

Philanthropie Aktuell

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EDITORIAL

Dear Reader



Ten years ago, the Enron scandal started off a global debate on governance in the corporate world that soon touched ground in the nonprofit sector. We, thus, think it is time for an

appraisal.

«Management is more fun than governance.» This quote by John Carver highlights the difficulty in many nonprofits of keeping track of the strategic overall picture of the organization, while participating in the daily business is high on everyone's the agenda. This generalized criticism is predominantly aimed at the boards and the strategic leaders of the organizations. Meanwhile, research and practice have been able to show that good governance not only lies in the responsibility of the board. Efficient governance is the result of an integrated and a networked structure inside and outside the organization. With nested governance, the relevance of umbrella organizations and co-operations is accentuated. Within these networks, standards can develop through exchange and comparison.

SwissFoundations is a good example for this kind of a development. The association, celebrating its 10th anniversary in 2011, has played a crucial role in Switzerland's leading position in nonprofit governance throughout Europe, not least through the publication of the Swiss Foundation Code in 2005.

Sincerely, Georg von Schnurbein

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Nonprofit Governance

Two trends can be observed in the implementation of nonprofit governance. Besides the compliance of specific codes, the concept of nested governance has shown to be an effective means for successfully leading an NPO.

One man's meat is another man's poison! The years of crisis not only brought severe revenue drops for the economy but also led to a loss of trust within society. Meanwhile, nonprofit organizations are getting more attention and their voices are being heard. However, the pendulum can swing back any time. Not only in legal cases are NPO increasingly expected to fulfill the same standards as profits. Precisely for this reason, nonprofit governance has found its proper place in the daily jargon of NPO-managers.

Nonprofit governance can be understood as a set of instruments, measures and mechanisms that support the board in controlling and steering the NPO. Scientific research on the responsibility of the board as the strategic leadership body has shown, that good governance not only depends on the board. On the contrary, the whole environment has to be involved in development and formation of good governance.

Theory and Reality

However, there is no other managerial field where such a gap between scientific theory and practice can be observed. The theoretical approaches, such as the principle agent theory, the stewardship theory or the resource-dependency theory, only explain single aspects of a complex reality. Empirically documented findings, such as the positive influence of good board work on the success of the organization, do not allow for concise explanations. For this reason, recommendations do not always strictly apply

to practice. In practice, more often than not, a big difference between formal and actually implemented governance can be observed.

Commitment and Association

Out of the plentitude of governance instruments, two successful approaches can be highlighted that are supported by science and practice and that therefore deserve special attention. The first approach concerns governance codes that emerged as self regulation measures. Based on a comparative study of the CEPS, the significance of the actual editors of these codes should be emphasized. The second approach, focused on the support of the board in its responsibility, is nested governance. Based on recent research results, the advantages of associations is worth highlighting.

Codes: One for all, all for one?

A comparison of fifteen nonprofit governance codes from Germany and Switzerland has shown that there are significant differences in regards to the spectrum of themes and depth of content. While some codes only formulate general principles, others provide detailed guidelines for the implementation of governance. Conflicts of goals occur when two or more codes are applicable for the NPO and the decision on which code to implement has to be made. As a result of the observed differences, some NPO suffer a conflict of goals while others face additional administrative costs. If the two codes are very different

in regards to the spectrum of themes and depth of content, a decision for the «weaker» code may be taken because of cost aspects, despite the stronger code being the more adequate for reputational reasons. Additional administrative costs occur, when an NPO has to comply with different codes at the same time, e.g the code of the central organization and the code of an industry association - both codes differing in terms of content. The coordination of the organizational reality with the different codes means significant additional work, not adding to an efficient work style, it thereby misses the actual goal of the codes.

