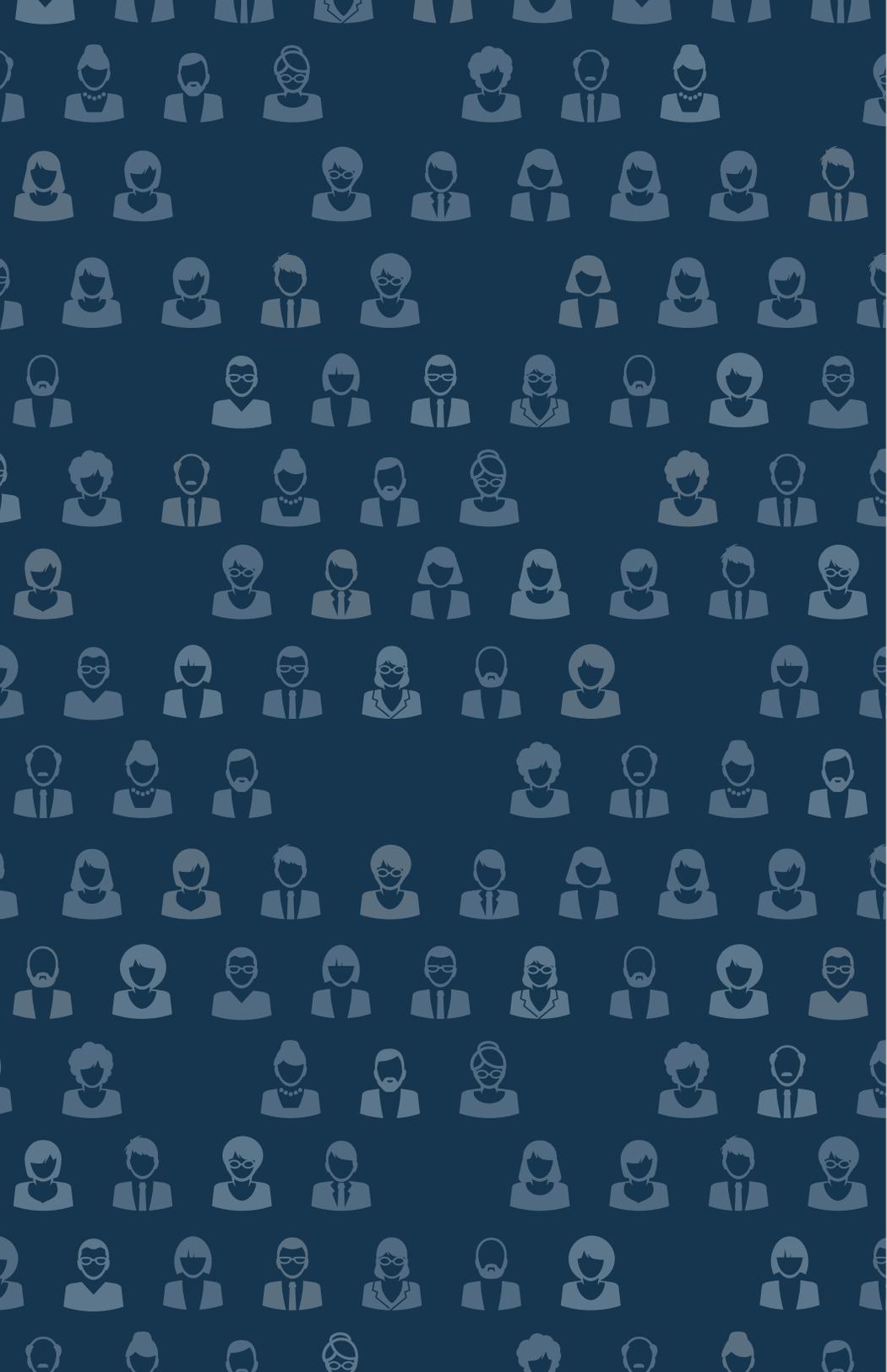




THE CENTER
FOR EFFECTIVE
PHILANTHROPY

Benchmarking Foundation Governance





Benchmarking Foundation Governance

FOR MORE INFORMATION, CONTACT

Ellie Buteau, Ph.D.
Vice President – Research
617-492-0800 ext. 213
ellieb@effectivephilanthropy.org

