

Research Priorities: Research Agenda: Part II

A key objective of the EFC European Union Research Task Force is to promote better knowledge and visibility of foundations and their activities in Europe. The Task Force has drawn up a “Research Agenda”, which aims to serve as a road map to identify a series of research topics that should be addressed and key data to collect on the foundation community.

Part two of the Research Agenda aims to document Foundations’ Frameworks & Impact by developing some Information Notes. The objective is to provide some generic answers on a selected number of priority areas of information for which qualitative data (rather than hard data) would be compiled, identifying trends and patterns where possible.

Six information notes are currently available on the EFC website about foundations’ investment and income, cooperation among foundations, foundations’ cooperation with corporations, and with public authorities, foundations’ founders and foundations cooperation with non-profit organisations – see ‘foundations’ practices and operating frameworks’: <http://www.efc.be/projects/eu/research/default.htm>

In its meeting of October 2006, the Task Force agreed on the preparation of an information note on “who runs foundations” by compiling resources available at the EFC in the field. This note outlines governance and management structures of public benefit foundations in some European countries and provides selected documentary references.

Who runs foundations?

The regulations governing the foundation sector differ among the various European countries, due to the many cultures, traditions and different political environments. The definition and use of the term “foundation” itself is different from one country to the other. Public benefit foundations however share common features. The EFC defines them as follows: *Are separately constituted non-profit bodies with their own governing board and with their own reliable source of income whether or not exclusively from an endowment. They have been irrevocably attributed goods, rights and resources for the performance of work and support for public benefit purposes, either by supporting associations, institutions or individuals or by operating their own programmes. Foundations have no members. Public benefit foundations may be established for a limited period, but assets given over for public benefit purposes for such foundations may not revert to private ownership.* The largest part of public benefit foundations is made up of independent foundations which have autonomous power of decision. Foundations are recognized as legal persons who reach their public benefit objective in accordance with the principle of corporate governance: transparency, openness and responsibility. This means that foundations need to pay attention to their governance and organisational structures as well as to their human resources.

1. Governance - Foundations’ boards

Governance provides the foundation with a mission statement; a sense of purpose and direction; policies to cover operations and grantmaking; and the wherewithal to accomplish the job. Unlike many other non-profit organisations, foundations do not have members¹. Instead, they are governed by a board of directors, which has to ensure that the foundation’s resources are being used for legally acceptable public purposes and for fulfilling its mission according to its stated purpose. While the exact structure and name for this body may vary from one European country to another, all of them provide for its authority.

⇒ Role of the board

The board’s fundamental responsibilities are ensuring the compliance of the foundation with the law and the organisation bylaws; to determine and monitor the foundation’s programmes and policies, checking if they are consistent with the stated mission and purposes as well as the foundation’s resources. Other responsibilities include²: to ensure that financial resources of the foundation are managed effectively and

¹ In non-profit organisations like associations, the most important decisions are often made by the membership assembly.

² Ten basic responsibilities of nonprofit boards / Richard T. Ingram. - 10th. - Washington, DC : National Center for Nonprofit Boards, 1995. - 22 p. - (NCNB Governance Series Booklet).

properly; to ensure that the foundation has a regularly updated mission statement; to select new board members; to select the Chief Executive, to support his/her work and evaluate his/her performance; to ensure effective strategic and organisational planning; to enhance the foundation's public image by, among other strategies, having a board member, most often the chair, be the foundation's spokesperson; and to assess its own performance as a foundation's board. That supervisory function requires a broad knowledge of the foundation's financial and programme operations.

⇒ **Board setting-up**

Everywhere in Europe, setting up a foundation requires the drafting of a deed of constitution and governing documents (called 'statutes' or 'bylaws'). Either the deed or the statutes must contain the rules under which the foundation will be governed³. However, the relevant laws in European countries contain very few requirements with respect to a foundation's internal governance.

⇒ **Board composition**

In Austria as well as in Switzerland, the minimum size of the board is one person. In Italy, at least two members must serve on the governing board (i.e. the president and another person). The Spanish law⁴ requires a minimum of three board members. The French law is an exception to the recognition of the founder's will since a maximum of 12 members is permitted for the board⁵. In short, a single board or council usually governs foundations, and most countries allow the board to be composed of a single member⁶.

The rules regarding the renewal of the board, which have to be defined within the statutes, could be different according to the type and size of the foundation. For small foundations, the time-consuming task of identifying new members and the disruption to board continuity may present costs that far outweigh the benefits gained from a regular renewal of the governing body. Conversely, for a large foundation, terms and mandatory retirement ages may be essential for long-term institutional effectiveness.

