Does business-like approach shape philanthropy? An analysis of "*ex-ante*" and "*ex-post*" perceptions

ABSTRACT

This paper studies how a "business-like" approach is associated with the evolution of strategic philanthropy over time in a sample of Italian bank foundations (IBFs). Data are collected by surveying bank foundations' chairs and trustees in two different periods, 2010 and 2016. The results are consistent with a positive and significant association between a progressive satisfaction about planning and control tools implementation and a wider adoption of strategic philanthropy, as perceived by members within the foundations. Moreover, trustees who bring specific managerial and/or financial competences and are offered *ad hoc* training at their incorporation are more likely to positively perceive improvements in the philanthropic action. Additional analyses show that when a foundation's governance is subject to changes (i.e., the former chair is replaced by a new one) the association between planning and control implementation and strategic philanthropy becomes negative, thus confirming the strong leadership role exercised by the chair within IBFs.

Keywords: IBFs, Strategic Philanthropy, Governance Sophistication

1. INTRODUCTION

In the last decades, the non-profit sector has grown rapidly in size and significance in many countries given the increasing interest of governments to see voluntary and non-profit organizations playing a greater role in public service delivery and as a result of subcontracting different public services (Cornforth and Mordaunt 2011). In Italy, a recent reform also contributed to grant more visibility to non-profit players and raised expectations about their role in the society. Italy has about 6,220 foundations with total assets amounting to 90 billion euro, the majority of which is concentrated in 88 bank foundations that were created in the 1990s following the privatization of community-owned savings banks. Italian bank foundations (IBFs) now manage most of the assets at disposal of the non-profit sector and face increasing pressures to operate under a logic of effective value creation. As of 2017, IBFs managed financial portfolios of 39.8 billion and recorded social expenditure close to 1 billion euro (ACRI 2017). The role of IBFs ranges from providing financial support to social activities to the implementation of social projects for the development and representation of the territory in which they are actively involved (Rossi et al. 2015). Given this scenario, researchers are directing their attention to the mechanisms that can affect a foundation's ability to create social value (Hinna and Monteduro 2017) and calling for more comprehensive studies on philanthropy in the non-profit sector (Rogers 2015; Ma and Konrath 2018). To this end Laurett and Ferreira (2018, p. 895) point out that "*a broader reaching understanding and deeper reflection on the utilization of strategy in the non-profit sector still remains necessary to verify, and for example, whether the strategic management models are appropriate to the non-profit sector*".

Over the last decades, the non-profit literature has been increasingly populated with studies exploring the opportunity to extend managerial approaches typical of the for-profit to the non-profit sector (Bish and Becker 2015; Maier et al. 2016). The underlying idea is that

foundations and non-profit organizations could benefit from the adoption of consolidated management practices of the traditional business world, and thus become more "business-like" (Beck et al. 2008; Levine and Zahradnik 2012; Testi et al. 2017; Shoham et al. 2006). In particular, this transformation may apply to different dimensions of business organizations, such as: governance structure (Alexander and Weiner 1998), corporate knowledge (Hvenmark 2013), market relationships (Eikenberry and Kluver 2004; Salamon 1993), and professionalization of members (Hwang and Powell 2009; Lundstrom 2001). Nonetheless, whether and how this process of replicating traditional business routines could contribute to a more effective fulfilment of the social function and increase societal performance remains an open question. There is a need for a more comprehensive, evidence-based understanding of the implications of this transformation.

Drawing from this stream of literature, the paper analyzes the relationship between business-like practices and the evolution of strategic philanthropy. Particularly, the aim of the study is to explore whether a business-like approach implemented through planning and control systems, board managerial and financial expertise, and *ad hoc* board training could affect the development of the philanthropic action. Notably, a better and more sophisticated philanthropic strategy should directly contribute to the effectiveness of grant-making organizations, thus ultimately serving public good objectives and ambitions of non-profit organizations. Cornforth (2012) argues that there are limitations in the way foundations' governance is both conceptualized and addressed. In addition, there is little systematic evidence on how governance structures and practices have contributed over time to a sounder strategy. Given the attention that research lends to the transformation of non-profit organizations toward business-like entities and the call for research methods that allow tracing the evolution of structures and processes over time (Ployhart and Vandenberg 2010), it is fundamental to gain more insights into how foundations' governance shapes philanthropy over time. Our study aims

to bridge this gap and answer this call by exploiting a twofold perspective (i.e., chairs and trustees) to study the relationship between governance sophistication and the evolution of philanthropic action. More specifically, similar theoretical postulates (appendix 1) have been tested twice, before and after the implementation of a strategic cycle, and on two different populations of decision makers called to design the foundations' strategy. This twofold research design is also intended to limit the subjectivity of respondents.

IBFs provide an ideal setting for our empirical investigation as they represent a homogeneous industry in a single country. In addition, research portrays foundations as primary agents who can advance the state of knowledge in the field by experimenting with new solutions to societal problems (Buchanan and Buteau 2017; Quinn et al. 2014). Finally, IBFs show similar evolutionary patterns as well as regulatory, economic and social environments that are alike, thus minimizing the biases associated with any of these differences.

By examining the strategic action at two given times (i.e., chairs in 2010 and trustees in 2016), we test how a progressive implementation of planning and control tools, the type of competences possessed by foundation trustees and their level of training are associated with the perception of strategic philanthropy in a sample of IBFs. To do so, we rely on the perceptions of IBFs' trustees who serve on different committees. Data are collected in two waves: first, we surveyed foundations' chairs in 2010 to collect their "*ex-ante* opinion" about the planned strategy for the forthcoming years; next, we surveyed foundations' trustees in 2016 to verify the actual "*ex-post"* implemented strategy. The main objective is tracking the evolution of strategic philanthropy and business-like practices (appendix 1), and studying their relationship across time.

The results are consistent with a significant association between the progressive implementation of planning and control tools and a positive feeling about strategic philanthropy evolution as perceived by trustees at the end of the strategic cycle. Moreover, we

find that trustees who possess specific managerial and/or financial competences at the end of the period and/or have initially received dedicated training from their organization are more likely to perceive improvements in the philanthropic action.

In additional analyses we show that, when a foundation governance changes (i.e., the former chair is dismissed and substituted by a new one), the association between planning and control tools implementation and the perceived adoption of strategic philanthropy becomes negative, thus confirming the strong leadership role exercised by the chair within this type of foundations (Boesso et al. 2015). This result is consistent with a continuity effect in the governance structure. In fact, the positive relationship between increased adoption of planning and control tools and strategic philanthropy is more pronounced for those foundations in which the chair remained in charge for two consecutive periods. This evidence is especially interesting in light of the IBF Statute rule (ACRI 2017) whereby a foundation chair can be renewed for a maximum of two terms.

This study empirically addresses the evolution of governance practices of IBFs over the last decade and represents the first attempt to study the actual evolution of strategic philanthropy over time as perceived at two governance levels (i.e., chairs and trustees).