AUTHORS

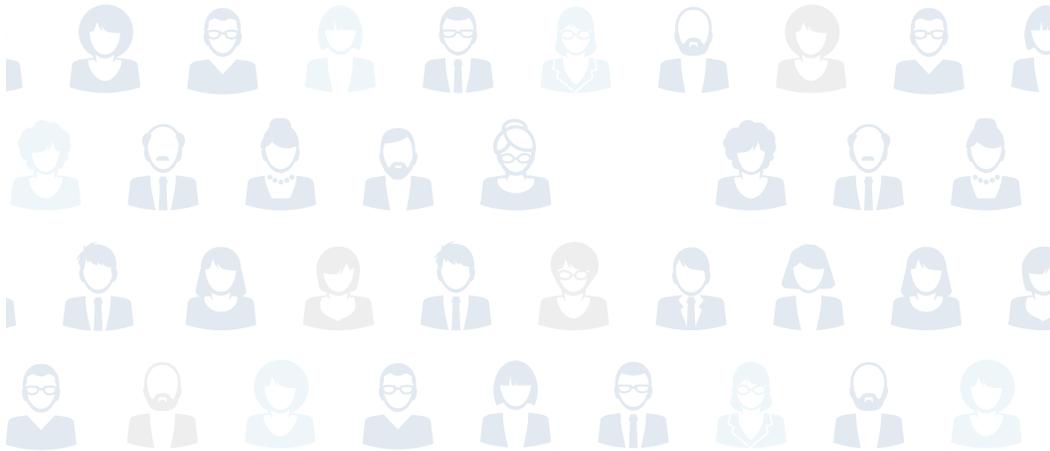
Ellie Buteau, Ph.D. and Jennifer Glickman

ABOUT THE CENTER FOR EFFECTIVE PHILANTHROPY MISSION

To provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.



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PHILANTHROPY



ACKNOWLEDGEMENTS

We are very appreciative of the support that made this work possible. Special thanks to the S.D. Bechtel, Jr. Foundation, which provided significant grant funding to support CEP’s larger operational benchmarking research, of which this publication is one part. Our full list of funders can be found at the back of this report.



The governance portion of our larger operational benchmarking survey was co-sponsored by BoardSource.



We are grateful to Paul Beaudet, John Colborn, David Colby, Kathleen Cravero-Kristoffersson, Alexa Cortes Culwell, Betsy Fader, Barbara Kibbe, Ian Magee, Katie Merrow, Ify Mora, Timothy Ogden, Ed Pauly, Christy Pichel, Anne-Marie Soullière, Fay Twersky, and Anne Wallestad for providing feedback and guidance as we developed our operational benchmarking project. The authors would also like to thank their CEP colleague Sara Dubois for her design of this report.

This research is based on CEP’s independent data analyses and CEP is solely responsible for its content. The report does not necessarily reflect the individual views of the funders, advisers, or others listed throughout this report.

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Dear Colleague,

Foundation governance is a topic of great importance and significant interest, yet little data exists about how foundation boards choose to structure themselves.

We at CEP frequently receive requests from foundations to help them better understand the range of approaches others are taking. Our goal for this publication is to provide data about current practices, not to examine which practices are more or less effective. We hope that this information raises questions and informs discussion about the range of choices foundation boards can make.

The data compiled here about foundation boards' structures and practices were gathered as part of a larger operational benchmarking study funded by the S.D. Bechtel, Jr. Foundation. BoardSource worked with us to design the survey items focused on governance, which are the items on which this publication is based. The findings presented are based on responses from 64 private foundations located in the U.S. that give at least \$10 million annually.

We believe that foundation boards should make choices about their governance with clarity about the role of the board and the foundation's goals and strategies – and that the appropriate form should follow function. Understanding the choices of others can offer a window into the range of possibilities.

We hope you find this data useful.