⇒ **Board member remuneration**

In some countries, like Ireland, payment of fees and/or salaries is prohibited. Generally, with very few exceptions, board members are volunteers and may have, but not always, their expenses reimbursed. Board member compensation and the amount thereof are often related to the size and activities of the foundation. Compensation is considered as appropriate, as long as it is reasonable and bears a relationship to services rendered.

⇒ **Board member profiles**

The type⁷ and the size of foundation also have an impact on the member profiles of the board. For example, in the case of an independent family-controlled foundation, family members or descendants of the donor(s) comprise the majority of positions on the governing board. This is not the case of other independent foundations in which the majority of directors/trustees have no relation to the donor(s) family. For community foundations, it is very helpful to be governed by a board that is representative of the whole community. Within the governing boards of corporate foundations, the majority of directors/trustees are often (retired) employees or board members from the donor company. When the foundation is governmentally linked, key positions on the governing board are determined by a governmental body.

The profiles of board members will also depend on the activities of the foundation. While they do not have to be experts in every area of interest, a certain level of knowledge and understanding is essential in some cases. For example, it would be irresponsible to allow a foundation devoted to medical research to operate without board members possessing the ability to judge the need for, and quality of, its work. In the same line, if a foundation is focused on public policy, the presence of respected politicians on its board will add credibility to its work. A board also needs people with competency in foundation management, especially few members to serve on audit committees or other specialised board bodies that ensure the wise deployment of foundation resources.

2. Other Governance Structures: Committees

³ The deed usually expresses the donor's will to establish a foundation. In providing for the endowment and the appointment of directors, the statutes are a more detailed document setting out the internal organisation and governance of the foundation.

⁴ Spanish Foundation Act 50/2002 states in Article 15

⁵ Art. 3 of the model statute of the Conseil d'Etat.

⁶ See EFC Foundations' Legal and Fiscal Country Profiles: http://www.efc.be/projects/eu/legal/country_profiles.asp

⁷ See EFC Typology of foundations in Europe: <http://www.efc.be/ftp/public/EU/EURweb/EFCtypology.pdf>

Foundations' boards can delegate some authority to specialised committees. The need for committees is linked with the scope of a foundation's operations. For example, large boards or boards that rarely meet may decide to appoint an executive committee with authority to make major decisions between regular board meetings and to oversee top management. As a foundation grows in size, an investment committee may be necessary in order to provide adequate monitoring of the foundation's financial health. Some other committees can be created such as an audit committee to oversee the accounting and financial processes or a grant committee that decides on the allocation of grant funding. In some cases, a governance or supervisory committee could also be created for overseeing the work of the board, developing standards and criteria for the operation of the board, board committees, and individual members.

3. Management – Human Resources

Management staff implements the mission statement, runs the organisation on a day to day basis and ensures that operations are in line with the policy directives. As a consequence, many internal and external factors can determine the size, shape and nature of a foundation's human resources. They include the foundation's size, mission (multipurpose or subject specific) and strategic choices (operating or/and grant-making working method)

⇒ Foundation Staff Profiles

Foundations' human resources can include not only staff but also volunteers, consultants and board members as explained above. For example, in Germany, small foundations with limited assets are often staffed by trustees.⁸ In the long term, however, such a strategy is only possible for small foundations with a limited range of interests. Once programme areas become diverse or the foundation's structure becomes more complex, professional staff is needed. This is an increasing trend in the European foundation sector.

Foundations face a long list of options regarding size and qualifications of their staff. The scale can range from a single professional programme manager to organisations of several hundred staff members. Foundations may require four types of staff members: financial experts, administration experts, programme experts and communication talents. Most programme officers are academically trained individuals who have had research or other working experience before joining the foundation. They may need scientific, medical, political, economic or other knowledge and they must be able to apply this to the particular task of managing knowledge rather than researching it.

⇒ Number of employees

Little statistical data regarding the European foundations' staff number and profiles have been gathered⁹. The EFC Research Task Force 2003 survey of foundations in EU countries indicated that in 7 EU countries, namely Belgium, Finland, France, Germany, Italy, the Netherlands and Spain, over 10,500 foundations surveyed were found to employ some 185,700 people, which equates to an average of 18 employees per foundation. This may, however, cover variations between foundations with over 100 staff members and those who employ less than 5. Such diversity in employment can be found in Belgium. The country has an average of 62 employees per foundation though the median average is 1 staff member per foundation and few Belgian foundations have over 100 - 500 personnel.