The paper contributes to the non-profit governance literature by exploring how governance sophistication is associated with the adoption of the institutional model of strategic philanthropy. Second, our evidence contributes to the debate on the relevance of "business-like" approaches within non-profit organizations by showing that control systems and practices inspired by the business world but tailored to the non-profit context (i.e., the use of budgeting for social projects, the analysis of operating outputs and social outcome) can effectively support the implementation of philanthropic strategies. Moreover, we contribute to the literature on board expertise and social value creation (Hinna and Monteduro 2017). Our evidence, in fact, is consistent with the increasing effort devoted to developing and training a new generation of

third sector professionals who are willing to use their managerial competences and ability to serve social action. Finally, the study provides useful insights for foundation members and practitioners who are interested in improving the effectiveness of their own philanthropic action.

The remainder of the paper is organized as follows. The next section provides an overview of the relevant literature on grant-giving foundations and non-profit governance. Section 3 defines the research questions to address and the hypotheses to be tested. Section 4 describes the methodology used in the study and how the data have been collected in the two surveys. Section 5 presents the main results of the research and the additional analyses. Section 6 offers a discussion and concluding remarks along with limitations of the study and possible avenues for future research.

2. THEORETICAL BACKGROUND

2.1 Italian Bank Foundations

Italy has a total of 88 IBFs which together represent the largest and most relevant philanthropic player in the country. IBFs are non-profit organizations that were established following the restructuring of the Italian banking industry in 1990 (Law 218 of 30 July 1990, the so-called "Amato" law). This reform called for a privatization process of community-owned savings banks with the aim of separating their lending activity from the philanthropic action, aimed instead at promoting social, cultural, and economic development.[b] The former activity was assigned to private profit-oriented savings banks and was subjected to banking and finance regulations; the latter activity was transferred to 88 community-owned non-profit bank foundations. IBFs, unlike other non-profit organizations (e.g., corporate foundations, family foundations), were established using public funds rather than private ones. Their main role is to allocate profits generated from financial investments to activities of social interest. By legal

provision, each bank foundation must define its own internal mechanisms with the guarantee that the interests of the community they serve are fully represented through the board of trustees and their actions. Additionally, IBFs must use any income derived from endowments for the development of communities and territories in which they are rooted (Rossi et al. 2015).

Foundations' activism is still a very young phenomenon in the Italian context, where it is largely led by these once-public banks. Consequently, it calls for more transparency, professional behavior, and tailored social initiatives as important alternatives to emerging cases of undisclosed decision-making, localized interest, and selfish patronage (Boesso et al. 2014). Because of their peculiar genesis, IBFs provide an ideal setting to study the association between governance and philanthropic strategy.

Compared to the majority of existing Italian foundations, IBFs are well-endowed grant-making institutions that possess a relatively large amount of financial resources (Barbetta 1999, 2008). In 2017, IBFs managed financial portfolios worth 39.8 billion euro and recorded social expenditure, in the form of grants allocation, for almost 1 billion euro. Their governance structure includes a board of directors that is in charge of operating and social activities, and a steering committee that oversees the strategic planning and whose members are nominated by local public entities. The apical roles are held by a chairman, who leads the abovementioned committees, and by a secretary general who manages resource allocation and executes committees' resolutions.

Since their creation, IBFs have undergone a process of increasing systematization. As a result, their structure is evolving from a more elementary one, typical of initial stages, towards a more disciplined, complex and regulated one. Nowadays, IBFs are increasingly focusing on the development of managerial roles, internal competences and operating standards since they are considered to be fully accountable for their results (ACRI 2017), and thus required to establish effective and efficient operations. Given this increasing systematization process, IBFs

represent an ideal research setting to analyze the impact of a business-like approach implementation over time and understand the effects on their philanthropic action.

2.2 Value Creation within Foundations

Grant-giving foundations generate social value by acting as intermediaries between individual donors and the various entities that they support with the objective of developing solutions to community problems (Porter and Kramer 1999; Millesen and Martin 2013). Value creation in non-profit organizations is, in fact, related to the achievement of a social purpose and has been defined as the "*set of activities by which new products or services are developed by (…) foundations so that they are perceived to be of value by both the recipients of grants and other stakeholders*" (Hinna and Monteduro 2017, pp. 937-938). Nowadays, grant-giving foundations face increasing expectations about their ability to enhance the potential of local communities to deal with challenging and complex social issues (Graddy and Morgan 2006).

Seminal contributions in the literature provide some reference frameworks of virtuous behaviours that foundations can adopt to effectively respond to the value creation demand. Letts et al. (1997) propose that grant-making foundations establish closer relationships with their grantees, issue higher grant amounts over sustained periods, and define performance measures along with exit strategies with the objective of increasing the effectiveness of their grant-making activity, thus learning from the experience of venture capitalists. Along this line, Porter and Kramer (1999) develop the idea of "strategic philanthropy" and argue that foundations should take responsibility for creating social value, which is envisioned as the ability to achieve a greater social impact by means of the granted dollar amount than the dollar amount spent by the government or private donors. They propose a four-step process that includes the following: selecting the best grantees, signalling additional funders, improving the performance of grant recipients and advancing the state of knowledge and practice through the

development of novel solutions to address social problems. A subsequent framework developed by Ostrower (2006) suggests assessing foundations' activity using a multidimensional scale which considers four types of orientations that are presumed to lead to effective operation. The four proposed dimensions are the following: i) "proactive orientation", which is related to foundations' ability to engage in activities alternative to grant-making; ii) "technical assistance/capacity building", which measures foundation's support for management and capacity development among grantees; iii) "social policy/advocacy", which measures the extent to which social change has been strengthened; iv) "internal staff development", which measures the degree of assistance and support offered by the foundation in development and training.

Despite its significant influence, a recent debate has raised the issue that strategic philanthropy is insufficient when addressing complex problems. According to this point of view, the model of strategic philanthropy, which tries to predict rationale outcomes, is too simplistic, given that the framework may be repeatedly applied to similar cases but not always returns equally successful outcomes. Proponents of this criticism claim the need for novel, emergent strategies that are able to couple rigor with flexibility (Kania et al. 2014). Nevertheless, the same proponents of these criticisms also acknowledge that "*strategic philanthropy has helped hundreds of funders and non-profit organizations commit to clear goals, data-driven strategies, heightened accountability, and rigorous evaluations*" (Kania et al. 2014, p.2). Consequently, we hold that particularly in the Italian context, where foundations' activism is less developed than in the US, strategic philanthropy can still represent a suitable theoretical framework to draw from with the purpose of achieving an effective value creation.

2.3 Non-Profit Governance Sophistication

Research has broadly focused on the mechanisms that foster foundations' effectiveness in delivering social impact. However, the emergence of a "new philanthropy" has raised concerns regarding foundations' ability to produce positive returns on the money granted. The idea behind this "new philanthropy" is that wealthy donors, who are willing to donate the money they personally earned, can tackle social issues by applying experimental, innovative, and technology-oriented solutions that have proven to be successful in the for-profit world (Rogers 2015). This approach goes under the name of "venture philanthropy" and works with the aim of turning donors into rational and pragmatic social investors. In other words, it brings the discipline of the investment world to the social arena, thus elevating the importance of a progressive involvement of foundations in the activities of grantees or other institutions and generating collaborations in the social sphere (Frumkin 2003). This type of strategy requires the implementation of effective planning and control systems along with a strong preference for funding complex, more advanced projects. To this end, measuring results, learning how to improve an investee's program and how to make more profitable investment decisions in the future become essential (Frumkin 2003). Consequently, foundations should provide appropriate planning and control tools to support the decision-making, optimize investments' social performance and foster purposeful discussions. According to Herman and Renz (1999) there exists a direct link between non-profit organizations' accountability, outcome assessment and performance evaluation on the one hand, and non-profit effectiveness on the other.