Sincerely,



Ellie Buteau, Ph.D.
Vice President – Research



Jennifer Glickman
Associate Manager



Board Composition

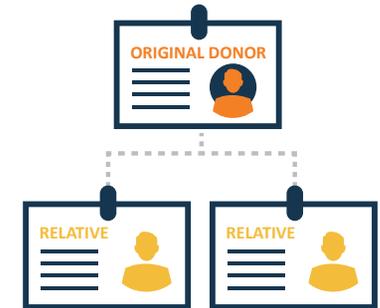


On average, foundation boards have 10 members, six of whom are male and four of whom are female.



50%

Relative(s) of the original donor serve on half of foundation boards.



100% ✓ All relatives of the original donor serve as voting members.

22%

The **original donor(s)** serve on 22 percent of foundation boards.



100% ✓ All of the original donors serve as voting members.

51%

Foundation **CEOs** serve on about half of foundation boards.



90% ✓ Almost all of the CEOs are voting members of those boards.

INVESTMENT



95%



Ninety-five percent of foundation boards have at least one member with expertise in investing.

LAW



89%



Eighty-nine percent of foundation boards have at least one member with legal expertise.

ACCOUNTING/FINANCE



95%



Ninety-five percent of foundation boards have at least one member with expertise in accounting/finance.

RESEARCH AND EVALUATION



83%



Eighty-three percent of foundation boards have at least one member with expertise in research and evaluation.

PROGRAM-SPECIFIC KNOWLEDGE



(e.g., arts, education, environment)

95%



Ninety-five percent of foundation boards have at least one member with program-specific knowledge.

COMMUNICATIONS



60%



Sixty percent of foundation boards have at least one member with expertise in communications.

MARKETING/SALES



54%



Fifty-four percent of foundation boards have at least one member with expertise in marketing/sales.

TECHNOLOGY



39%



Thirty-nine percent of foundation boards have at least one member with technology expertise.

Because not every CEO provided information about each area of expertise, sample sizes in this section vary. They range from a low of 44 respondents for technology to a high of 57 respondents for law.

Board Structure and Practices



COMMITTEES

81%



Just over 80 percent of foundation boards have committees.



Audit Committee	92%	Finance/Budget Committee	54%
Investment Committee	92%	Compensation Committee	40%
Governance/Trusteeship/ Nominating Committee	74%	Executive Committee	34%

ORIENTATION

75%



Three-quarters of boards have an orientation process for new members.



COMPENSATION

46%



Forty-six percent of foundations compensate all board members.



7%



Another seven percent of foundations compensate some, but not all, board members.

DISCRETIONARY GRANTMAKING

39%



Thirty-nine percent of boards have discretionary funds from which board members can make grants with little or no staff involvement.



\$50K

The **median** board member's annual discretionary grant budget is \$50,000.

\$100K+

For **25 percent** of boards, the discretionary budget is greater than or equal to \$100,000.

STAFF APPROVAL

59%



More than half of foundations delegate approval authority to staff for grants below a certain amount.



\$125K

The **median** dollar amount not requiring board approval is \$125,000.

FIXED TERMS

67%



Approximately two-thirds of foundation boards have fixed terms for all board members.



15%

Another 15 percent of boards have fixed terms for some, but not all, board members.

TERM LIMITS



48%



Almost half of boards do not have limits to the number of terms board members may serve.

ASSESSMENT

48%



Almost half of foundation boards have conducted an assessment of the board's performance during the past three years.

77%



More than three-quarters of foundation boards have completed a formal assessment of the foundation's CEO during the past 12 months.



57%

Fifty-seven percent of foundation boards take systematically collected grantee feedback into consideration to help assess the foundation's performance.



Board Meetings



4 The median number of times per year foundation boards meet is four.



4 The typical board meeting lasts four hours.

63%



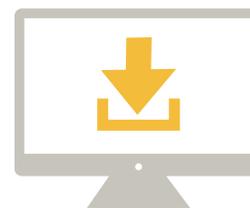
Sixty-three percent of foundation boards distribute board meeting materials as hard-copies.



59%



Fifty-nine percent of foundation boards distribute board meeting materials through a secure website portal.



31%



Less than a third of foundation boards distribute board meeting materials through email attachments.



58%



Fifty-eight percent of foundation boards use a consent agenda that combines routine matters that can be voted on without discussion.

