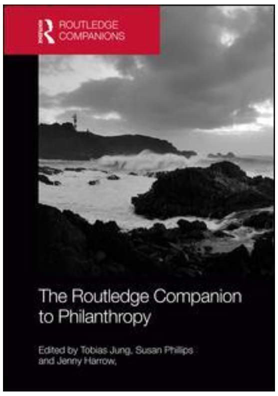


# The Routledge Companion to Philanthropy

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# Good governance in philanthropy and nonprofits

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# 25

# Good governance in philanthropy and nonprofits

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As philanthropy, and the nonprofit sector more generally, has grown in size and importance, questions of governance have become an ever more prominent concern. Various scandals, combined with a realization that 'the angelic' sector has a 'darker side', explored by Smith *et al.* in Chapter 17 of this volume, have led to increasing calls for novel perspectives on, and approaches to, governance research and practice within the field (Cornforth and Brown, 2014). Traditionally, work on governance within the nonprofit sector has focused on boards' performance, on their roles in fundraising and their linking to the community. Furthermore, such studies have tended to be descriptive, normative and lacking strong theoretical and empirical foundations (Miller-Millesen, 2003). When attempting to explain the complexities of nonprofit governance systems, and the contexts within which these operate, such an approach seems too narrow. Not only does it overlook the more holistic meaning of the word 'governance', from the Greek *kybernân*, 'steering a ship or a chariot', and the broader governing responsibilities derived therefrom, but it also ignores wider aspects of governance mechanisms relevant for philanthropic organizations.

This chapter provides a chronological journey through the most prominent theoretical perspectives relevant to philanthropic organizations' governance; it travels from traditional perspectives, such as the role of board size or independence, to seeking more dynamic and diverse governance mechanisms as key to understanding and increasing the effectiveness, and consequently the performance, of philanthropic organizations. While a number of perspectives have been proposed in relation to nonprofit governance, including signaling theory, which points to information asymmetries between different stakeholders (Spence, 1973; Marcus and Goodman, 1991), or stewardship theory, which focuses on the stewardship roles taken on by directors (Donaldson and Davis, 1991; Davis *et al.*, 1997; Van Puyvelde *et al.*, 2012), there are two underlying, fundamental, factors: resource dependency and agency. These two ideas also play a special role in the changing relationship dynamics between grantmakers and grantees that arise from a stronger focus on measuring impact in philanthropy (Schnurbein, Chapter 30). This chapter will therefore concentrate on the issues raised by resource dependency and by agency theory, and how their insights can, and should, be integrated with more recent ideas from cognitive perspectives.

Within the philanthropy arena, governance studies have tended to focus on private, grantmaking foundations. The argument has been that these display certain characteristics that make them distinct from other nonprofit organizations and their governance requirements. Such foundations: usually have a single donor and do not need to fundraise from a broader donor base; tend to spend the earnings from their capital investment; and fund other organizations to do their work (Stone, 1975). However, as the chapters by Leat and by Harrow *et al.* highlight, private foundations are only one set of players within the wider philanthropic foundation game. As such, it is important to acknowledge that some of the insights provided by the governance literature in general, and the one on nonprofit governance in particular, might not be applicable across the entire foundation field. Simultaneously, though, one should not take too narrow a perspective. With philanthropic foundations reinventing themselves in the social finance and social investment landscape, and some traditional grantmaking foundations reflecting on, and moving towards, fundraising approaches to counteract decreasing capital income and/or increasing social needs, broader nonprofit governance issues suddenly arise in, and become relevant to, this area. Consequently, this chapter takes a broad perspective; it draws on the wider insights that emerge on nonprofit governance and reflects how these relate to the composition of philanthropic foundations' boards.

