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DIVERSITY IN SWISS FOUNDATION BOARDS

An outline of the empirical survey conducted by the Geneva Centre for Philanthropy

Diversity management is an increasingly important matter which is usually raised in the context of corporate boards of directors. Various studies have suggested a positive correlation between increased diversity in corporate boards of directors and companies' business performance [1].

1. INTRODUCTION

The issue of ensuring more diversity within the economy has prompted legal and other changes and Swiss foundations are cautiously shifting towards a more modern concept of governance [2]. Diversity in the governance of non-profit foundations is topical in Switzerland – and one that the Geneva Centre for Philanthropy (GCP) [3] considers to be quite relevant.

That is why we have conducted an empirical survey involving members of foundation boards. The aim of this research is to provide concrete answers to the following two questions: What is meant by diversity within foundation boards? And is diversity within foundation boards a factor that enhances efficiency? In answering these questions, a survey has been carried out in order to:

- a) collect and analyse concrete data and
- b) make recommendations to foundation board members on how to make these bodies more diverse and therefore more effective.

The purpose of this article is to provide an overview of the results of the GCP survey and describe the current situation of the boards of Swiss non-profit foundations. This article is divided into three parts:

1. a definition of the term “diversity”, as used in the survey;
2. the methodology used and an analysis of certain survey results;
3. some initial recommendations on how to make foundation governing bodies more diverse.

2. DIVERSITY

2.1 Definition. Diversity is a multi-faceted term. Its various dimensions include age, gender, ethnicity, nationality, physical and psychological ability and sexual orientation [4]. The GCP survey is based on a broad definition of diversity, meaning that along with these factors, other parameters, such as a person's professional skills, the languages they speak and their personal experiences, also have to be taken into account.

2.2 Source. The concept of “diversity in law” has its roots in the United States and played a key role in justifying affirmative action programmes at US universities. In the 1960s, universities in fact began to take race and ethnicity into account when considering applicants for admission [5]. The Swiss Constitution also refers to the notion of diversity in various articles. Its preamble affirms, for instance, the necessity to “live together with mutual consideration and respect for their diversity”. A commitment to diversity is furthermore stated in Art. 8 [6]. The Swiss concept of diversity reflects the fact that four national languages and various cultures coexist in Switzerland.

2.3 Diversity management. In the 1980s, diversity was introduced as a management concept in economics [7]. The term “diversity management” is used to describe management by a diverse group. Following such an approach means discriminatory characteristics are addressed, with the intention of generating positive effects in the group in question. Management through diversity makes use of the various competences that result from the diverse composition of



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a group [8]. In other words, diversity management improves collective efficiency and is therefore an important factor for the organisation's performance. The term "diversity management" indicates that it is a task primarily incumbent on executive leadership [9]. Furthermore, the company needs to be proactive in order to ensure that diversity in the management function becomes a reality. It is also an organisation-wide task and the diverse composition of the executive leadership is of particular importance [10].

3. THE GCP SURVEY

3.1 General information. Foundations are generally discrete and little information is publicly available about the composition of foundation boards. Except for the commercial register, there is no record of who sits on foundations boards. In most cases, the composition of a foundation board is decided by the founder(s) in the articles of association. In practice, board members are usually selected based on the principle of co-optation [11]. Therefore, the process of joining the board of a foundation is usually done at the discretion of existing members.

3.2 Survey methodology. The survey thus looked at diversity through specific criteria, such as age, gender, nationality and social background, as well as the articles of association provisions governing the selection of board members. The survey was structured in four sections:

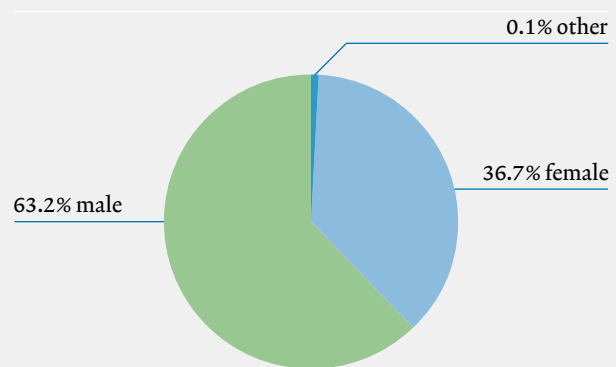
1. the participant's profile;
2. the foundation's profile;
3. the participant's understanding of diversity;
4. final questions.