Maier et al. (2016) conduct a systematic literature review based on the evidence that, while non-profit organizations are undergoing notable changes that are making them more similar to for-profit enterprises, there is also increasing pressure on them to become more business-like. In their view, research related to this transformation of non-profit organizations focuses on three main areas: i) the causes that push non-profit organizations to become business-like entities; ii) the organizational structures and processes of non-profit organizations

undergoing such a change; iii) the effects of their transformation, which can be observed on their organizational performance, the fulfilment of their social function and their organizational legitimacy.

Research on non-profit governance largely addresses the role of the board of directors highlighting that boards that are active in strategic decision-making processes can enhance organizational performance (Brown 2005; Zhu et al. 2016). At the same time, a consistent stream of literature supports the idea that boards of non-profit organizations should become more efficient and professionalized (Bish and Becker 2015). Brown (2007) argues that board development practices, such as selecting future board members, training new members and evaluating their performance, lead to a more competent board, which in turn positively contributes to the board's overall performance. In a more recent work, Puyvelde et al. (2018) suggest the importance of spending time on building an effective board as a team. Gazley and Nichiolason-Crotty (2008) show that internal board dynamics such as learning and self-evaluation boost board performance. Accordingly, investing in board development has been shown to pay off. Finally, research focusing on the Italian context shows general agreement on board member competences being particularly relevant for the definition of a strategy in grant-giving foundations (Hinna and Monteduro 2017; Boesso et al. 2017). Moreover, prior findings show that governance systems characterized by strong board processes and board capital coupled with a powerful chairman are usually associated with a more sophisticated strategic approach (Boesso et al. 2015).

3. HYPOTHESES DEVELOPMENT

In a review of the non-profit governance literature, Cornforth (2012) argues that there exist limitations in the way governance is both conceptualized and addressed. Governance research places a narrow focus particularly on boards ignoring, however, the wider governance

systems as well as the more complex, multifaceted governance structures that many organizations have evolved into. In addition, there is little systematic evidence on how governance structure and practices have changed over time as a result of meeting new needs and circumstances. Given the centrality of non-profit organizations' transition toward business-like entities and the recent call for research that allows tracing the evolution of structures and processes over time, it is important to gain more insights not solely on board characteristics, but particularly on whether and how governance structures evolve over time (Cornforth 2012). Our study aims to bridge the gap and answer this call by measuring chairs' "*ex-ante*" intention to adopt governance practices that support strategic philanthropy in their organizations at time *T*, and next, controlling for trustees' "*ex-post*" perception of the actual implementation of strategic philanthropy at *T+5*.

Our first hypothesis builds on the current debate on the effective implementation of planning and control tools in non-profit organizations. Strategic planning is demonstrated to play a key role in non-profit boards (Brown and Guo 2010). Prior findings show that stronger governance processes, including control software implementation, are associated with a more sophisticated strategic approach (Boesso et al. 2017). This stream of literature claims that the adoption of well-established planning and control tools turns non-profit organizations into more effective philanthropic players. On the other hand, a parallel strand of literature has raised its scepticism regarding the adoption of business-like approaches in non-profit organizations (Tomlinson and Schwabenland 2010; Sanders and McClellan 2014). Proponents of this view claim that business-like approaches, such as business planning, "*invites an opposing ideology and set of practices that threaten the non-profit sector's ability to remain distinct from other sectors and uniquely address social problems*" (Sanders and McClellan 2014). Moving from this debate, we investigate whether the adoption of well-established planning and control tools makes IBFs a more effective philanthropic player.

Thus, we frame our first hypothesis as follows:

Hypothesis 1: A continuous and progressive adoption of planning and control tools is associated with an increase in the perceived level of "ex-post" strategic philanthropy.

Our second hypothesis tests the effect of different types of skills and competences of trustees on strategic philanthropy. According to Inglis and Cleave (2006) the opportunity to bring their skills and expertise to the board is one of the main factors that motivates trustees within non-profit organizations. Directors' abilities and knowledge contribute to build the human capital at disposal of the organization and directly influence organizational performance (Hillman and Dalziel 2003). Prior studies on Italian foundations see human capital as the diversity of competences represented in the boards and indicate that it certainly helps to identify more evolved philanthropic strategies (Boesso et al. 2015, 2017).

Research in non-profit organizations reveals that attaining a leadership position in the nonprofit sector is not necessarily subsumed to having managerial credentials and most nonprofit leaders learn how to manage an organization through professional development and other opportunities arising over their careers. In the past decades, however, the structure of non-profit organizations has undergone significant changes, with non-profit organizations increasingly relying on commercial revenue, service fees, and other forms of income (Salamon 1993). In addition, non-profit organizations have also begun to emphasize performance, efficiency, and evaluation much more than in the past, expanding their use of quantitative metrics to assess effectiveness and to respond to the demand for accountability (Suarez 2010). Consistently, Hinna and Monteduro (2017) provide evidence of a positive relationship between managerial skills of business experts and social value creation activities undertaken by IBFs. Along this line, we predict that trustees' managerial and/or financial expertise positively affects the perception of "*ex post*" strategic philanthropy within IBFs. Thus, we define our second hypothesis as follows:

Hypothesis 2: The managerial and/or financial expertise of trustees is associated with an increase in the perceived level of "ex-post" strategic philanthropy.

Finally, we investigate the relationship between board development practices and strategic philanthropy. While the literature recognizes the multiple dimensions of board governance, it also acknowledges the importance of resource development as a responsibility of non-profit boards (Young 2011). Previous research on non-profit organizations shows the relevance of board development practices and their positive effects on organizational performance (Brown 2007; Puyvelde et al. 2018). Board development involves a vast array of activities from recruiting and training employees, monitoring their performance up to removing ineffective, unproductive board members (Herman and Renz 1999; Lee and Phan 2000). Jackson and Holland (1998) demonstrate that targeted board training positively contributes to board and organizational performance. In a similar vein, we argue that trustees that were offered *ad hoc* dedicated training at their incorporation as a form of professional development are more likely to perceive improvements in the evolution of strategic philanthropy.

Hypothesis 3: Ad hoc dedicated training offered to new trustees is associated with an increase in the perceived level of "ex-post" strategic philanthropy.

4. METHODOLOGY

4.1 Sample

This study employs data collected from two surveys of IBF trustees conducted in 2010 and 2016, respectively. The first survey was submitted to the overall population of IBFs and was targeting all foundations' chairs. This survey was supported by the national association of IBFs and was intended to collect the critical opinion of chairs about the current and future implementation of the strategic philanthropy postulates (appendix 1) in the Italian context. In

2010, 58% of the chairs replied. The descriptive results showed a general but mild consensus about the progressive adoption of the postulates, with minor concerns related to the risk of losing their universal patronage role and becoming too deterministic-oriented (*Anonymized quotation, year*).