⇒ Gender issue

Little data is available at the European level on staff profiles and gender balance. Findings from national surveys have shown that women often form the majority of foundations' staff. This is the case in France where 70% of the staff in French foundations is women¹⁰. In a Danish study¹¹, 21% of board members were women. In the administrations; the percentage of women is three times as high at 65%. About half of

⁸ Foundations in Europe : society, management and law / Andreas Schlüter, Volker Then, Peter Walkenhorst (Ed.). - London : The Directory of Social Change ; Gütersloh : Bertelsmann Foundation ; Kent : Charities Aid Foundation (CAF), 2001, p 435, p 463.

⁹ In Charity trends 2006 : the definitive annual income survey of the major fundraising charities / Cathy Pharoah, Catherine Walker, Liz Goodey. - Kent : Charities Aid Foundation (CAF), 2006, p 174, the following information can be found:

Results for the Top 500 Trusts 2004/05: there has been a small growth in the number of employees and the growth in the value of total employee costs reflects this. Among the 192 top trusts which have been surveyed, there is an average of 29 employees by trust, which is 4% more than the previous year.

¹⁰ Enquête nationale auprès des fondations / Odile de Laurens (Ed.). - Paris : Fondation de France, 2005, p 39. http://www.fdf.org/download/2005_etude_fondations.pdf

¹¹ Foundations in Europe : Denmark / Ulla Habermann. - Copenhagen : Institute of Exercise and Sport Sciences. University of Copenhagen, 2004, p 58. <http://www.ifi.ku.dk/download/?id=30&type=pdf>

the administrative directors are women. Similarities to other voluntary organisations are striking. In Denmark, it seems that women relatively rarely take up positions as board members in voluntary organisations. This observation seems to be also valid among the EFC members¹².

⇒ **Staff remuneration**

Few surveys have been carried out regarding the remuneration of foundation staff. A recent study in UK outlines that 4, 4% of staff employed by the Top 500 trusts earn more than £50.000 per annum, and this proportion has remained static from 2003/4. The average 'top salary' in the Top 500 trusts is £86.000 per annum. This has increased substantially (by 16% in real-terms) between 2003/04 and 2004/05.¹³

⇒ **Volunteers**

The degree to which volunteers are involved in a foundation largely depends upon the type of foundation, its assets and its annual expenditure. In all the cases, the reason for including volunteers in philanthropy are the following¹⁴ : they provide expertise which a foundation could not afford on a professional basis; the contribution of expertise is only needed for a limited period during the year, but the need is regular; a large number of people are required to process applications (often the case for foundations which award prizes)

The survey conducted by the EFC Research Task Force in 2003 confirms that volunteering is an important feature of the foundation sector. It covers a variety of people involved in the foundation, who participate without material or financial remuneration in the boards of directors of foundations, evaluation committees and in some cases fundraising activities. Some 10,000 foundations surveyed by the EFC Research Task Force in 6 EU countries, involved some 144,500 volunteers working for foundations, thus an average of 14 volunteers per foundation. The situation in the Netherlands is quite specific where some 900,000 volunteers are involved in door-to-door collections!

⇒ **External Experts/Consultants**

Foundations also work frequently with the support of independent experts/external consultants. Contributions to the running of existing foundations can consist of expertise that is lacking in-house: specific knowledge, evaluation, communications, personnel recruitment, new venture designs, restructuring foundation programmes or simply providing an outside view to help with decision making.

¹² Foundations and gender : are European women facing a glass ceiling? In Alliance, vol. 11, Nr. 4 (December 2006), p 39.

¹³ Charity trends 2006 : the definitive annual income survey of the major fundraising charities / Cathy Pharoah, Catherine Walker, Liz Goodey. - Kent : Charities Aid Foundation (CAF), 2006, p 175.

¹⁴ Foundations in Europe : society, management and law / Andreas Schlüter, Volker Then, Peter Walkenhorst (Ed.). - London : The Directory of Social Change ; Gütersloh : Bertelsmann Foundation ; Kent : Charities Aid Foundation (CAF), 2001, p 464.

4. Selected bibliography – Who runs foundations

Charity trends 2006 : the definitive annual income survey of the major fundraising charities / Cathy Pharoah, Catherine Walker, Liz Goodey. - Kent : Charities Aid Foundation (CAF), 2006. - 206 p.
ISBN: 1904964257

This is an annual guide to UK fundraising charities' income and expenditure. Examining the finances of the top 500 fundraising charities in detail, it also provides long-term trend data on the top 1000 fundraising charities, which represent just over half of all donated income. It also provides details on the main sources of voluntary income, the top 500 charitable grant-makers and corporate donors, and tax-efficient individual giving.