## Defining nonprofit corporate governance and governance mechanisms

Unlike in the private sector, where a variety of different, and at times conflicting, perspectives on corporate governance exist, specific definitions of governance for the nonprofit field have been less prominent (Ostrower and Stone, 2006; Cornforth, 2012). Instead, the focus has frequently been on simply transferring definitions from the corporate to the nonprofit field. This is illustrated in the writings of authors such as Jegers (2009) or Hyndman and McDonell (2009) who follow the corporate finance perspective on governance put forward by Shleifer and Vishny (1997: 741) when stating that 'governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment'. Such a direct transfer is, however, problematic. Notwithstanding the increasing discourse on 'social return on investment' and the financialization of philanthropy (Thümler, Chapter 23), it is not easy to translate the conceptual underpinnings of investment and financial perspectives to an environment where profit distribution has traditionally not been a priority.

This is not to say that there is no potential for drawing insights from the private sector literature. Charreaux (1997, cited in Charreaux, 2004: 2), for example argues that governance is 'the set of organizational and institutional mechanisms that define the powers and influence the managers' decisions, in other words, that "govern" their conduct and define their discretionary space'. In this line, Cornforth and Chambers (2010: 1) cast nonprofit governance as 'the systems and processes concerned with ensuring the overall direction, control and accountability of an organization'. This definition then follows the etymological roots of the governance concept, by referring to the ways in which the organization (and its managers) is guided and controlled. To do so, governance mechanisms must play a dual role. They must be able to act as both advisors to, and monitors of, the executive team. Governance, thereby, covers what has traditionally been referred to as 'service and control tasks' (Zahra and Pearce, 1989). Service tasks are related to the organization's guidance. It includes not only advice and counsel for managers, but also the provision of external legitimacy and networking (Hillman and Dalziel, 2003). The governance mechanisms can thus be considered as an active part, as playing a critical role in guiding management in strategic decision making processes (Andrews, 1980; Minichilli *et al.*, 2009). The control or monitoring task, on the other hand, supposes that managers are opportunistic. Consequently, the main task of governance mechanisms is to protect the resource contributors (shareholders in firms, or founders, funders and donors in philanthropic foundations) from managerial misappropriation. To do so, governance mechanisms must control the organization's performance, monitor its activities, and assess the management team or its philanthropic equivalent (Johnson *et al*., 1996).

As part of this, the place and context of these mechanisms must be clarified. In the bulk of the nonprofit governance literature, this is considered to be the board. While the board is the most important governing part within a nonprofit, it is by no means the only one. Albeit less researched, other external, governance mechanisms include government, private donors, capital structures and financial disclosure or transparency arrangements of a foundation. As has been highlighted in other parts of this volume, governments are taking an increasingly strong interest, and role, in the foundation world (Healy and Donnelly-Cox, Chapter 12; Phillips and Smith, Chapter 13), a trend that extends to the wider nonprofit field: governments set standards for the configuration of the internal structure of nonprofits by encouraging professionalization (Guo, 2007) and by supporting only those organizations that meet codes of good governance requirements (Ostrower, 2007). Furthermore, governments decide the activities or projects they support by setting clear boundaries. This can influence the strategic plans and ambitions of these organizations and serve as an organizational control mechanism (Andrés-Alonso *et al*., 2006). Within philanthropy, this is prominently reflected, for example, in the case of governmental flow-through funding for community foundations. This directive and control function is likely to increase as governments focus on 'impact' philanthropy. Finally, governments also act as regulators for the field through legislation, though the empirical evidence base in how far this translates to good governance warrants further development (Ostrower, 2007; Alexander *et al*., 2008; Hyndman and McDonell, 2009). Mirroring governments, in the case of philanthropic foundations the founder(s), and/or the individuals or organizations providing the resources can similarly act as a guide and monitoring body. They can influence both the type of activities pursued by a foundation and the composition of its board.