Good governance thanks to membership in associations

Recent scientific findings emphasize the significance of cooperation besides governance codes for functioning governance. Cooperation – specifically mem-

bership in associations – implements the four eye principle on a higher organizational level. Membership in an association leads to comparisons with other NPO. Benchmarks are discussed and mutual help offered. Members, at the same time, benefit from the services and resources of the umbrella association. This way, a system of voluntary surveillance among equals emerges that can often develop more a creative dynamic than statutory provisions. Nested Governance is based on trust, voluntarism and participation. In the study on governance codes, it became apparent that umbrella associations have developed the best governance codes. They have gained experience through their members and therefore were able to develop codes that are compatible with the reality of most NPO. They also have the ability to set adequate standards. Often associations allow new members to join only

when they comply with these standards. This gives another incentive for organizations to follow good governance rules. Membership in specific umbrella organizations often add to the reputation of a NPO.

Effective governance

For an effective design of their governance, NPO should not only concentrate on their own structure but also utilize instruments originating from outside their organization, such as codes and membership in associations. Too often NPO think governance only internally.

Georg von Schnurbein

Further Reading:

Bradshaw, P. (2009): A Contingency Approach to Nonprofit Governance, in: Nonprofit Management & Leadership 20(1), S. 61-81; Sprecher, Th./Egger, Ph./Janssen, M. (2009): Swiss Foundation Code 2009, Helbing Lichtenhahn; von Schnurbein, G. (2009): Patterns of Governance Structures in Trade Associations and Unions, in: Nonprofit Management & Leadership 20(1), S. 97-115; von Schnurbein, G./Stöckli, S. (2010): Die Gestaltung von Nonprofit Governance Kodizes in Deutschland und der Schweiz, in: Die Betriebswirtschaft 70(6), S. 495-511.

European Volunteer University



The European Year of Voluntarism 2011 stands at the end of a decade that has seen substantial progress in research on voluntary action as well as an increase in numbers of disciplines that have taken up the questions relevant to the topic.

Entitled «Voluntarism – between professionalization and freedom», the European Volunteer University will take place in Basel from August 31st to September 3rd 2011. The title accentuates the opposing tendencies that characterize voluntary engagement today. On the one hand, the deployment of volunteers by NPO is planned and implemented more professionally. On the other hand, the individualization of society also leads to different patterns within volunteer behavior: traceable in more frequent changes of activities or raised expectations towards potential return services.

The objective of the conference is not only to demonstrate the state of the art of research on voluntarism in Europe, but

also to support the knowledge transfer between theory and practice. This is why we especially welcome contributions from practitioners able to showcase best practices and recent developments. The conference is organized by four partners in Basel: Competence Centre Diakonie of Roman-Catholic Church Basel, GGG Benevol Basel, the Department of Presidential Affairs of Kanton Basel-Stadt and the Centre for Philanthropy Studies.

The call for papers and further information can be found on the website www.freiwilligenuniversitaet-basel-2011.ch. Please send proposals for contributions to ceps@unibas.ch before March 31st 2011.

FACTBOX

The European Voluntary University is a «travelling university» that examines topics around developments and issues in voluntarism. It was founded in 1993 by the Association pour le Volontariat à l'acte gratuit en Europe (AVE). The European Voluntary University 2011 in Basel, stands in the tradition of previous Voluntary Universities in Barcelona (1995), Lyon (1997), Santiago de Compostela (1999), Freiburg in Breisgau (2001) and Lucerne (2005).

NEWS

ZURICH Opening of The Hub

On January 29th, the Hub Zurich was officially inaugurated. Already present in 20+ cities and over 60 emerging around the world, The Hub provides flexible work, meeting and event space to create a habitat for social innovation.

www.hubzurich.org

BASEL Christoph Merian Foundation turns 125 years old

It is the 125th birthday of the Christoph Merian Foundation on May 3rd 2011. For the anniversary numerous activities are planned. The Christoph Merian Foundation is one of the largest foundations in Switzerland. The foundation only supports projects within the city of Basel.

www.merianstiftung.ch

BERN Mister Glückskette retires

Roland Jeanneret retired after being the spokesman and public face of the Swiss Solidarity Foundation for over 35 years. «Die Glückskette» raises funds for humanitarian relief projects and received the International Human Rights Award in 1999.