In 2016, five years later, a second survey was submitted to the same foundations who replied the first survey with the objective of broadening the range of respondents (i.e., trustees) and investigating whether and how the 2010 declared intentions of chairs to progressively adopt more strategically oriented postulates have been actually implemented and with which outcomes.

As a result, while data collected during the first period (2010) mainly reflect the "*ex-ante"* strategic intention of foundation leadership, data collected during the second period (2016) reflect trustees' evaluation of the "*ex-post"* effective implementation of strategic philanthropy.

In 2016, 28% of the invited trustees answered the survey (n=104). For each of them it was then possible to compare their "*ex-post"* measurements of the "business-like" postulates with the "*ex-ante"* measurements provided by their chairs in 2010. As such, our proprietary database represents a unique example of validation of each chair's strategic intention by its trustees. We thus proxy for the level of "*consensus*" or "*disagreement*" that trustees implicitly associate to the state of the art as previously portrayed by their chairs. In case multiple trustees' questionnaires were collected for the same foundation, we clustered results at the foundation level.

In both survey years (i.e., 2010 and 2016), a preliminary version of the questionnaire was presented to the national professional association and tested on a focus group of four foundations to confirm its validity. Note that the objective of this study is to measure the individual approach to planning and control and its effect on strategic philanthropy rather than

to evaluate a foundation's implemented actions. In particular, the focus groups and pilot test of the questionnaire revealed that even a "yes/no" answer might be influenced by respondents' beliefs (e.g., "Does the foundation adoption a budget for each project?", one board member may answer "no" because in 10% of the cases a budget is not adopted, or simply because she/he believes that such instrument is not implemented properly). Consequently, by asking direct questions, we may have incurred the risk of polarizing the answers; therefore, the final questionnaire's objective is to shed light on perceptions and we proceeded in a way consistent with minimizing the risk of colleting biased responses.

Since the data collected are subjective and discretionary, it is not possible to verify the sincerity of the answers but only to conduct robustness tests to verify their reliability. The Cronbach's alpha, computed to verify internal consistency, ranges from a minimum of 0.64 to a maximum of 0.93 in the various sections of the surveys, therefore ensuring an acceptable level for each item. The Harman's factor computed on the complete dataset indicates minimal risk of "*common method bias*", with a score of 0.34, which is well below the recommended threshold of 0.70. The results of these robustness tests, together with the large number of items and the neutral formulation of the questions, curb the possibility that respondents purposely skewed their answers.

Table I reports the distribution of respondents by size and geographic location. As shown in Table I, our sample of 104 trustees reflects the entire population distribution in terms of size. In terms of geographic location, our sample includes a larger share of foundations located in the northwest of Italy. On average, the sample reflects quite well the characteristics of the entire population and can be used to make some inferences, which may be cautiously extended to the overall population of IBFs.

[INSERT TABLE I HERE]

4.2 Measures

Our main variable of interest is strategic philanthropy *(SP_2010* and *SP_2016)*, which has been repeatedly measured across time by asking respondents of both surveys to assess the extent of adoption of the four value creation activities as proposed by Porter and Kramer's framework (1999): i) the extent to which they select the best grantees; ii) the extent to which they signal other funders to share and increase the grant amount; iii) the extent to which they improve the performance of grantees; iv) the extent to which they advance the state of knowledge and practice. These items have been rated on a 7-point Likert scale and normalized so they can take a value comprised between 0 and 1. Finally, the strategic philanthropy score for each year (2010 and 2016) has been computed as the mean of the four normalized items.

To test our research hypotheses, we then examine strategic philanthropy differential scores between the two periods (2016 score minus 2010 score) and use them as a dependent variable to proxy for the level of *consensus* (positive score) or *disagreement* (negative score) between the trustees (at the end of the period) and the chair (at the beginning of the period). A similar approach has been used by previous studies related to experiential philanthropy (McDougle et al. 2017). Moreover, previous research acknowledges the use of change scores as dependent variables in a regression model (Dalecki 1991; Allison 1990; Ployhart and Vandenberg 2010). According to Dalecki (1991), in fact, the difference between the two scores recorded at different points in time gives a straightforward interpretation of findings when "*the goal is to assess the relationships of various explanatory variables to the directions and degree of change in some score across time*" (p. 17). Consistently, strategic philanthropy difference (Δ*SP)* has been computed as *SP_2016* minus *SP_2010.*

The variable of interest used to test Hypothesis 1 is the variation in the adoption of planning and control tools (Δ*PC*) which, analogously to Δ*SP*, has been calculated as the difference between the level of perceived adoption of planning and control tools in 2016 (*PC_2016*) and the same construct in 2010 (*PC_2010*). More specifically, the extent to which

a foundation is adopting planning and control tools is measured on the basis of the importance assigned to three planning and control items proposed in the literature (Frumkin 2003): i) Adoption of a budget for each project; ii) Analysis of operational output indicators; iii) Analysis of social outcome indicators. These items have been rated on a 7-point Likert scale and normalized so they can take a value comprised between 0 and 1. Similarly to strategic philanthropy, planning and control scores for each year (2010 and 2016) have been computed as the mean of the three normalized items.

The research variable included in the model to test Hypothesis 2 is the type of competences that trustees declared to possess at the end of the period (*COMP).* This variable is an indicator variable equal to "1" if a respondent in 2016 brings specific managerial and/or financial competences to the foundation, or "0" otherwise.

Finally, to test our third hypothesis, we defined a variable, *TRAINING*, which refers to the training mechanisms provided by the foundation and made available to new trustees in 2010. *TRAINING* is a count variable, which is equal to: "0" if no formal training was provided by the foundation to new trustees; "1" if, beyond regular board activity, informal meetings were offered as a form of training; "2" if dedicated formal meetings with employees in charge of different areas were provided; or "3" if *ad hoc* dedicated training programs were activated by the foundation. The survey questions used as variables in the analyses are reported in Appendix 1.

The models include a number of control variables which account for several aspects. Strategic philanthropy, as measured by chairs in 2010 (*SP_2010*), and planning and control tools implementation in 2010 (*PC_2010*) have been included in the model to control for their initial levels. Because the second survey (2016) was extended to a broader range of trustees, to control for differences in respondents' role we include in the model a variable that takes into account whether or not each respondent holds an apical or executive role close to the chair. For

this purpose, we introduce an indicator variable, *APICAL,* which is equal to "1" if the respondent holds an apical role which put he/she in close relationship with the chair (i.e. deputy chair, executive committee or secretary general), or equal to "0" if the respondent holds a different position. Additional control variables are taken from existing literature on non-profit governance (Boesso et al. 2015; Hinna and Monteduro 2017). We collect financial data from foundations' annual reports so to be able to control for changes in their size and profitability. Our measure of changes in size, Δ*SIZE,* is calculated as the difference between the natural logarithm of the equity in 2016 and 2010.[d] The change in profitability, Δ*PROFIT,* is calculated as the difference between return on equity (ROE) in 2016 and 2010.[e] All variables included in the regressions are presented in Appendix 2.