It contained 35 questions in the form of an online questionnaire, available in French and German. Members of foundation boards were asked to fill in the questionnaire between June and September 2020. Only questionnaires that were completed in full were taken into account. Answers from 107 Swiss non-profit foundations of all types and sizes, representing 720 board members were thus considered.

3.3 Overview of the results

3.3.1 Breakdown by gender and age. Regarding the board members, 63.2% were men, 36.7% were women and 0.1% were identified as "other gender". 75% were older than 50, with 38% aged between 60 and 69, 19% between 40 and 49 and 5.4% between 18 and 39. The reason often given by the participants for this age profile is that positions on foundations boards are usually voluntary and generally not remunerated, although they can be quite time-consuming and require special knowledge [12]. It is therefore often recently retired men who hold these mandates because in their new phase of life they have the time and the professional expertise for such mandates. Another explanation as to why the profile (or gender) of a majority of foundation board members (men in this case) is similar may be that relevant persons know each other and recommend each other for these positions. A further explanation may be that women or younger people do not proactively seek such nominations or volunteer for

Graph 1: **PROFILE OF FOUNDATION BOARD MEMBERS**



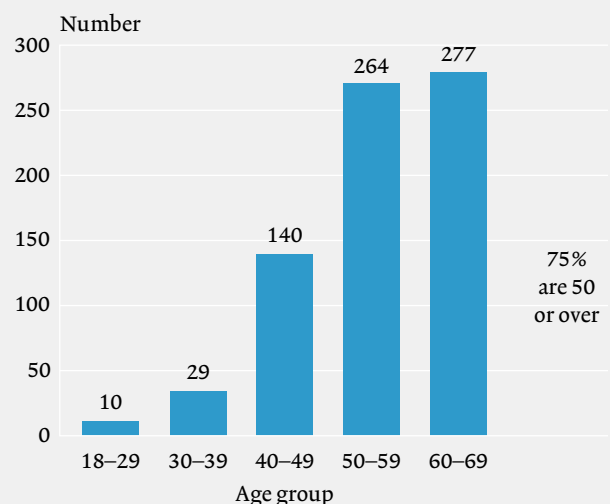
these mandates – foundations boards tend to only appoint what is put in front of them.

3.3.2 Provisions of the articles of association on selecting new board members. The survey shows that 89% of the foundations taking part in the survey do not have an age limit on board membership in their articles of association. This may be because the founder did not want to include such a provision or did not want to limit the pool of potential candidates based on age.

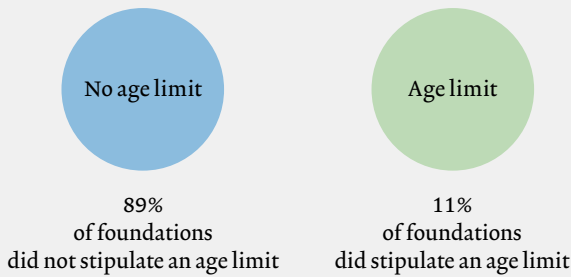
3.4 Participants' understanding of diversity. When asked whether they consider their board to be diverse, 65% of participants answered that they do.

It is not obvious to reconcile these answers: is it completely logical to say, on the one hand, that diversity matters and, on the other hand, that the issue should not be discussed? In this sense, it is interesting to observe that regardless of their age and language, the participants are almost unanimous (86% in considering that diversity contributes to their foundation's efficiency.