www.glueckskette.ch

FRANKFURT Transparency Award for German Committee of UNICEF

The 2010 winner of the annual transparency award for NPO handed out annually by PriceWaterhouseCoopers ist the German Committee of UNICEF.

www.pwc.de/de/engagement/transparenzpreis-gewinner.html

The Swiss Foundation Code

In October 2005, the Swiss Foundation Code was published as a first comprehensive action guiding governance code for grant-making foundations in Europe. Already three years later, in October 2008, a second revised and commented edition was published. The CEPS talks to the main editor Dr. Thomas Sprecher about the reception and relevance of the Swiss Foundation Code.

CEPS: The first edition of the Swiss Foundation Code was published 5 years ago. How do you see the reception and implementation of the Code?

Dr. Sprecher: The Swiss Foundation Code was well received. In my opinion it has already become a matter of fact in the foundation sector. Even the jurisdiction of the principality of Liechtenstein has accepted it as a benchmark.

CEPS: For whom is the Swiss Foundation Code relevant?

Dr. Sprecher: The code is primarily addressed to people in responsible positions within grant making foundations. However, it is also relevant for other types of foundations. The code is also useful for potential founders: With the help of the code, they are able to get guidelines on questions that should be answered before actually starting a foundation.



Dr. Thomas Sprecher

Dr. Thomas Sprecher is a lawyer and is partner in the Niederer Kraft & Frey AG in Zürich. He is member of various foundation boards and one of the main authors of the Swiss Foundation Code.

CEPS: What is the legal significance of the Code?

Dr. Sprecher: The Code is of course not a law. However, Swiss Foundations or other associations can declare it as binding for their members. According to the rule «comply or explain», members would have to follow the recommendations of the code or otherwise explain why they choose not to. It was for a good reason that Swiss Foundations decided not to introduce it as a rule. Rather than restrict and normalise, the Code wants to initiate. This does not exclude that the code, as a whole or in parts, could be a normative standard. Organizations that apply the code will hardly get into trouble with courts or supervisory authorities. It will actually add to their reputation.

CEPS: What should foundations do to apply the Code?

Dr. Sprecher: They should examine their complete structure and activities in regards to the Code and then decide which adaptations have to be made. This can also be assessed by an external consultant. Sometimes even the articles of incorporations or policies need to be extended or modified. Note that foundation governance is not only an organizational task that can be ticked off once done, but there needs to be a continuous exercise and practice on a daily basis.

CEPS: Where do you see the biggest challenges in the application of the three core principles?

Dr. Sprecher: *The effective realization of the foundation's purpose:* to come up with the will to really make the effort, to question the foundation's effectiveness and to take the risk to face disappointment and the relative appropriateness of the assessment tools.

Checks and balances: the ability of responsible persons in foundations to be self-critical.

Transparency: In the traditional understanding transparency was not prevalent. Donations and benevolence were hidden actions. However, a gradual change in mentality has taken place, even though we are still a long way away from the US reality. I personally find it positive that philanthropists are put onto centre stage. Even cases of self-portrayal are useful in that they stimulate imitation and raise awareness of social responsibility itself.

CEPS: Where do you see a need for revision or improvements of the Swiss Foundation Code?

Dr. Sprecher: Even though in comparison to the SFC 2005 the SFC 2009, some new recommendations regarding asset management were added, this area to me still seems extendable. It is notorious that most of the board members of foundations are more interested in grant-making than in financial matters. However, in my opinion, an even bigger desideratum is observable in relation to specific codes for other forms of found-

ations are more interested in grant-making than in financial matters. However, in my opinion, an even bigger desideratum is observable in relation to specific codes for other forms of foundations and regarding rules treating the relation of banks and philanthropy.

CEPS: How do you see the compliance with the good governance rules of Swiss foundations in general?

Dr. Sprecher: I believe that the awareness of founders as well as of foundation leaders is much higher today than 15 years ago. Many things have become a common knowledge or are being gradually adopted as such. However many things remain to be done.