As happens in firms, and especially with the wider move to venture philanthropy, social investment, and social finance (Salamon, 2014), capital structure can also act as a governance mechanism insofar as that a higher level of financial resources involved (either to the foundation or from the foundation) is likely to result in increased financial monitoring. Across the wider nonprofit field research on this topic is still in its infancy, but a number of studies have been emerging over the last few years (Jegers and Verschueren, 2006; Jegers, 2011). In addition, foundations can use accounting information and transparency in financial statements to monitor financial performance, especially by using external auditing to reduce uncertainty about the validity of the figures (Jegers, 2002). Thus, transparency and accountability measures can be considered as positive governance mechanisms for nonprofit organizations as in many countries these are open to public inspection (Boozang, 2007; Harrow, Chapter 31).

Finally, one should not forget boards of trustees as absolute protagonists in the nonprofit governance literature. Boards of trustees – the nonprofit equivalent of boards of directors – are responsible for protecting the interests of the founders, donors, beneficiaries and society in general by guiding the organization with care, skill and integrity (Andrés-Alonso *et al*. 2006, 2009). For many years, boards have been perceived in a relative narrow way. They were considered as mere fundraisers, cheerleaders or even as simply rubberstamping bodies. But, as will be seen throughout the rest of this chapter, boards play a far more active role in the nonprofit sector when compared to the corporate world (Coombes *et al*., 2011).

## The normative approach to nonprofit governance

During the 1990s, the majority of studies on nonprofit governance referred to the board as a unique governance mechanism and approached its workings from a predominantly normative viewpoint. Many authors produced manuals and reports with recommendations about the roles that boards should play and the activities that trustees had to develop (Houle, 1989; Carver, 1990; Chait *et al.*, 1991). Not only has this tendency continued (Cornforth, 2001; Miller-Millesen, 2003), but the spectrum of expectations has become increasingly wide. The board is expected to cover: strategic planning; selection and evaluation of managers; monitoring programs and services of the organization; managing and controlling financial resources; improving the public image of the organization; and selection and training of new trustees. As part of this, a plethora of self-assessment toolkits for board members has been developed by academics, consultants and umbrella organizations. Tools, such as the Board Self-Assessment Questionnaire (BSAQ) (Holland, 1991), the Board Self-Assessment Tool (McKinsey and Company ND), the Governance Self-Assessment Checklist (GSAC) (Gill *et al.*, 2005), the Good Governance Tool Kit (VicSport, ND), or the Charities Toolkit (Kingston Smith, 2013), are designed to assess the skillset of trustees and the degree of compliance of board members with essential tasks.

A number of criticisms have been raised with this approach. First of all, these tools and models frequently lack strong supporting empirical evidence (Jackson and Holland, 1998; Hough, 2006) and their prescriptions are rarely compared, and related, to actual board practices (Herman *et al.*, 1997; Zimmermann and Stevens, 2008; Ostrower and Stone, 2010). This lack of contextualization is further problematic in that proposed 'best practices' are indiscriminately applied across the wide range and characteristics of nonprofit organizations (Miller-Millesen, 2003; Parker, 2007): from small local charities and family trusts to international nonprofits and multimillion corporate foundations. Furthermore, by advocating 'ideal' board behaviours (Herman, 1989; Hall, 1990; Cornforth, 1996), the expectations promulgated within these tools might be unrealistic and, when boards fail to live up to these standards, demotivating. The extent to which these guides, or tools, are used is also unknown, as is the case when foundations' groups produce apparently tailored guides for their members (Jenkins, 2012). Finally, as studies give prominence to describing boards, or defining good practice, there is also a notable lack of theoretical underpinnings (Speckbacher, 2008). The next section will therefore outline key theoretical frameworks that can inform our understanding of nonprofit governance and assess the extent to which these perspectives are supported by empirical evidence.