Graph 2: **WHAT IS THE AGE SPLIT OF THE 720 FOUNDATION BOARD MEMBERS?**



Graph 3: **WHAT AGE LIMIT IS STIPULATED IN THE ARTICLES OF ASSOCIATION?**



Graph 4: **DO YOU CONSIDER YOUR FOUNDATION BOARD TO BE DIVERSE?**



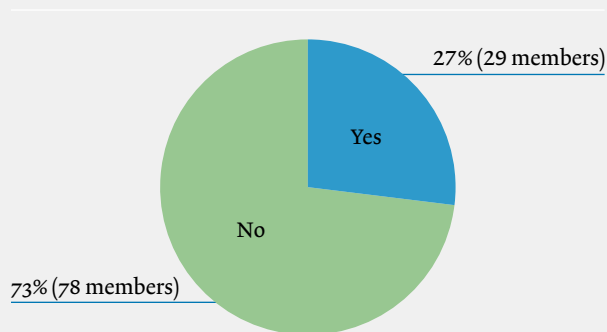
4. RECOMMENDATIONS FOR A DIVERSE FOUNDATION BOARD

There are three possible ways to create more diverse foundation boards.

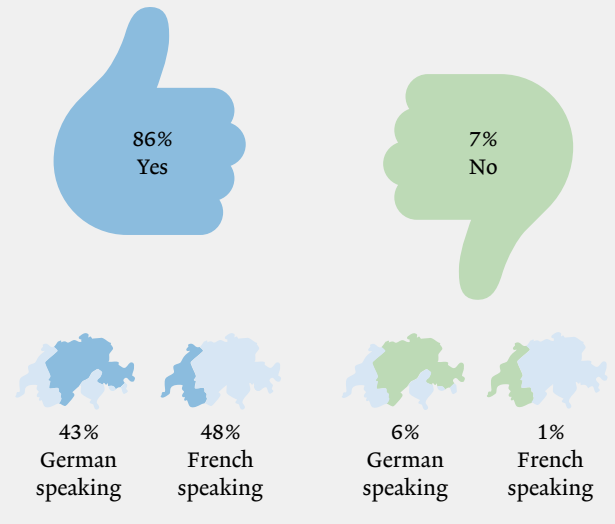
4.1 Legislative measures. Our parliament could vote through legislative measures that promote diversity within foundation boards. Such measures could include regulations on transparency as well as gender, race and sexual preference quotas.

4.2 A sector-wide initiative. There could be a sector-wide initiative to draw up rules of good practice. The Zewo stand-

Graph 5: **IS THIS A TOPIC THAT SHOULD BE DISCUSSED BY FOUNDATION BOARDS?**



Graph 6: **GENERALLY SPEAKING, DO YOU THINK THAT A DIVERSE FOUNDATION BOARD IS MORE EFFICIENT?**



ards briefly mention in their English version in Standard 4 Independence, that “efforts must be made to ensure that the members of the board of directors are suitably diverse” [13]. The governance-related recommendations set out in the Swiss Foundation Code do not currently address the issue of diversity in foundation boards [14]. However, rules on diversity could be included in the Code [15], for instance, through a clause recommending board diversity under Recommendation 5 “Renewal of the foundation board”. The current version of that recommendation reads as follows: “To the extent not dictated in the foundation charter, the foundation board establishes procedures for the election and retirement of its members, president and vice-president [...]” [16]. The following sentence could be added: “When electing its members, the foundation must follow principles of diversity to the extent possible” [17].

4.3 Within the foundations. The foundations could provide for a certain level of diversity in their articles of association or directives. In this regard, it would be important to address the recruitment process and criteria for new board members. While it is usually easier to select candidates from among existing board members’ inner circles, it is also possible to use recruitment experts. By doing so, foundations would be able to identify individuals who could bring additional skills and a fresh perspective to the board (including a recognition of the importance of diversity), all of which would be assets for ensuring good foundation governance [18].

5. OUTCOME

The results of the GCP survey show that most participants are convinced of the importance of diversity in general. More unexpectedly, 86% of participants consider diversity to be an advantage for their foundation. While some of the results, such as the representation of women on foundation boards, may come as a positive surprise when compared with

the private sector [19], there is still room for improvement when it comes to the age and gender diversity of Swiss foundation boards. Members of the sector may have good intentions, but they are often not prepared for rapid change. The survey showed that the majority of participants are convinced of the importance of having a diverse foundation board, yet only 27% believe that diversity is a topic which deserves being discussed at board meetings.

The results did not reveal any major discrepancies between the French and German-speaking parts of Switzerland. Participants almost unanimously agreed that a diverse foundation board could enhance efficiency and that age and gender are key aspects of diversity.