For information: <http://www.cafonline.org/research/default.cfm>

Enquête nationale auprès des fondations / Odile de Laurens (Ed.). - Paris : Fondation de France, 2005. - 48 p.
ISBN: 2914404190

This report presents a survey carried out by 'l'Observatoire de la générosité et du mécénat' in cooperation with 'le Bureau des groupements et associations du ministère de l'Intérieur' and with the support of Viviane Tchernonog, researcher at the CNRS (French National Centre for Scientific Research). It presents data on the foundation sector in France, providing a picture of its size, scope and structure. A short bibliography and a comparison of the French data with statistics from nine other European countries are included.

http://www.fdf.org/download/2005_etude_fondations.pdf

For information: http://www.fondationdefrance.net/jsp/site/Portal.jsp?article_id=113&portlet_id=1468

The source : twelve principles of governance that power exceptional boards. - Washington, DC : The Board Source, 2005.
ISBN: 1586860925

Exceptional boards add significant value to their organisations, making discernible differences in advancing their missions. This book studies how a board rises to this level, defining governance not as a dry, obligatory compliance, but as a creative and collaborative process that supports chief executives, engages board members, and furthers the causes they all serve. This publication aims at helping non-profit boards make the best of their collective capacities.

For information: http://www.boardsource.org/Bookstore.asp?category_id=25&Item=171

For information: <http://www.boardsource.org>

Foundations in Europe : Denmark / Ulla Habermann. - Copenhagen : Institute of Exercise and Sport Sciences. University of Copenhagen, 2004. - 100 p.

Based on empirical data from Danish foundations, this report aims at evaluating the roles and the visions of foundations, and questioning the statutes of foundations in a European context. It also considers emerging issues linked to internal governance or new government policies. Includes case-studies summaries from Danish foundations.

<http://www.ifi.ku.dk/download/?id=30&type=pdf>

For information: <http://www.ifi.ku.dk/ifi/site1872.asp?publikationID=45>

For information: <http://www.ifi.ku.dk/english/>

Handbuch Stiftungen : ziele - projekte - management - rechtliche gestaltung / Bertelsmann Stiftung. - 2nd ed. - Wiesbaden : Gabler, 2003. - 1041 p.
ISBN: 3409198967

This handbook provides information, concepts and hands-on advice for establishing and managing a foundation successfully. National and international experts deal with topics ranging from a foundation's role in society, foundation management and organisation, project selection and management, to legal framework and state control. This book is suitable reading for people active in the field of foundations as well as companies, lawyers, and those who have a general interest in the work of foundations. Bibliographies are included.

For information: <http://www.bertelsmann-stiftung.de/>

Boards that work : a guide for charity trustees / David Fishel. - 1st ed. - London : Directory of Social Change, 2003. - 328 p.
ISBN: 1903991161

The underlying principles of boards of directors and management committees are the focus of this book. Based on case studies and interviews with board members and chief executives from voluntary organisations, it describes the responsibilities of, processes for and resources for effective management using this model.

For information: <http://www.dsc.org>

Organizing foundations for maximum impact : a guide to effective philanthropy / Denis Prager. - Washington, DC : Aspen Institute, 2003.

This publication describes strategies for organising foundations so that they maximise their operational effectiveness and efficiency, as well as their programmatic effectiveness. It begins with a description of how foundations function in society and then describes management strategies from setting and evaluating goals and accomplishments, to organising board members, executive management, and staff.

For information: <http://www.aspeninstitute.org/books>

Foundations in Europe : society, management and law / Andreas Schlüter, Volker Then, Peter Walkenhorst (Ed.). - London : The Directory of Social Change ; Gütersloh : Bertelsmann Foundation ; Kent : Charities Aid Foundation (CAF), 2001. - XX, 875 p.
ISBN: 1900360861

This book provides a comprehensive survey of the foundation sector in Europe. It includes comparative sections on the role of foundations in society and the legal framework of foundations, as well as thematic sections covering issues of governance, organisation and management.

For information: <http://www.dsc.org.uk>

Ten basic responsibilities of nonprofit boards / Richard T. Ingram. - 10th. - Washington, DC : National Center for Nonprofit Boards, 1995. - 22 p. - (NCNB Governance Series Booklet).
ISBN: 0925299006

This pamphlet, which was designed by a United States-based resource centre for non-profit management, describes the fundamental responsibilities of boards. It also includes a short list of responsibilities for board members as individuals.

For information: <http://www.boardsource.org>

Community foundation training manual III : management. - Washington : Council on Foundations, 1990. - 60 p.

Third in a series of six manuals looking at the various aspects for creating and running a community foundation. Practical guidelines are offered throughout the series which together cover mission, governance, management, resource development, grantmaking and communications and public relations. This particular volume addresses planning, legal dimensions, structure and organisation, administration, supervision, finance and networking.

For information: <http://www.cof.org/>