## The resource dependency approach to nonprofit corporate governance

For many years, the most influential theory in governance studies was 'resource dependency'. This perceives organizations as open systems, constrained by their context. As Pfeffer and Salancik (1978: 1) state, 'to understand the behaviour of an organization you must understand the context of that behaviour – that is, the ecology of the organization'. To reduce environmental uncertainty and dependency, an organization can accumulate power or control over vital resources (Ulrich and Barney, 1984; Hillman *et al.*, 2009). Within nonprofits, this was understood as a need to develop a strong board, one that includes trustees who are in a position to influence the outside world to the nonprofit's advantage (Callen *et al.*, 2010). Boards, thereby, are considered to function as resource catalysts: they provide linkages to necessary resources and act as 'boundary spanners' (Provan, 1980; Harlan and Saidel, 1994; Brown, 2005). Such boundary spanning can take various forms and cover numerous activities. Reflecting the notions of treasure, time and talent, these can range from fundraising activities, as for example required by community foundations, to developing a foundation's relationships with external stakeholders, such as government, public realtions (PR), or offering specific advice and counsel.

Within this school of thought, a board's boundary spanning activities is directly related to organizational performance as these help to reduce dependencies between the organization and external contingencies (Hillman and Dalziel, 2003). This relationship has been widely tested in the nonprofit field. The board's ability to provide resources is related to board size, linkage (interlocking) and diversity, as well as to individual features of the trustees, such as demographic characteristics, knowledge and skills. Early studies concentrated on the ability of the board to accumulate resources (Provan, 1980; Green and Griesinger, 1996; Herman and Renz, 2000), but soon a growing body of work emerged that recognized the strategic role of the board as a key factor in affecting nonprofit performance (Green and Griesinger, 1996; Herman *et al.*, 1997). As part of this, the notion of agency was introduced within nonprofit governance debates.

## The agency theory approach to the nonprofit corporate governance

According to agency theory, an organization is a legal fiction, a nexus of contracts that allows individuals to develop an activity together (Jensen and Meckling, 1976). The main concerns of this perspective are the issues that arise between those who act (agents) on behalf of others (principals) while performing some service in the organization. This agency relationship requires that the principals delegate some decision-making authority to the agent, who usually has the knowledge and skills to act on behalf of the principal. However, the agent might not always act in line with the principal's expectations (Berle and Means, 1932). The resulting conflict of interests between principal and agent is the 'agency cost' and governance mechanisms are aimed at reducing this through monitoring the agent's behaviour.

This perspective of agency theory is the most widely used theoretical approach for the study of corporate governance (Dalton *et al.*, 1998). Similarly to the corporate setting, where differences between shareholders (as principals) and managers (as agents) might arise (Wellens and Jegers, 2013), the principal-agent argument has wider applicability; it is relevant to relationships between actors of any kind. Within a foundation, for example, the board is responsible for the effective use of resources and the avoidance of their expropriation: the principal is the donor and those administering and running the foundation are the agents (Fama and Jensen, 1983; Miller, 2002; Andrés-Alonso *et al.*, 2006). Nevertheless, as Harrow and Phillips (2013) contend, there is also ongoing debate within nonprofits as to who 'owns' them – in the case of foundations, the original funders or their descendants, the business which created them, the multiple donors and contributors in foundations which fundraise, or combinations of these groups, salaried employees and volunteers. For foundations seeking, or having, a specifically local presence, their community engagement decisions may include expansion of board membership to local 'voices', who are not themselves donors, whilst also not beneficiaries (Harrow, 2011).

There is then still some reluctance to apply traditional agency theory to both philanthropic and nonprofit settings, the argument being that without any profit to distribute to those who control these organizations' opportunistic behaviour by employees or managers is avoided (Hansmann, 1980; Brody, 1996). Although the constraints of nonprofit settings might eliminate the figure of a residual claimant, like a shareholder in firms, it does not reverse the incentives that other insiders could have to misappropriate the organization's resources (Fama and Jensen, 1983). Another argument by those challenging the appropriateness of agency theory for the nonprofit sector point out that it presumes the existence of a goal conflict between the donor and the management team. Miller (2002) shows that nonprofit board members do not expect conflict between staff and the purpose for which the organization was created. This, however, only indicates that board members are unaware, not that there is no conflict. As Jensen (1994: 49) notes, 'altruism … does not turn people into perfect agents who do the bidding of others'. There is plenty of opportunity for opportunistic behaviour and fraud across philanthropic contexts (Smith *et al.*, Chapter 17).