5. RESULTS

5.1 Univariate analysis

Table II reports descriptive statistics of the variables included in the analysis. In particular, for measuring *CHANGE_GOV,* we manually collected chair names from official annual reports for both years, 2010 and 2016, so to be able to establish whether any governance change happened. As reported in Appendix 2: *CHANGE_GOV* is equal to "1" if the foundation chair changed between 2010 and 2016, "0" otherwise.

Mean values of Δ*SP* and Δ*PC* are both positive and equal to 0.177 and 0.319 respectively, thus showing that, on average, both levels of *SP* and *PC* have increased between 2010 and 2016. More than 60 percent of the respondents surveyed in 2016 bring to the foundation specific managerial and/or financial competences (mean value of *COMP* is 0.615), while almost half of the respondents in 2016 serve on apical positions connected with the Chair (vice chair, executive committee or secretary general). 60 percent of the foundations represented in the sample changes their chair between 2010 and 2016 as a result of the expiry

of the Chairman mandate. The value of the equity of foundations has, on average, slightly decreased between 2010 and 2016, while their return on equity (ROE) has increased (mean values of Δ*SIZE* and Δ*PROFIT* are -0.060 and 0.031, respectively).

In addition, *TRAINING* presents the following distribution across respondents (not tabulated for brevity): 56 (54%) no formal training was provided by the foundation to new trustees; 17 (16%) informal meetings were offered as a form of training beyond regular board activity; 26 (25%) dedicated formal meetings with employees in charge of different areas were provided; and 5 (5%) *ad hoc* dedicated training programs were activated by the foundation. Also, among trustees covering more operational roles: 29 (52%) received no formal training; 9 (16%) were offered informal meetings; 15 (27%) were offered dedicated, formal meetings; and 3 (5%) were offered ad hoc training".

[INSERT TABLE II HERE]

Table III shows pairwise correlations. As expected, Δ*SP* shows a positive correlation with Δ*PC, COMP* and *TRAINING*. However, the correlation is significant at a 5 percent level only with Δ*PC*. *SP_2010* and *PC_2010* are naturally negatively correlated with Δ*SP* and Δ*PC*, respectively. *TRAINING* shows a negative and significant correlation with *PC_2010* and a positive and significant correlation with Δ*PC*. *APICAL* is positively correlated with *COMP*. Finally, Δ*SIZE* and Δ*PROFIT* are positively and significantly correlated with each other.

[INSERT TABLE III HERE]

Table IV reports the results of a t-test performed to check whether Δ*SP* and Δ*PC* assumes significantly different values depending on: i) whether the foundation chair has changed between the two periods (*CHANGE_GOV*); ii) the type of competences that trustees bring to foundations (*COMP*). The evidence shows that the mean values of Δ*SP* are not significantly different across the two subsamples partitioned on *CHANGE_GOV* and *COMP*. Conversely, Δ*PC* assumes values that are significantly higher when respondents do not possess

specific managerial and/or financial competences and when the foundation chair has not changed between the two periods.

[INSERT TABLE IV HERE]

5.1 Multivariate analysis

To test our first hypothesis, we examine whether a progressive adoption of planning and control tools (ΔPC) has a positive effect on the perception of strategic philanthropy (ΔSP). Thus, we run the following OLS model:

$$\Delta SP = \beta_0 + \beta_1 \Delta PC + \beta_2 PC\_2010 + \beta_3 SP\_2010 + \beta_4 APICAL + \beta_5 \Delta SIZE + \\ + \beta_6 \Delta PROFIT + \varepsilon. \quad (1)$$

Variable definitions are reported in Appendix 2. Since there may be multiple respondents for each foundation all the standard errors are clustered at the foundation level. This way we correct for any common unobserved random factor at the group level that will lead to correlation between observations within each foundation. Hypothesis 1 predicts the coefficient β_1 to be positive. Table V (first column) reports the results of this regression. Consistent with our first hypothesis, the coefficient β_1 is positive and significant at the 1 percent level. A progressive implementation of budgeting procedures, output indicators and social outcome indicators is positively associated with the evolution of the four postulates that Porter and Kramer (1999) proposed as the pillars of strategic philanthropy.

[INSERT TABLE V HERE]

To test our second hypothesis, we examine whether trustees' managerial and/or financial competences (*COMP*) have a positive effect on the perception of strategic philanthropy (ΔSP). Thus, we run the following OLS model:

$$\Delta SP = \beta_0 + \beta_1 COMP + \beta_2 PC\_2010 + \beta_3 SP\_2010 + \beta_4 APICAL + \beta_5 \Delta SIZE + \\ + \beta_6 \Delta PROFIT + \varepsilon. \quad (2)$$

Table V (second column) reports the results of this regression. As expected, the coefficient β_1 is positive and significant at the 5 percent level. Respondents who bring specific

managerial and/or financial competences to the foundation are more likely to perceive improvements in the adoption of strategic philanthropy.

Hypothesis 3 predicts that more formalized, *ad hoc* training programs available to new trustees as of 2010 (*TRAINING*) have a positive effect on the evolution of strategic philanthropy as perceived by members (ΔSP). To test this last hypothesis, we run the following OLS model:

$$\Delta SP = \beta_0 + \beta_1 TRAINING + \beta_2 PC\_2010 + \beta_3 SP\_2010 + \beta_4 APICAL + \beta_5 \Delta SIZE + \\ + \beta_6 \Delta PROFIT + \varepsilon. \quad (3)$$

Table V (third column) reports the results of this regression. Hypothesis 3 is also confirmed, with the coefficient on *TRAINING* being positive and significant at the 10 percent level. This result shows that more formalized training procedures – such as ad *hoc*, mandatory induction programs – initially offered to new trustees (i.e., that were in place as of 2010) reflect a higher perception of the adoption of strategic philanthropy.

Finally, we test whether the same hypotheses hold when the three variables are included together in the following augmented OLS model:

$$\Delta SP = \beta_0 + \beta_1 \Delta PC + \beta_2 COMP + \beta_3 TRAINING + \beta_4 PC\_2010 + \beta_5 SP\_2010 + \\ + \beta_6 APICAL + \beta_7 \Delta SIZE + \beta_8 \Delta PROFIT + \varepsilon. \quad (4)$$

The three hypotheses are confirmed: coefficients β_1 and β_2 are both positive and significant at the 1 percent level while coefficient β_3 is positive and significant at the 5 percent level. The results of this regression are reported in Table V (fourth column).

5.3 Additional Analyses

We run a robustness check to test whether our main hypotheses hold when respondents serve on lower and more operational roles, thus maximizing the distance from chair perceptions. Consistently, we test our main models using the subsample of respondents who serve on roles different from those of vice-chair, executive committee and secretary general. Table VI reports the results of these regressions. Hypotheses 1 and 3 (first and third column)

are confirmed. Conversely, hypothesis 2 (second column) is partially not confirmed but the results are qualitatively the same: the coefficient on *COMP* is, in fact, positive but not significantly associated with Δ*SP*; however, the coefficient is significant in the fourth model.

