main limits are: the subjectivity involved in data collection; the characteristics of the sample, and the potential same source bias in the data collected for philanthropic strategy and governance attributes. Future research may examine this topic by relying on archival data as well as survey data, and by including in the sample other types of foundations. Despite these limitations, however, this study marks an early effort in investigating the relationship between charitable foundations' governance mechanism and their approach to philanthropy. Such an investigation is the first step towards facilitating the transition of the governance bodies of charitable foundations from the traditional monitoring role to a more challenging advisory role. Looking at the proposed strategic categories a key question still remain partially unanswered: How do foundations leaders move from one category to another?

By providing an initial portfolio of possible strategic profiles and governance attributes, this papers show to large private foundations' leaders how to optimize their decision making by encouraging the adoption of strategic planning tool and procedures for creating larger external impact. Strategy development is primarily analytical and relies heavily on data about the external context in which the foundation operates. Strategic foundations assess more frequently than any other category, and their board are often involved. They interact with stakeholders and communities with the goal of creating feedback loops to refine their strategy. Discussing our results, foundations' boards can thus move toward a more strategic approach by facilitating a foundationwide conversation about current decision-making styles and aspirations for the future.

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Table 1 – Variables' List

Variable	Definition	Measure
	Spending preferences	
UNC_Giving	Unconditional grant-giving: funding of meritorious third entities	Likert 1 to 5
CMPL_Project	Complex projects: funding of complex networks	Likert 1 to 5
SOC_Venture	Social Ventures: seed capital for foundations' initiatives	Likert 1 to 5
	Key Activities	
Ex_Ante	Planning and screening	0 to 100%
In_Progress	Funding and running	0 to 100%
Ex_post	Monitoring and control	0 to 100%
	Board Capital	
Profile_def	Definition of researched profile before CV analysis	Likert 1 to 5
Visibility	Relevance of public visibility selecting a new board member	Likert 1 to 5
Political	Relevance of political connection selecting a new b. member	Likert 1 to 5
Business	Relevance of business success selecting a new b. member	Likert 1 to 5
Competence	Relevance of grant-making competence selecting a new b.m.	Likert 1 to 5
	Board membership Incentives	
Influence	Level of influence of new board members on spending tracks	Likert 1 to 5
Reputation	Increase of individual reputation after nomination	Likert 1 to 5
	New board members' grant-making knowledge	
Existing_Know	Level of knowledge about foundation of new board members	Likert 1 to 5
Training	Level of internal training for new board members	Likert 1 to 5
	Governance Structure	
Board_#	Number of board members	Actual #
Shareholder	Presence of shareholder annual meeting	1 or 0
Exec_com	Presence of executive committees	1 or 0
Control_com	Presence of audit committee	1 or 0
Other_com_#	Presence of other committees	Actual #
	Governance performance measures	
Board_com	Presence of diversified competencies in the board	Likert 1 to 7
Board_mgm	Large use of managerial tools (budget, scorecards, HR, etc.)	Likert 1 to 5
Planning_rel	Relevance of long run planning in boards' agenda	Likert 1 to 5
Screening_rel	Relevance of projects' screening	Likert 1 to 5
Develop_rel	Relevance of projects' development	Likert 1 to 5
Monitor_rel	Relevance of projects' monitoring	Likert 1 to 5
BP_rel	Relevance of business planning	Likert 1 to 5
Bench_rel	Relevance of benchmarking with other foundations	Likert 1 to 5
	Foundations' financial performance	
Assets	Foundations' total assets at last dec. 31st	Actual €
Grants	Foundation's total grants at last dec. 31st	Actual €
B_Expenses	Foundation's board expenses at last dec. 31st	Actual €
Grant_var	Number of social areas in which the foundation invested	Actual #
GR_ov_Ass	Total Grant over Total Assets	%
Bex_ov_Ass	Board Expenses over Total Assets	%
Bex_ov_Grant	Board Expenses over Total Grants	%