Board Involvement

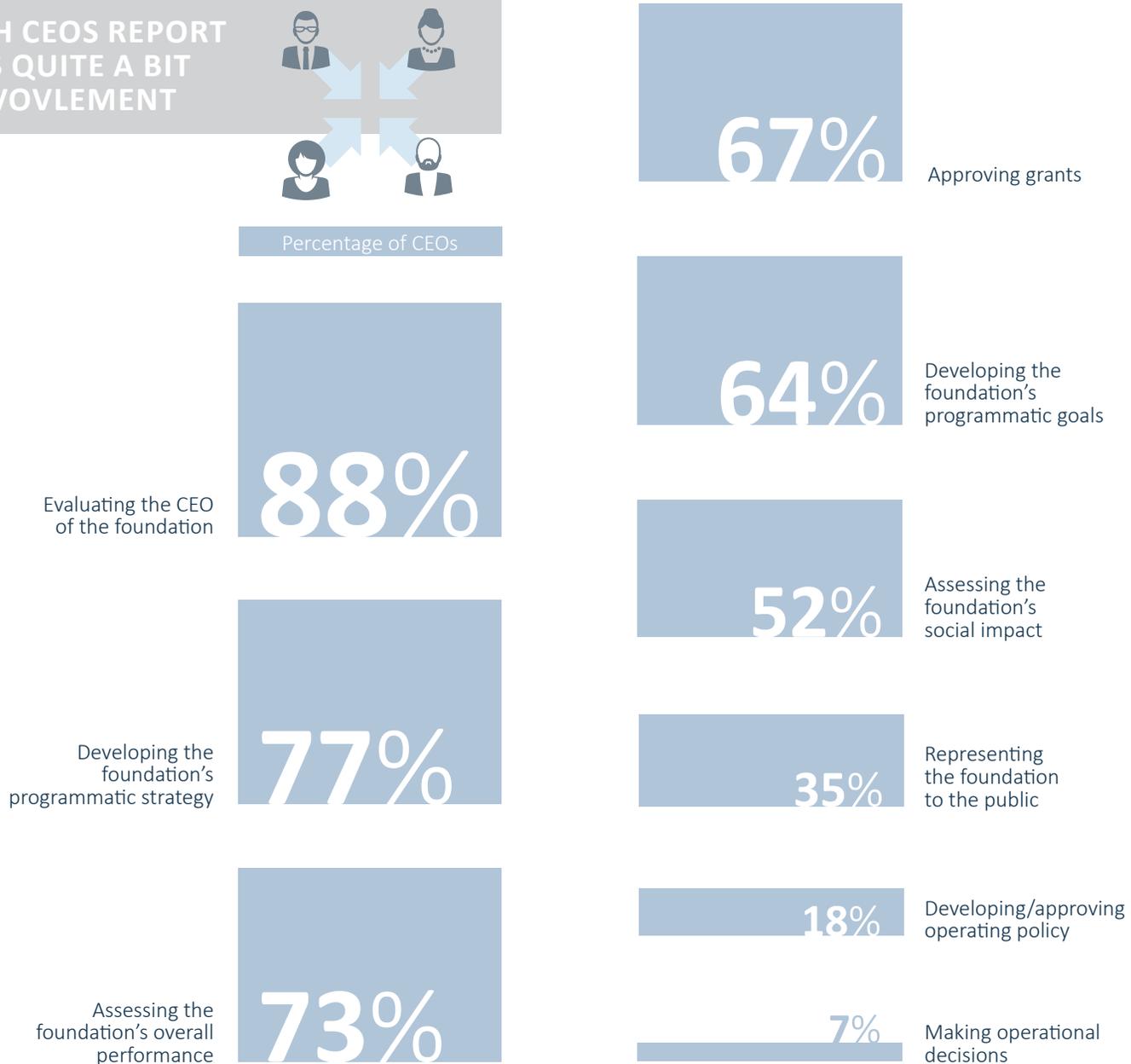


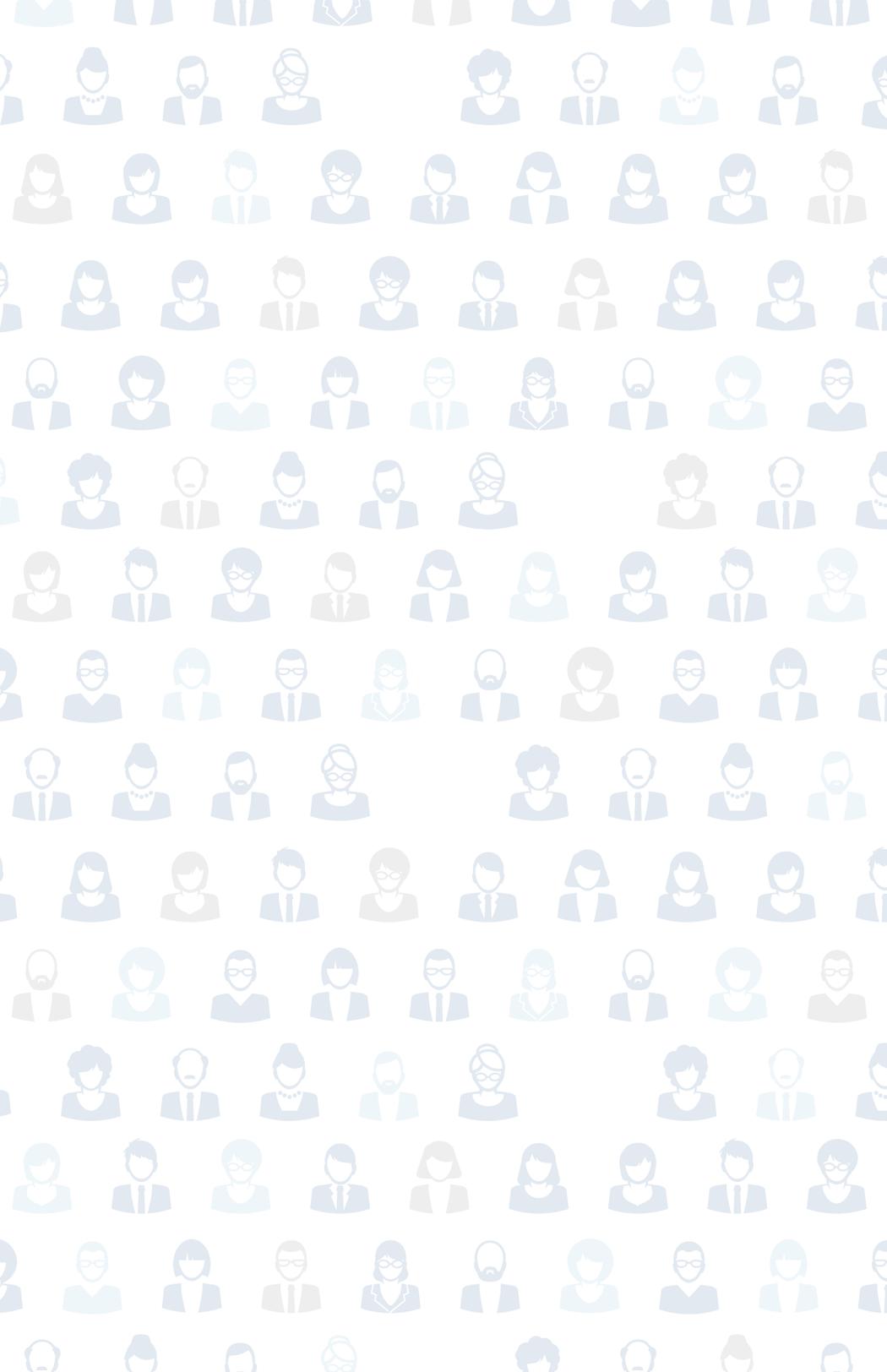
Survey respondents were able to select multiple methods of distributing board materials.

AREAS IN WHICH CEOS REPORT
THE BOARD HAS QUITE A BIT
OR A LOT OF INVOLVEMENT



Percentage of CEOs





METHODOLOGY

SAMPLE

Specific criteria were used to determine eligibility for this research study. Foundations were considered for inclusion in the sample if they:

- were based in the United States;
- were an independent (private) foundation, including health-conversion foundations, or another type of foundation operating similarly to an independent foundation, as categorized by Foundation Directory Online and internal CEP staff knowledge;
- provided \$10 million or more in annual giving, according to information provided to CEP from Foundation Center in September 2014.