[INSERT TABLE VI HERE]

Next, we perform an additional sensitivity analysis to investigate the effects of changes in governance. Because we found a significantly higher value of Δ*PC* when the foundation chair was not replaced between 2010 and 2016, we add an interaction term of Δ*PC* with *CHANGE_GOV (ΔPC*CHANGE_GOV)* to the main model. Δ*PC*CHANGE_GOV* represents the incremental effect of governance changes. We thus run the following OLS model:

$$\Delta SP = \beta_0 + \beta_1 \Delta PC{*}CHANGE\_GOV + \beta_2 \Delta PC + \beta_3 COMP + \beta_4 TRAINING + \beta_5 PC\_2010 + \beta_6 SP\_2010 + \beta_7 APICAL + \beta_8 \Delta SIZE + \beta_9 CHANGE\_GOV \varepsilon. \quad (5)$$

Table VII reports the results of these regressions. We first run one regression using the overall sample of 104 observations (first column). In this setting, the three hypotheses are all confirmed. The coefficient on the interaction term is negative and not significant. When we rerun the same model in the subsample where *APICAL=0* (second column) the three hypotheses are also confirmed. In this case, however, the coefficient on the interaction term is negative and significant at the 5 percent level, thus showing that if the foundation chair changes between the two periods, respondents reflect a significantly lower association between the implementation of planning and control tools and the perception of strategic philanthropy evolution. Conversely, if the same chair remains in charge for two consecutive terms, a progressive implementation of budgeting procedures, output indicators and social outcome indicators is, again, positively associated with the evolution of the four postulates that Porter and Kramer (1999) propose as the pillars of strategic philanthropy. This may imply that board members need more time to perceive the joint positive effect of leadership change and implemented planning and control tools. Therefore, the results suggest to implement planning and controls tools gradually and/or providing the proper training to board members.

[INSERT TABLE VII HERE]

Finally, we rerun our main analysis controlling for the initial level of both size and profitability (SIZE_2010 and PROFIT_2010). This way, the model controls for a foundation size and profitability *ex-ante* and independent of any strategic governance choices, and their subsequent changes. Again, the results (not tabulated for brevity) are qualitatively the same as those reported in our main tests.

6. DISCUSSION AND CONCLUSION

More recently, civil attention and media attention has turned to the institutional governance and management of foundations (EFC 2016, CEP 2016). Several social policy decision makers, have argued that foundations cannot foster the desired positive impact on societies if their management lacks governance competencies and strategic planning skills. In summary, the increasingly important role of foundations as pivotal players, along with recent media and regulatory attention to the poorly managed foundations, have created the need to research and analyze foundations' approach to management and to suggest approaches that they can adopt for better achieving positive social outcomes.

This study empirically investigates the evolution of business-like practices of IBFs over the last decade and represents the first attempt to map foundations' strategic improvements over time. Our paper firstly contributes to the non-profit governance literature by exploring how governance sophistication is associated with the adoption of the institutional model of strategic philanthropy. The results confirm that trustees perceive planning and control tools implementation as one significant antecedent to the strategic philanthropy approach and its effectiveness (Hypothesis 1). Our evidence secondly contributes to the debate on the relevance of "business-like" approaches within non-profit organizations. The results, in fact, shows that planning and control tools inspired by the business world but tailored to the non-profit context

(i.e., the use of budgeting for social projects, the analysis of operating outputs and social outcome) can act as strong drivers of an effective implementation of philanthropic strategies.

Furthermore, the analysis shows that managerial and financial expertise of foundation trustees is associated with an increase in the perceived "*ex-post*" strategic philanthropy (Hypothesis 2). This result is in line with the finding of Hinna and Monteduro (2017), who report a positive relationship between managerial experts and social value creation activities undertaken by foundations. This evidence is also consistent with the increasing effort devoted to developing a new generation of third sector professionals willing to use their managerial competences to serve social action. The phenomenon follows the push coming from large US foundations that train new professionals of philanthropy so that they are able to couple their specific managerial and financial knowledge with a passion for the non-profit sector.

Finally, our third hypothesis confirms that more formal, *ad hoc* training mechanisms offered to new trustees (Hypothesis 3) are significantly associated with higher "*ex post*" perceived strategic philanthropy. This result is consistent with the notion that visionary chairs who decide to make available sophisticated training programs to new trustees can benefit from a more developed strategic philanthropy in the long run.

Interestingly, our results provide evidence of a positive continuity effect in the governance structure. In fact, the positive relationship between a richer set of planning and control practices and strategic philanthropy is more pronounced for those foundations in which the chair remains in charge for two consecutive periods. This finding reflects the strong leadership role held by the chairman, who becomes a true "rule maker" within foundations (Micinski 2017), and is especially relevant in light of the gap created by the absence of a private founding body (Barbetta 1999, 2008). Taken together, these results are in line with prior findings of Boesso et al. (2015) to the effect that "*a governance system in which a powerful*

chairman coexists with strong board processes and board capital is associated with a more sophisticated strategic approach" (p. 211).

In sum, the "*ex post*" perceived improvement in the adoption of strategic philanthropy is associated with the presence of a long-tenured chairman, a managerially and/or financially skilled board, and the offer of specific training programs to new trustees.

Overall, we provide novel insights on the perceived adoption of a philanthropic model (Porter and Kramer 1999) that has been a milestone in the non-profit literature. Moreover, our results provide useful insights to foundation members and practitioners interested in improving the effectiveness of their philanthropic action. Given the growth in the resources of philanthropic foundations and their increasingly important role in achieving socially critical outcomes, the link between management of non-profit foundations and performances achieved by them has important implications for social policies. While foundations are being asked to adopt more "modern" management practices-often coming from for-profit sectors-in terms of defining and measuring social outcomes, there is also an apprehension that by following such approaches, "*the age old culture of charity that is tied to heart and steeped in moral traditions*" (Dees, 2012) may be lost. From a practice perspective, the insights gained from this study could suggest potential solutions for improving the efficiency and effectiveness of foundations in achieving socially relevant outcomes. By empirically investigating the association between foundations' adoption of governance mechanisms and planning and control measures and the perceived achievement of their strategic performance, this study provides early evidence of the appropriateness and progressive implementation of a managerial approach and other "business-like" measures that may be adopted by foundations to improve their social performances.

The study has some limitations that warrant discussion. First, given that we use self-reported and subjective data, *common method bias* represents an issue (Podsakoff et al.