Table 2 – Clusters

Variables	*Cluster 1*	*Cluster 2*	*Cluster 3*	*Cluster 4*	*p-value*
# of foundations	**48**	23	19	20	.000 ***
			Spending preferences		
UNC_Giving	**.83**	.68	.52	.54	.000 ***
CMPL_Project	.67	.62	**.75**	.71	.347
SOC_Venture	.00	.65	.71	**.74**	.000 ***
			Foundations' Key Activities		
Ex_Ante	**.80**	.36	.39	.39	.000 ***
In_Progress	.00	.40	.34	**.43**	.000 ***
Ex_post	.20	.23	.24	.18	.092
			Board Capital		
Profile_def	.00	.26	.21	**.58**	.000 ***
Visibility	**.99**	.65	.49	.50	.000 ***
Political	**.75**	.64	.57	.51	.000 ***
Business	.00	.49	**.59**	.48	.000 ***
Competence	.50	.52	.66	**.84**	.000 ***
			Board membership Incentives		
Influence	.00	.25	.32	**.40**	.000 ***
Reputation	.39	.57	.47	**.59**	.01 **
			New board members' grant-making knowledge		
Existing_Know	**.99**	.23	.40	.56	.000 ***
Training	.00	**.17**	.14	.15	.01 **
			Governance Structure		
Board_#	8.81	6.00	8.00	7.45	.059
Shareholder	.00	.00	.32	**.82**	.000 ***
Exec_com	**.99**	.09	.05	.00	.000 ***
Control_com	.99	.78	.95	.95	.01 **
Other_com_#	2.00	.26	**2.32**	1.45	.000 ***

In running the analysis many collected variables have been standardized between 0 and 1 with the following formula: (observed score - minimum observed score) / (max score – min score)

Table 3 – Clusters' board performance and strategic classification

Board perf. measures	*Cluster 1*	*Cluster 2*	*Cluster 3*	*Cluster 4*	*p-value*
Board_com	.43	.47	.47	.39	.571
Board_mgm	.30	.44	**.52**	.50	.000 ***
Planning_rel	**.99**	.46	.41	.44	.000 ***
Screening_rel	**.75**	.35	.33	.36	.000 ***
Develop_rel	.00	**.63**	.57	.61	.000 ***
Monitor_rel	**.50**	.18	.46	.39	.000 ***
BP_rel	.00	.21	.24	**.28**	.000 ***
Bench_rel	.00	.17	**.33**	.25	.000 ***
Fit with literature	**Charitable bankers**	**Perpetual adjuster**	**Partial Strategist**	**Total Strategist**	

Table 4 – Clusters' financial performance

Board perf. measures	*Cluster 1*	*Cluster 2*	*Cluster 3*	*Cluster 4*	*p-value*
	Charitable bankers	**Perpetual adjuster**	**Partial Strategist**	**Total Strategist**	
Assets (mil €)	7.2	390.9	976.1	342.6	.006
Grants (mil €)	0.9	9.9	27.3	8.3	.005 *
B_Exp (mil €)	0.0	0.4	**0.6**	0.3	.000 ***
Grant_var (#)	2.9	7.4	**7.6**	7.3	.000 ***
GR_ov_Ass (%)	3.7	0.17	0.04	0.19	.000 ***
Bex_ov_Grant (%)	0.0	0.10	0.08	0.09	.000 ***

Appendix 1 – Foundation types

Foundations of Banking Origin (FOB) are Italian non-profit, private and autonomous entities which engage solely in socially-oriented and economic development undertakings. They are 88 and they have substantial resources available, which are deployed in diversified, prudent and profitable investments. They use the income generated by the careful management of these investments to accomplish their institutional purpose, which is to provide support to various collective-interest sectors (art and culture, education, research, support to the underprivileged, local community development, etc…) through projects implemented both directly and exclusively by private or public non-profit entities.

Corporate or family foundations (CFF) is a non-governmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes. A private foundation derives its money from a family, an individual, or a corporation. Examples of corporate foundations in the USA are: Gates Foundation, Packard foundation, Ford foundation, ecc.; in Italy: Barilla foundation, Enel foundation, Marzotto foundation, ecc.

Community foundations (CF) are tax-exempt charitable organizations created by and for the people of our communities throughout the country. We enable people with philanthropic interests to easily and effectively support the issues they care about — immediately, or through their wills. Donors can establish a charitable fund at the foundation by contributing a variety of assets and may also recommend grants — in their name, if they choose — to nonprofit groups they want to support. Community foundations provide personalized service, helping individuals, families, businesses, and nonprofit organizations achieve their charitable and financial goals by offering tools and resources that make giving easy, flexible, and effective. Donors can create personal legacies via named funds, teaching future generations the value of giving back. We offer involvement in recommending (to community foundation boards of directors) uses of a gift, while providing the option to give anonymously.