Greater diversity could perhaps be achieved through legislative or sector-wide solutions. There is no doubt that, at least

in some cases, foundation boards may be well advised to re-think their membership. As the bar is raised in terms of the qualifications, responsibilities and availability required of foundation board members, finding the right profiles could become increasingly difficult. As is known, in order to enjoy tax exemptions, foundations board members cannot be paid (subject to minimal amounts). With a view to fostering the presence of younger members, that requirement should be revisited.

This is an initial overview of our results. A planned deeper analysis of the data collected will enable us to make additional findings and suggestions. ■

Notes: **1)** Kratz-Ulmer A., Schudel J., Diversität in Stiftungsräten in der Schweiz, in: *Stiftung & Sponsoring* 4/2019, 32 ff. **2)** Kratz-Ulmer A., Schudel J., Diversität in Stiftungsräten in der Schweiz, in: *Stiftung & Sponsoring* 4/2019, 32 ff. **3)** www.unige.ch/philanthropie/en. **4)** Müller C., Sander G., *Innovativ führen mit Diversity-Kompetenz*, Bern, 2011, 80. **5)** Kratz-Ulmer A., *Wirkungsvollere Stiftungstätigkeit mittels "Foundation Diversity Management"*, SZW/RSDA 4/2020, 461 ff. **6)** Grünberger M., *Geschlechtergerechtigkeit im Wettbewerb der Regulierungsmodelle*, Rechtswissenschaft 2012, 11. **7)** Swiss Federal Constitution of 18 April 1999. **8)** Rioult C., *Gender Diversity in der Unternehmensführung*, Zurich 2016, 10. **9)** Kratz-Ulmer A., *Wirkungsvollere Stiftungstätigkeit mittels "Foundation Diversity Management"*, SZW/RSDA 4/2020, 461 ff. **10)** Vedder,

Diversity Management: Grundlagen und Entwicklung im internationalen Vergleich, in: Andresen/Koreuber/Lüdke (Hrsg.), *Gender und Diversity: Albtraum oder Traumpaar?*, Wiesbaden 2009, 114. **11)** Rioult C., *Gender Diversity in der Unternehmensführung*, Zurich 2016, 11; Kratz-Ulmer A., SZS/RSAS, 1/2021, *Personelle Diversität im obersten Organ*, 4. **12)** Baumann Lorant R., *Der Stiftungsrat*; Zurich 2006, 108. **13)** Kratz-Ulmer A., Schudel J., *Frau gesucht*, in: *Fundraiser Magazin* 6/2018, 44 f. **14)** The 21 Zewo Standards, <https://zewo.ch/en/the-21-zewo-standards>, accessed on 14/03/2021. Interestingly, the German and French versions of the Zewo Standard 4 "Independence" speak of "Heterogenität der Mitglieder des obersten Leitungsorgans" and "Une hétérogénéité adaptée des membres de l'organe directeur suprême" and do not use the words "Vielfalt" or "diversité". **15)** Sprecher T., Egger P., Von Schnurbein

G., *Swiss Foundation Code 2015, Grundsätze und Empfehlungen zur Gründung und Führung von Förderstiftungen*, mit Kommentar, Basel 2015. **16)** Kratz-Ulmer A., *Wirkungsvollere Stiftungstätigkeit mittels «Foundation Diversity Management»* SZW/RSDA 4/2020, 463. **17)** Authors' translation; Sprecher T., Egger P., Von Schnurbein G., *Swiss Foundation Code 2015, Grundsätze und Empfehlungen zur Gründung und Führung von Förderstiftungen*, mit Kommentar, Basel 2015, Empfehlung 5, 44. **18)** Kratz-Ulmer A., *Wirkungsvollere Stiftungstätigkeit mittels "Foundation Diversity Management"* SZW/RSDA 4/2020, 463. **19)** Kratz-Ulmer A., Schudel J., *Diversität in Stiftungsräten in der Schweiz*, in: *Stiftung & Sponsoring* 4/2019, 32 f. **20)** <https://business-monitor.ch/fr/reports/gender-equality-2019>, accessed on 27 January 2021.