When studying the optimal board composition from an agency perspective, one usually finds one of the following areas as the central focus of research: the board size, its independence, or the presence of donors among its directors. With respect to size, agency theory considers that smaller boards reduce agency problems because they speed up decision-making, reduce potential free rider behaviours, and consequently cut down administrative costs (Jensen, 1993; Yermack, 1996). In the nonprofit field, though, boards are usually larger than their counterparts in for-profit organizations (Forbes and Milliken, 1999; Steane and Christie, 2001). Empirical data as to whether this has any negative effects on their performance is inconclusive (Dyl *et al.*, 2000; Callen *et al.*, 2003; O'Regan and Oster, 2005; Andrés-Alonso *et al.*, 2006). On the subject of board independence, agency theory holds that the presence of outsiders on the board positively affects the performance of the organization (Fama and Jensen, 1983). The assumption is that outsiders provide greater objectivity and independence of perspectives, thus reducing the potential for opportunistic behaviour (Callen and Falk, 1993; Oster, 1995; Dyl *et al.*, 2000; O'Regan and Oster, 2005; Andrés-Alonso *et al.*, 2006; Brickley *et al.*, 2010). While boards of trustees are generally composed of a majority of outsiders (Oster, 1995), the effects on nonprofit performance are uncertain.

Agency theory also suggests that the involvement of donors or founders on the board enhances a board's effectiveness through increasing its motivation to monitor (Callen *et al.*, 2003; Hough *et al.*, 2005; Hyndman and McDonell, 2009; Jegers, 2009). But, again, the empirical evidence-base is inconclusive. Although donors and founders might lack residual rights in some foundations, they do represent the organizational equivalent of a shareholder: they are concerned about the use of the resources they have provided to the organization. As Fama and Jensen (1983) posit, major donors monitor the organization better than donors on board. When the major donor is public, such as in the case of the Big Lottery Fund in the UK, a grantmaking trust whose income derives from the sale of national lottery tickets, that monitoring power appears to be even greater, although the sense of 'ownership' will also be diffused. Public donors may have enough power and access to information to become efficient monitors (Herman and Renz, 2000; O'Regan and Oster, 2002) because they usually demand detailed plans, financial budgets and information on each project they finance (Frumkin and Kim, 2001; Callen *et al.*, 2003; Andrés-Alonso *et al.*, 2006).

Finally, capital structure and nonprofit transparency have recently been introduced as governance mechanisms in the nonprofit field. From an agency perspective, debt is considered as an indirect way to limit managerial behaviour (Jensen, 1986); managers are curtailed by debt and interest payment obligations and by the continuous screening of their lenders. While traditionally of less relevance to philanthropic foundations than the wider nonprofit sector, this might increase as some foundations recast themselves as foundations banks and social investors (Salamon, 2014). In this line, transparency supposes an increase in the exposure of managerial and board decisions to social screening. Although there is no empirical evidence of the direct effect of these two mechanisms on performance, they might be an effective disciplinary governance mechanism.

Taken together, only major donors, especially public ones, seem to have proven effective in monitoring the managerial team of nonprofits. Board features that have traditionally been studied only provide cursory support for shaping an effective governing body; there is not enough evidence of the effect of debt and transparency on nonprofits' performance. As these shortcomings are partly attributed to the limitations of trying to apply a private sector theory to the nonprofit field (Miller, 2002; Brown, 2005), there have been increasing calls to complement agency theory with other approaches to adequately capture all the implications for how corporate governance can help nonprofits (Andrés-Alonso *et al.*, 2010; Callen *et al.*, 2010; Steinberg, 2010; Van Puyvelde *et al.*, 2012).

