

Foreword

The beginning of the new millennium has witnessed a dramatic surge in awareness of both the international research community and the public opinion about the crucial role played by governance structures in influencing the welfare impact of a variety of institutions, such as national states, local governments, public institutions, industrial and financial corporations, and—last but not least—nonprofit organizations (NPOs).

This general awareness of the prominent role of governance has been sadly boosted by a number of scandals that have plagued the US and Europe in the last decades. In the corporate arena, the long list of gigantic fraudulent failures includes prominent companies, such as Enron (2001), Worldcom (2002), Adelphia (2002), Tyco International (2002), Parmalat (2003), and, more recently, Bernard Madoff's Investment Fund (2008). All of those corporate scandals had an abysmal impact on the trust granted by investors, regulators, and the society at large to modern corporations and their business and accounting practices. Similarly, the financial crisis of 2007–2008 has contributed to uncover a number of sub-optimal governance structures and practices of mortgage originators (mortgage banks and brokers), hedge funds, investment banks, and credit rating agencies—arguably, the list of institutions could be much longer. The general worry about systematic governance problems in different kind of institutions has motivated researchers to describe, investigate, and sometimes challenge status-quo governance structures. This new strand of research has produced an enormous and very valuable amount of results in the intersection of law, economics, and finance.

Contributing to this fundamental and growing research area, my colleagues, Chiara Leardini, Gina Rossi, and Sara Moggi, focus in their book on the governance of Italian bank foundations, an important and fascinating type of NPOs dedicated to asset management for the purpose of grant-making. In view of both their peculiar governance characteristics and their social and economic relevance, Italian bank foundations are definitely institutions worthwhile being studied. For example, the authors show that, in spite of their nonprofit status, several Italian bank foundations manage—for the purpose of grant-making—net assets well in excess of one billion Euros.

Besides providing an extensive description of the legal origin and general characteristics of Italian bank foundations, the book offers an in-depth treatment of foundations' main organs with their respective roles and responsibilities. In particular, the book presents and discusses an impressive number of empirical facts about the composition of the Board of Trustees, the Board of Directors, as well as the local stakeholders that actually choose the Board of Trustees. Finally, an entire chapter of the book is dedicated to explaining the importance of strategic planning as a governance device for achieving the goals of NPOs in general and bank foundations in particular.

The rich set of statistics presented in the book is very informative and all major tables offer a break-down of results by both geographic area and size. Besides showing and commenting key aggregate statistics in the two main areas of bank foundations' activities—asset management and grant-making—the authors present and discuss mini-cases and examples that guide the reader through an intriguing but complex set of topics around the governance of such institutions. In this respect, the book provides a very valuable and rigorous fact-based treatment of governance issues in Italian bank foundations that will likely attract the attention of an international readership of academics, practitioners, and interested laymen. In fact, I expect this book to have a substantial impact on the related literature and to enable further studies on the specific causal links between governance structures and economic welfare generated by Italian bank foundations.

Given the limited research attention dedicated so far to bank foundations, this book effectively fills an important research gap. It significantly contributes to the description and understanding of key elements in the governance of this specific type of nonprofit institutions. However, to take full advantage of the authors' work, I encourage the attentive reader to think even beyond the rich set of legal and statutory rules, data, facts, and anecdotes presented in the book. For example, a comparison of governance structures of Italian bank foundations with analogous structures set in place by legislators in other countries may prove useful in developing new ideas about the causal relation between the governance of NPOs and their socio-economic output.

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The Italian Experience

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