2003). We attempt to partially mitigate this problem by gaining perspectives not only from board chairs but also from a wider set of foundation trustees, and we run separate regression models for their perceptions of strategic philanthropy evolution. We also perform satisfactorily Cronbach's alpha and Harman's factor to test the reliability of our surveys. In addition, we construct multiple item scales in order to minimize unreliability, and conduct a factor analysis to ensure construct validity. We suggest that future research should attempt to develop more reliable measurements of both governance sophistication and strategic philanthropy evolution. Secondly, we acknowledge that the adoption of the framework proposed by Porter and Kramer (1999) may be debatable given that it was conceived more than two decades ago. However, it still represents the most practical and measurable framework, and it is easily understandable by all trustees involved in the foundations' operations. Moreover, due to the limited number of sample observations, our results provide meaningful insights that cannot be fully generalized to the entire population of IBFs. Third, we do not intend to claim a direct causal link between business-like practices and strategic philanthropy, but rather we acknowledge that reverse causality can represent a source of endogeneity in our study. For instance, it could be that a foundation decides to adopt more planning and control tools once it has fully embraced the pillars of strategic philanthropy. Additional research should move in this direction to test whether it is the adoption of business-like approaches that drives strategic philanthropy, or it is rather the latter that drives the adoption of business-like approaches. Finally, none of the 11 IBFs that are based in Southern Italy are represented in our sample due to the lack of responses for both periods of analysis (2010 and 2016). On the one side, this may cause our sample to be less representative of the Italian situation since Northern Italy is quite different from Southern Italy in its civic culture and other social, political, and economic aspects. On the other side, however, the sample used in the paper is more homogenous and helps to mitigate any

environment induced bias on all the researched factors. In particular, Boesso et al. (2015) show a strong negative (no) association between the environment (political connection) and the level of strategic philanthropy.

Future research investigating the effectiveness of grant-making foundations should also consider the perspective of other individuals involved in the philanthropic process, who have often been ignored by the literature. For instance, the pool of responders could be extended beyond trustees to consider all the employees with more operational roles in a foundation. In fact, employees who are directly involved in social projects and have closer interactions with grantees represent a useful source of information to study how governance can drive the implementation of effective value creation strategies.

NOTES

[a] Law No. 218 of 30 July 1990.

[b] Originally, these organizations were credit institutions owned by Italian provinces (or regions) with a strong vocation for solidarity that emerged with the need for community self-organization and protection at a critical stage of the transition from an agricultural to an industrial society (Rossi et al. 2015).

[c] In Italy, the professional association of foundations is called: Associazione di Fondazioni e Casse di Risparmio (ACRI 2017).

[d] The mean (median) equity value is 843,953 (203,482) million euro at the end of 2009 and 653,957 (231,642) million euro at the end of 2015.

[e] The mean (median) ROE is 2.77% (2.43%) at the end of 2009 and -0.53% (0.83%) at the end of 2015.

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APPENDIX 1. Survey questions

Strategic Philanthropy*

1. Does your foundation establish a set of criteria to select on a comparative basis the best project to be financed?

   (0 slightly – 6 a lot)
2. Does your foundation strive to mobilize additional funders towards common lines of intervention?

   (0 slightly – 6 a lot)
3. Do you believe it is possible to encourage the development of operating practices among beneficiaries to improve their ability to manage and report projects?

   (0 slightly – 6 a lot)
4. Does your foundation strive to identify innovative solutions that could represent examples of intervention model for the policy-maker?

   (0 slightly – 6 a lot)

Planning and Control

5. Which of the following planning and control tools allow the critical examination of the guidelines of philanthropic intervention with the aim of improving them?

   - The adoption of a budget for each project

     (0 slightly – 6 a lot)
   - The analysis of operational output indicators

     (0 slightly – 6 a lot)
   - The analysis of social impact indicators

     (0 slightly – 6 a lot)

Competences

6. Do you bring to the foundation managerial and/or financial competences?

   (Yes/No)

Training

7. Which training activities does your foundation provide to new trustees?
   - No formal or dedicated training (0)
   - Informal meetings offered outside of the regular board activity (1)
   - Dedicated formal meetings with employees in charge of different areas of activity (2)
   - *Ad hoc* mandatory training programs (3)

   (0 – 3)

Governance

8. Do you hold an executive role such as: deputy chair, executive committee or secretary general within the foundation?

   (Yes/No)

*In 2010, foundation chairs were asked to rate questions according to what was approved by their organizations in the latest strategic plan or in the mandatory mission report, which generally covers the next 5 years. In 2016, trustees were asked to rate questions according to the last five-year period.

APPENDIX 2. Variables' definition

Variable	Definition
SP_2010	Strategic philanthropy score in 2010 computed as the mean score of 4 items (Porter and Kramer 1999) rated on a 7-point Likert scale. These items are: i) selection of the best grantees, ii) signaling of other funders, iii) improvement of grantees performance, iv) advancement of the state of knowledge and practice.
SP_2016	Strategic philanthropy score in 2016 computed as the mean score of 4 items (Porter and Kramer 1999) rated on a 7-point Likert scale. These items are: i) selection of the best grantees, ii) signaling of other funders, iii) improvement of grantees performance, iv) advancement of the state of knowledge and practice.
Δ*SP*	Difference between strategic philanthropy score in 2016, *SP_2016*, and strategic philanthropy score in 2010, *SP_2010*.
PC_2010	Planning and control implementation score in 2010 computed as the mean score of 3 items (Frumkin 2003) rated on a 7-point Likert scale. These items are: i) adoption of budgeting, ii) analysis of operational output indicators, iii) analysis of social outcome indicators.
PC_2016	Planning and control implementation score in 2016, computed as the mean score of 3 items (Frumkin 2003) rated on a 7-point Likert scale. These items are: i) adoption of budgeting, ii) analysis of operational output indicators, iii) analysis of social outcome indicators.
Δ*PC*	Difference between planning and control implementation score in 2016, *PC_2016*, and planning and control implementation score in 2010, *PC_2010*.
COMP	Indicator variable equal to "1" if respondents of the second survey (2016) bring managerial and/or financial expertise to the foundation, "0" otherwise.
TRAINING	Count variable that assumes respectively the values of "0", "1", "2", or "3" depending on the level of formal training provided by the foundation to new trustees starting with 2010, where "0" correspond to the lowest level (i.e., no formal or dedicated training) and "3" to the highest level (i.e., *ad hoc* mandatory training programs).
APICAL	Indicator variable equal to "1" if respondents served on apical roles close to the chair, such as: vice chair, executive committee or secretary general, "0" otherwise.

Δ*SIZE*	Difference between the natural logarithm of equity at the end of 2015 and the natural logarithm of equity at the end of 2009.
Δ*PROFIT*	Difference between ROE, calculated as net income deflated by the value of the equity, at the end of 2015 and ROE at the end of 2009.
CHANGE_GOV	Indicator variable equal to "1" if the foundation chair changed between 2010 and 2016, "0" otherwise.

TABLE I. Distribution of respondents by foundation size and geographic location

	Small	Small - medium	Medium	Medium - large	Large	**Total**
North West	12.50%	4.81%	0.00%	4.81%	4.81%	**26.92%**
North East	3.85%	0.00%	0.00%	13.46%	21.15%	**38.46%**
Central Italy	0.96%	20.19%	7.69%	1.92%	3.85%	**34.62%**
Southern Italy	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
Total	**17.31%**	**25.00%**	**7.69%**	**20.19%**	**29.81%**	**100.00%**

This table presents the distribution of respondents according to foundation size and geographic location. The size classification is based on the quintiles distribution of the value of the equity of the entire population of IBFs as of 2017 (ACRI 2017) and is as follows: i) Small (Equity value up to 48.1 million euro); ii) Small-medium (Equity value between 48.2 and 93.8 million euro); iii) Medium (Equity value between 93.9 and 205.3 million euro); iv) Medium-large (Equity value between 205.4 and 434.3 million euro); v) Large (Equity value between 434.4 and 6,956 million euro). The average equity value for the i) Small group is 23.6 million euro while the average equity value for the v) Large group is 1,707 million euro.