## Towards an extended model of nonprofit corporate governance

So far, efforts of building an extended model of governance for the nonprofit field have been geared towards effectively configuring a board of trustees. To this end, it is useful to combine the issues raised by agency theory with the underlying principles of resource dependency (Hillman and Dalziel, 2003; Miller-Millesen, 2003; Callen *et al.* 2010). To better understand the social processes that guide behaviours on boards, incorporating group/decision theories also seems relevant (Brown, 2005), while a cognitive approach helps to delve deeper into the processes involved in innovation and knowledge creation (Andrés-Alonso *et al.*, 2010). Some of these factors encourage monitoring while discouraging the board's strategic role and vice versa (Callen *et al.*, 2010; Ostrower and Stone, 2010). As such, it is necessary to reflect on the potential challenges and opportunities for bringing these perspectives together to inform research and practice.

The cognitive perspective is rooted in the work of Charreaux (2005). Based on evolutionary economics and organizational learning, it puts special emphasis on knowledge generation as an open and subjective element, resulting from the interpretation of the environment made by the multiple participants within an organization (Treichler, 1995). It points to the importance of trustees' diverse characteristics: each has a different set of experiences, knowledge, perceptions, interpretations and actions that partially reflects his or her own cognitive schema. These differences result in 'cognitive conflicts' which in turn improve the quality of strategic decision-making in uncertain environments through the consideration of more alternatives and evaluating these alternatives more carefully (Forbes and Milliken, 1999). Given board of trustees' commitment to strategic planning and effective decision-making, this approach seems to be especially suitable for nonprofit contexts (Bradshaw *et al.* 1992; Judge and Zeithmal, 1992) as it supplements the ideas of agency theory. On the one hand, the high level of information asymmetries and uncertainty that characterizes the nonprofit sector increases agency problems, and so the need for effective mechanisms of control; on the other hand, this high level of uncertainty links to the need for critical interactive decision processes to create value, which in turn is relevant to cognitive conflict and strategic decision-making (Andrés-Alonso *et al.*, 2010).

Relating this to practical questions surrounding board configuration, potential conflicts do, however, arise: board size and independence need to be considered, alongside board capital, board diversity, and the proactive character of the trustees and their group dynamics. While agency theory recommends smaller and more independent boards to reduce costs and increase objectivity in the monitoring activity, once the cognitive role of the board is included, the assumptions surrounding board size and board independence on the organization's performance are questioned: more board members, though slower in decision-making, would provide more information and cognitive resources (Bantel and Jackson, 1989; Olson, 2000), resulting in a positive effect on nonprofit performance (Abzug *et al.*, 1993; Ostrower, 2002; Ostrower and Stone, 2010; Aggarwal *et al.* 2012). Similarly, outsiders, although potentially more objective in monitoring proceedings, might lack specific knowledge to support innovation and creative decision-making, as well as the commitment and motivation of those more closely related to the cause. While we have not found empirical evidence to support a positive relationship between insiders and nonprofit performance, many authors maintain that trustees' motivation is a determinant of board effectiveness (Taylor *et al.*, 1991; Steane and Christie, 2001). Therefore, the influence of board size and independence on the organization's performance must be reconsidered in an extended model of governance.

Closely related to this is the notion of board capital. This combines human capital (expertise, experience and reputation) and relational/social capital (networks and linkages to external constituencies) (Hillman and Dalziel, 2003). Human capital gives trustees exposure to making complex managerial and financial decisions (Olson 2000); the board benefits from the accumulation of the different kinds of knowledge and skills that individual board members bring to the table (Ostrower and Stone, 2010; Vidovich and Currie, 2012). Social capital provides political engagement, connections to influential funders and social ties; it is essential for nonprofits to access key networks within their respective organizations and in the communities they serve (King, 2004). Taken together, these factors are also considered as determinant of board performance (Hillman and Dalziel, 2003; Preston and Brown, 2004; Brown, 2007; Brown *et al.*, 2012) by both being cumulative, but also by offering another important factor: diversity.