CEPS: Thank you very much!

CEPS INSIGHT

First Doctoral Dissertation at CEPS

Daniela Schönenberg successfully defended her doctoral thesis «Venture Philanthropy - Zulässigkeit und haftungsrechtliche Konsequenzen für Schweizer Stiftungen und deren Organe» at the law faculty of the University Basel. The thesis discusses liability issues Swiss foundations face that engage in venture philanthropy. We congratulate her and wish her all the best for her future!

Philanthropy in the Morning

The CEPS organized another edition of its workshop series Philanthropy in the Morning. The guest speaker Andreas Cueni showed examples of different budgets of NPO in order to exemplify best practices on how to design a project budget.

Publication in the European Management Journal

The essay: «Foundations as honest brokers between market, state and nonprofits through building social capital» from Prof. Dr. Georg von Schnurbein was published in the last edition of the European Management Journal (28).

Governance Structures in Foundations

The Centre for Philanthropy Studies of the University Basel is conducting a qualitative study on governance structures in grant-making foundations. Special emphasis is put on leadership systems of large foundations.

The main question asked in the study looking at twelve foundations from Switzerland and Germany is how activities are coordinated and decisions are taken. A special focus is put on the interplay of the management and the board. Goal of the study is to develop benchmarks for the enhancement of the Swiss Foundation Code as well as to get an empiric overview of leadership structures.

It is observable that the present structure of a foundation is largely dependent on its self-conception. Distinctions can be made between board dominated, staff dominated and shared governance structures. With the establishment of an executive office, in most cases, a more focused strategic orientation as well as more formalized structures are initiated. The tasks and involvement of board members vary significantly according to the chosen governance style. Where the driving force within a foundation lies, depends a lot on the personalities of the people involved besides the formal structures. In staff-dominated structures, the officers have often developed mechanisms to oblige board members to fulfill their statutory duties. Suggestions from the executive officer are normally appro-

ved by the board. The ultimate decision power, however, remains with the board.

In some cases, a proper committees with respective policies exists for each granting program and administrative field. However, formalizations of the committees differ. While some have explicit rules about committee membership and meeting procedures others meet more on an ad-hoc basis. A presidential committee proves to be an effective governance instrument to prepare important decisions. Most foundations try to keep a lean management structure.

Further results of the study analyses are being prepared within the next months.

Steffen Bethmann

Did you know?

76.500

It is estimated that there are around 76.500 associations in Switzerland. This means that there is on average one association per one hundred inhabitants. An association can be founded by two persons and is not obliged to register.

Quelle: Helmig et. al 2010

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The course starts on May 2nd 2011 and it consists of 3 modules including 11 days of attendance and additional E-learning modules. After successful graduation, the participants receive the Certificate of Advanced Studies of the University of Basel. Further information and the application form are available on the CEPS website: www.ceps.unibas.ch

CALENDAR

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Accounting Symposium for Grant-Making Foundation

8th March 2011, Law Faculty, University Basel

Intensive Course: Foundation Management

28th March – 1st April 2011

CAS Governance & Leadership

Modul 1: 2nd to 5th May 2011
Modul 2: 25th to 27th May 2011
Modul 3: 20th to 23rd June 2011

Day Seminars Good Grant Applications

Education & Research: 5th April 2011
Culture: 10th May 2011
Social: 31st May 2011

OTHER DATES

TREIB-STOFF

Congress: Engagement bewegt! Informal volunteering of young volunteers. 25th March 2011, Zurich

GERMAN FUNDRAISER ASSOCIATION

German Fundraising Congress: «Den Wandel gestalten» 6. – 8. April 2011, Fulda

PHILIAS

Humagora
4. Mai 2011, Geneva

FEDERAL ASSOCIATION OF GERMAN FOUNDATIONS

Deutscher Stiftungstag: «Stiftungen: kreativ, unternehmerisch, sozial» 11. – 13. May 2011, Stuttgart

LEGAL NOTICE



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