TABLE II. Descriptive statistics

Variable	N	Mean	Standard Deviation	25th Percentile	50th Percentile	75th Percentile
Δ*SP*	104	0.177	0.366	0.127	0.167	0.490
SP_2010	104	0.423	0.275	0.177	0.349	0.651
Δ*PC*	104	0.319	0.340	0.089	0.356	0.578
PC_2010	104	0.276	0.251	0.111	0.222	0.444
TRAINING	104	0.808	0.976	0.000	0.000	2.000
COMP	104	0.615	0.489	0.000	1.000	1.000
APICAL	104	0.461	0.501	0.000	0.000	1.000
CHANGE_GOV	104	0.600	0.500	0.000	1.000	1.000
Δ*SIZE*	104	-0.060	0.557	-0.024	0.044	0.079
Δ*PROFIT*	104	0.031	0.056	-0.033	-0.013	-0.004

This table reports descriptive statistics of all variables used in the analyses. All variables are defined in Appendix 2.

TABLE III. Pearson correlations

Variable	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Δ*SP*	1.000								
SP_2010	-0.787*	1.000							
PC_2010	0.178	0.065	1.000						
Δ*PC*	0.211*	0.059	-0.637*	1.000					
TRAINING	0.043	0.133	-0.376*	0.317*	1.000				
COMP	0.141	0.022	0.143	-0.166	0.014	1.000			
APICAL	0.161	0.129	0.068	-0.061	-0.055	0.653*	1.000		
Δ*SIZE*	0.073	0.035	0.273*	0.105	-0.032	-0.045	0.061	1.000	
Δ*PROF*	0.023	0.109	-0.1	-0.049	0.001	0.080	-0.014	0.216*	1.000

This table reports Pearson correlations between all variables used in the analyses. * denotes significance level at less than 5 percent. All variables are defined in Appendix 2.

TABLE IV. T-tests

	CHANGE_GOV = 1 (N=59)	*CHANGE_GOV = 0 (N=45)*	*T*
Δ*SP*	0.14	0.23	1.28
Δ*PC*	0.29	0.49	4.91***
	COMP= 1 (N=64)	*COMP= 0 (N=40)*	*T*
Δ*SP*	0.22	0.11	-1.44
Δ*PC*	0.28	0.39	1.70*

This table reports the results of a T-tests by changes in governance (i.e., whether the foundation chair changed between 2010 and 2016, and whether trustees hold managerial and/or financial competences) performed on the variables Δ*SP* and Δ*PC*. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. All variables are defined in Appendix 2.

TABLE V: OLS regressions – Main results

DEP.VAR: Δ*SP*	**H1**		**H2**		**H3**		**Augmented model**	
	Coeff.	*t*	*Coeff.*	*t*	*Coeff.*	*t*	*Coeff.*	*T*
Δ*PC*	0.455	3.32***					0.442	4.42***
COMP			0.100	2.12**			0.116	3.36***
TRAINING					0.084	1.96*	0.067	2.34**
PC_2010	0.562	3.35**	0.130	0.74	0.282	1.30	0.636	2.88***
SP_2010	-0.964	-7.87***	-1.047	-6.90***	-1.063	-8.54***	-1.007	-10.05***
APICAL	0.051	1.69	-0.023	-0.73	0.043	1.35	-0.024	-0.80
Δ*SIZE*	-0.051	-0.81	-0.065	-0.78	-0.042	-0.65	-0.009	-0.17
Δ*PROFIT*	0.091	0.22	-0.360	-1.07	-0.249	-0.67	-0.052	-0.16
Constant	0.265	1.63	0.521	3.72***	0.453***	2.91	0.170	1.15
R^2	0.746		0.654		0.687		0.788	
F	38.51		28.44		53.84		60.01	
p	<.001		<.001		<.001		<.001	
Observations	104		104		104		104	

This table reports the main results of OLS regressions to test H1, H2 and H3. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test. Please see Appendix 2 for variable definitions. Standard errors are clustered at the foundation level.

TABLE VI. Subsample analysis – Respondents other than vice-chair, executive committee and secretary general

DEP.VAR: ΔSP	**H1**		**H2**		**H3**		**Augmented model**	
	Coeff.	*t*	*Coeff.*	*t*	*Coeff.*	*t*	*Coeff.*	*T*
ΔPC	0.483	3.39***					0.471	4.28***
COMP			0.062	1.08			0.098	2.42**
TRAINING					0.109	2.37**	0.087	2.99***
SP_2010	-0.949	-7.86***	-1.060	-6.02***	-1.097	-8.27***	-1.006	-10.98***
PC_2010	0.689	2.97***	0.236	1.14	0.459	1.90*	0.818	4.04***
ΔSIZE	-0.037	-0.59	-0.061	-0.67	-0.027	-0.36	0.012	0.24
ΔPROFIT	-0.129	-0.35	-0.466	-1.19	-0.156	-0.28	-0.010	-0.03
Constant	0.208	1.28	0.508	3.36***	0.404	2.49**	0.103	0.78
R^2	0.764		0.657		0.713		0.820	
F	44.09		24.55		47.00		65.60	
P	<.001		<.001		<.001		<.001	
Observations	56		56		56		56	

This table reports the results of the OLS regressions for the subsample of observations where *APICAL*=0. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test. Please see Appendix 2 for variable definitions. Standard errors are clustered at the foundation level.

TABLE VII. Additional analysis - Change in governance

DEP.VAR: ΔSP	**All Sample**		**Non-apical only (APICAL=0)**	
	Coeff.	*t*	*Coeff.*	*t*
CHANGE_GOV	0.083	0.76	0.174	2.29**
*ΔPC*CHANGE_GOV*	-0.255	-1.29	-0.430	-2.20**
ΔPC	0.596	3.23***	0.684	4.66***
TRAINING	0.071	2.62**	0.106	3.08***
COMP	0.105	3.08***	0.083	2.09**
SP_2010	-1.030	-11.12***	-1.095	-13.38***
PC_2010	0.608	3.35***	0.734	4.96***
APICAL	-0.018	-0.535		
ΔSIZE	-0.006	-0.115	0.010	0.200
ΔPROFIT	-0.160	-0.443	-0.253	-0.789
Constant	0.115	0.689	0.025	0.204
R^2	0.796		0.840	
F	72.43		67.08	
p	<.001		<.001	
Observations	104		56	

This table reports the results of the OLS regressions for the overall sample (first column) and for the subsample where *APICAL*=0 (third column). The models include the interaction term between Δ*PC* and *CHANGE_GOV (ΔPC*CHANGE_GOV)*. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test. Please see Appendix 2 for variable definitions. Standard errors are clustered at the foundation level.