The sample was limited to private foundations giving \$10 million or more annually so benchmarking comparisons with foundations of similar type and size could be made.

Individuals leading eligible foundations were included in the sample if they:

- had a title of president, CEO, executive director, or equivalent, as identified through the foundation's website, 990 form, a phone call to the foundation, or internal CEP staff knowledge;
- had an e-mail address that could be accessed through the foundation's website, a phone call to the foundation, or internal CEP staff records (generic or assistant e-mail addresses were not included).

In December 2014, the 246 CEOs who met both sets of criteria were sent an invitation to complete the survey. Later, 16 foundation CEOs were removed from the sample: two individuals were removed because they no longer served as CEOs of the included foundations, one individual was removed because the organization at which she worked was a service provider and not a funder, one individual asked to be removed from the sample, and 12 individuals were removed because the e-mail invitations were not delivered after three or more attempts.

Surveys were received from 73 CEOs for a response rate of 32 percent.

Screening questions were included in the survey to verify that respondents held the title of president/CEO/executive director, and that they served in this position full-time (defined as working in the role for 35 hours or more per week). Nine of the 73 respondents were removed from our sample based on these screening questions. We conducted analyses with a final sample of 64 CEOs.

METHOD

The data shared in this report are part of a larger study that was conducted to benchmark certain practices and operations at private foundations. The survey was fielded online during a four and a half week period from the middle of December 2014 to the middle of January 2015. CEOs were sent a brief e-mail including a description of the purpose of the survey, a statement of confidentiality, and a link to the survey. CEOs who had not yet responded to the survey were sent up to eight reminder e-mails before its close.

The survey consisted of 60 items, some of which contained several sub-items. The survey included items about: 1) background information about the CEO and his or her foundation; 2) information about whether the foundation plans to exist in perpetuity or have a limited life; 3) policies and attitudes regarding the foundation's financial investing practices, including impact investing; and 4) information about the foundation's governance structure. Only the items about a foundation's governance structure were analyzed for this report.

RESPONSE BIAS

Foundations with CEOs who responded to this survey did not differ from non-respondent organizations by region of the United States in which the foundation is located, annual giving amount in terms of median giving, or annual asset amount in terms of median asset. Information on region, giving, and assets was provided to us by Foundation Center in September 2014. CEOs of foundations that have used any of CEP's assessment tools were more likely to respond to the survey than CEOs of foundations who have not used a CEP assessment tool.¹

SAMPLE DEMOGRAPHICS

The median asset size for foundations in the sample was about \$462MM and the median annual giving level was about \$22MM. The median number of full-time equivalent staff working at foundations in this study was 24. Thirty-nine percent of respondents had been the CEO of their foundation for 10 years or longer. The number of full-time equivalent staff and the tenure of CEOs were based on self-reported data.

QUANTITATIVE ANALYSES

To analyze the quantitative survey data from foundation leaders, descriptive statistics were examined. We were limited in what we were able to test statistically because of the small size of our sample. Only descriptive information, including means and percentages, are shared in this report.

¹ A chi-square analysis was conducted between whether or not foundation CEOs responded to our survey and whether or not those foundations have used a CEP assessment tool. A statistical difference of a moderate effect size of 0.33 was found.

CEP FUNDERS

We are very appreciative of the support that made this work possible. See below for a list of funders.

\$500,000 OR MORE

Fund for Shared Insight
Robert Wood Johnson Foundation
The William and Flora Hewlett Foundation

\$200,000 TO \$499,999

The David and Lucile Packard Foundation
Ford Foundation

\$100,000 TO \$199,999

Barr Foundation
The James Irvine Foundation
The Kresge Foundation
The Rockefeller Foundation
S.D. Bechtel, Jr. Foundation
W.K. Kellogg Foundation
The Wallace Foundation

\$50,000 TO \$99,999

Gordon and Betty Moore Foundation
Stuart Foundation

\$20,000 TO \$49,999

Charles Stewart Mott Foundation
The Duke Endowment
John D. and Catherine T. MacArthur Foundation
Lumina Foundation