Diversity strengthens the creativity of a board (Bantel and Jackson, 1989) and, thus, its strategic role. It relates to both observable attributes, such as ethnicity, age, or gender, and to less visible ones, such as education, technical abilities, functional and socioeconomic background, status, personality characteristics or values (Tsui *et al.*, 1992; Milliken and Martins, 1996). Heterogeneous groups have a greater breadth of perspective to bring to decision-making and, as they can draw on a wider set of expertise, might arrive at more potential solutions to a problem (Hambrick and Mason, 1984; Van der Walt and Ingley, 2003). Diversity thus has a positive effect on board effectiveness and, consequently, on nonprofit performance, a view empirically supported by the work of Andrés-Alonso *et al.* (2010). Whether, as part of that, it is more important for board members to be proactive (Andrés-Alonso *et al.*, 2010; Coombes *et al.*, 2011; Brown *et al.*, 2012) or for boards to act as a team (Nicholson *et al.*, 2012) is unclear, with further research combining the two needed to examine board effectiveness and nonprofit performance.

In sum, by adding agency theory arguments and a cognitive approach, we reach a more complete perspective to understand nonprofit governance. At this juncture, the traditional board features, like size and independence, seem to lose some of their importance while other, new characteristics, like diversity, proactivity or strategic decision-making groups, gain weight in the governance literature. However, the search for an optimal board configuration requires a far more robust empirical support for this assessment before it can be used as guidance for good practice.

## Conclusions and future lines of research on nonprofit corporate governance

Although theoretical approaches on nonprofit corporate governance have advanced greatly in recent decades, there is still a long way to go in terms of empirical testing. Especially in relation to 'good' governance for foundations and nonprofits in general, much more work is required. While this chapter has pointed to some of the key studies, a lot of them are derived from cross-sectional data from the US nonprofit sector: as Wellens and Jegers (2013) suggest, longitudinal and cross-country research is necessary to draw overall conclusions.

This line of research is difficult to implement, though, given the lack of structured databases of these organizations, especially outside the US. As such, researchers must currently develop their studies on the basis of primary data (surveys, interviews, case study), which makes it challenging to obtain cross-national or longitudinal samples. In addition, the latest theoretical advances introduce variables related to cognitive schemata and group thinking that require very specific information about individuals, reiterating the need for better and more overarching research approaches that can be applied across times and contexts.

Contextual factors are increasingly critical for scholars, as the foundation form itself demonstrates degrees of differentiation as well as similarity, arising from governmental intervention. Developments and decisions pertaining to the rise of the Italian banking foundations, with their governance structures reflecting a particular (legally enshrined) approach to the linkages between strategic and executive functions, and their funding drawn from public savings banks' assets rather than donations (Leardini *et al.*, 2014) is an important case in point. Varying foundation contexts will also create differentiations in the interactions between internal and external governance questions. Steen-Johnson *et al.* (2011: 556) argue that these two subfields of scholarship, in nonprofit governance generally, are importantly intertwined and need to be studied as such: 'the internal governance game shapes the conditions for the organization's positions and actions in the external government environment and vice versa'. For foundations, this intertwining will be especially relevant, for example, when they decide to collaborate with governments or fellow foundations.

Furthermore, there are other governance aspects to consider that are beyond the scope of this chapter. For example, the chapter has not given attention to endogeneity problems that may exist among the different kind of mechanisms or between the features (size, age, prestige) of a foundation and its governance requirements. These might relate to the power and influence of donors and funders to shape the selection of board members (Andrés-Alonso *et al.*, 2009) or to how transparency expectations lead to boards' configurations (Saxton *et al.*, 2012). While these have been touched upon in the nonprofit research literature (Abzug *et al.*, 1993; Moore and Whitt, 2000; Ostrower, 2002; Ostrower and Stone, 2010; Aggarwal *et al.*, 2012), the relationship between these and other governance factors have not been explored widely. While there is thus still no clear answer to the question of how to best configure an internal governance system, bringing together the insights from diverse theories and perspectives, to critically reflect on their complementarity and differences, as well as to consider the future research trajectories they highlight are important steps towards a more coherent understanding of the complex nonprofit governance landscape.

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