Realdania
Rockefeller Brothers Fund
Surdna Foundation

UP TO \$19,999

The Assisi Foundation of Memphis
California Community Foundation
California HealthCare Foundation
The Colorado Health Foundation
The Columbus Foundation
The Commonwealth Fund
Doris Duke Charitable Foundation
Evelyn and Walter Haas, Jr. Fund
F.B. Heron Foundation
The Heinz Endowments
Houston Endowment
The Jacob & Valeria Langeloth Foundation
The John A. Hartford Foundation
Kansas Health Foundation
The Leona M. and Harry B. Helmsley Charitable Trust
The McKnight Foundation
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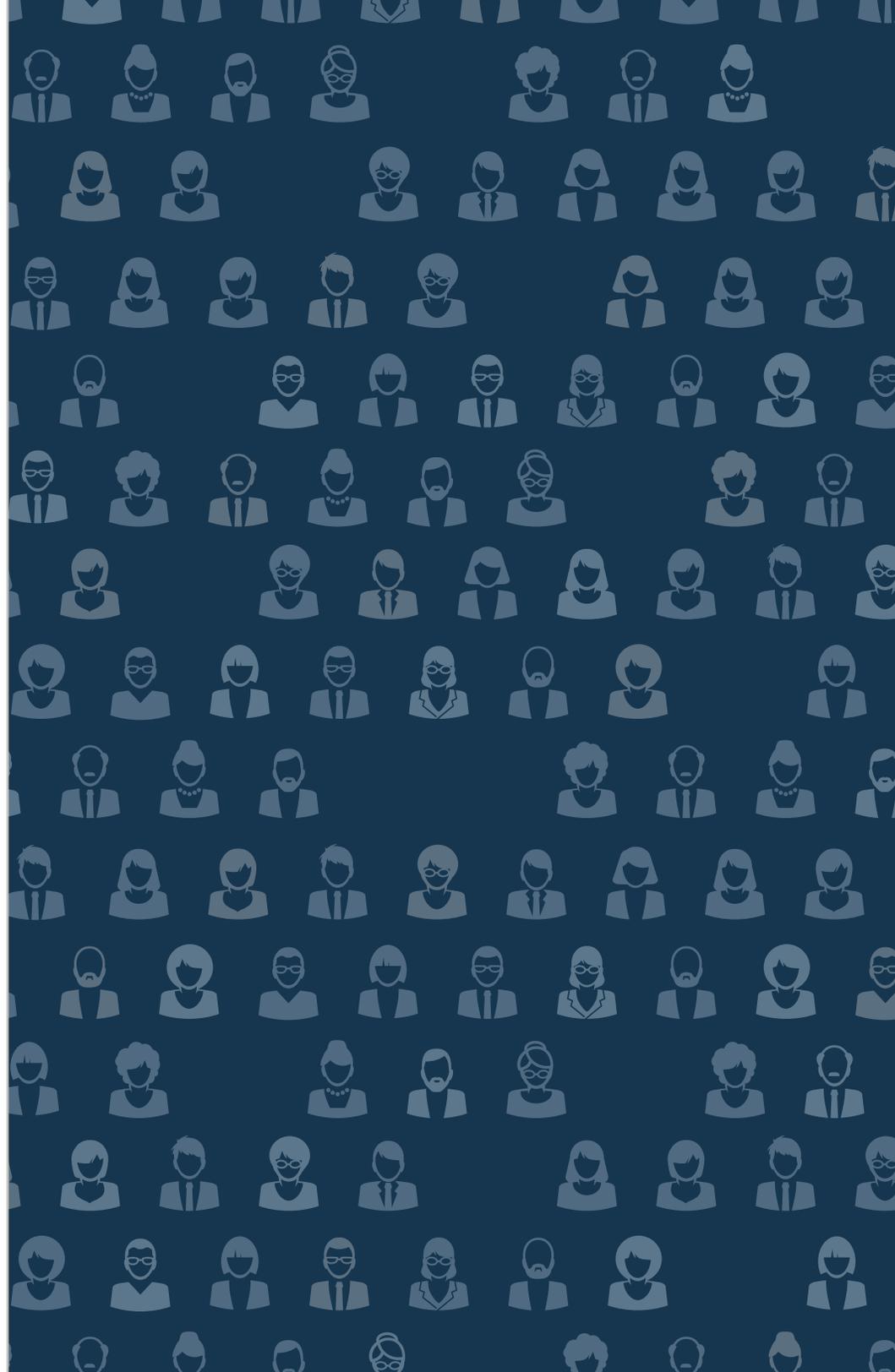
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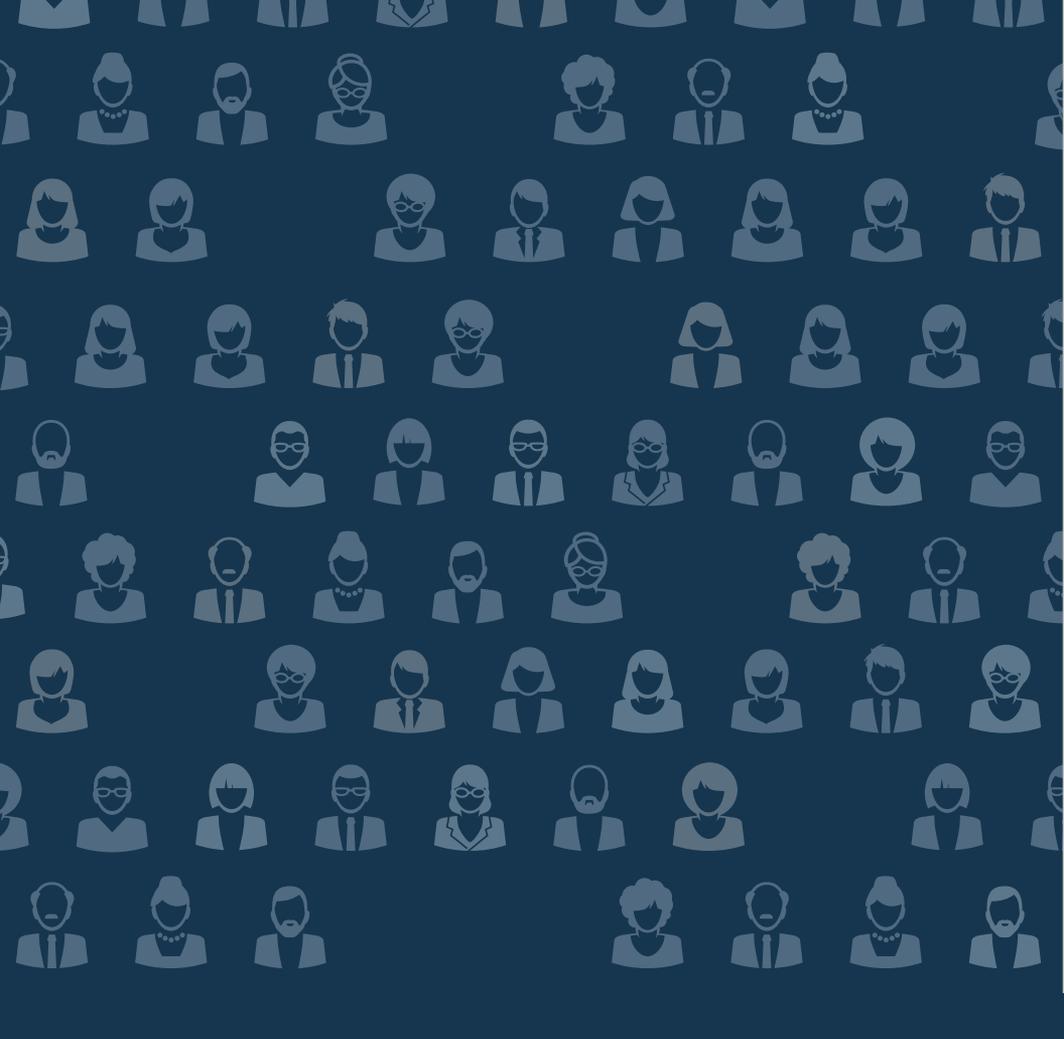


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675 Massachusetts Avenue
7th Floor
Cambridge, MA 02139
T: (617) 492-0800
F: (617) 492-0888

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