

CORPORATE FOUNDATIONS KNOWLEDGE EXCHANGE

**CORPORATE FOUNDATIONS: UNIQUE
POSITIONING & GOVERNANCE CHALLENGES**

WORKSHOP FACILITATED BY:

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The business school that thinks
and lives in the future



MEET THE FACILITATORS



Dr. Lonneke Roza

Current position

- ✓ Post-Doctoral Researcher RSM Erasmus University, Knowledge Lab Corporate Citizenship & Impact Centre Erasmus
- ✓ Co-editor of international Handbook on Corporate Foundations



Steffen Bethmann

Current position

- ✓ Principal Researcher, Consultant and Executive Trainer at the Center for Philanthropy Studies of the University of Basel
- ✓ Phd-Candidate at the Max Weber Institute of Sociology University of Heidelberg

AIMS AND TOOLS



- **FRAME CORPORATE FOUNDATIONS AS HYBRID ORGANIZATIONS**
- **ADDRESS GOVERNANCE CHALLENGES FOR CORPORATE FOUNDATIONS**
- **INTERACT & SHARE**



- **LEARN ABOUT TOPICS RESEARCH IS LOOKING AT**
- **APPLY A TOOL THAT ALLOWS YOU TO ASSES YOUR GOVERNANCE STRUCTURE**
- **REFLECT ON YOUR CORPORATE PHILANTHROPY**



POLL



1

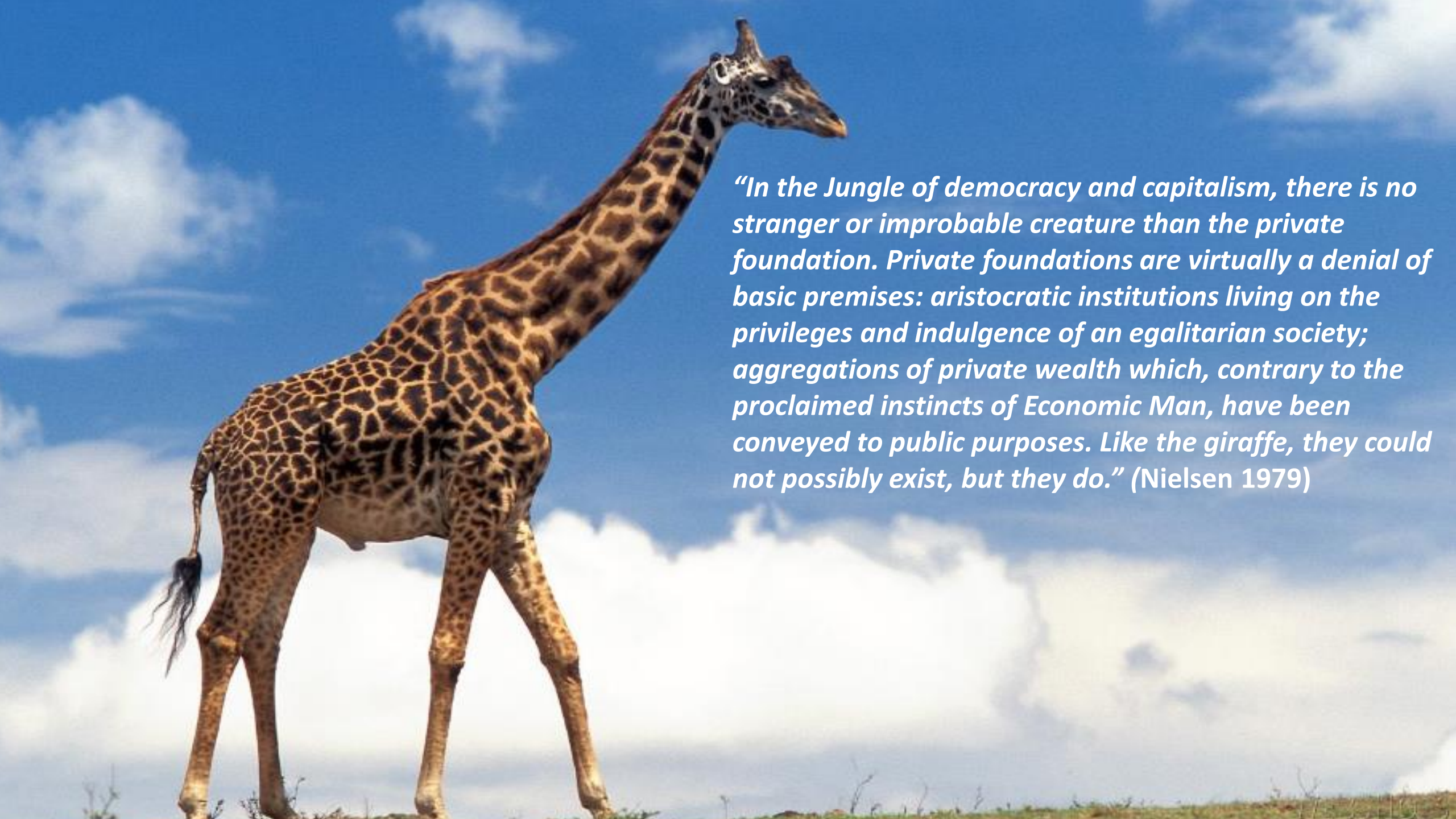
**The social responsibility of business is to make profits
(Milton Friedmann)**

2

**Corporate Philanthropy leads to shared value
(Michael Porter & Mark Kramer)**

3

**Corporate foundation only exists and act to further public purposes
exclusively, and not the purposes of the corporation
(United Kingdom Charity Commission)**

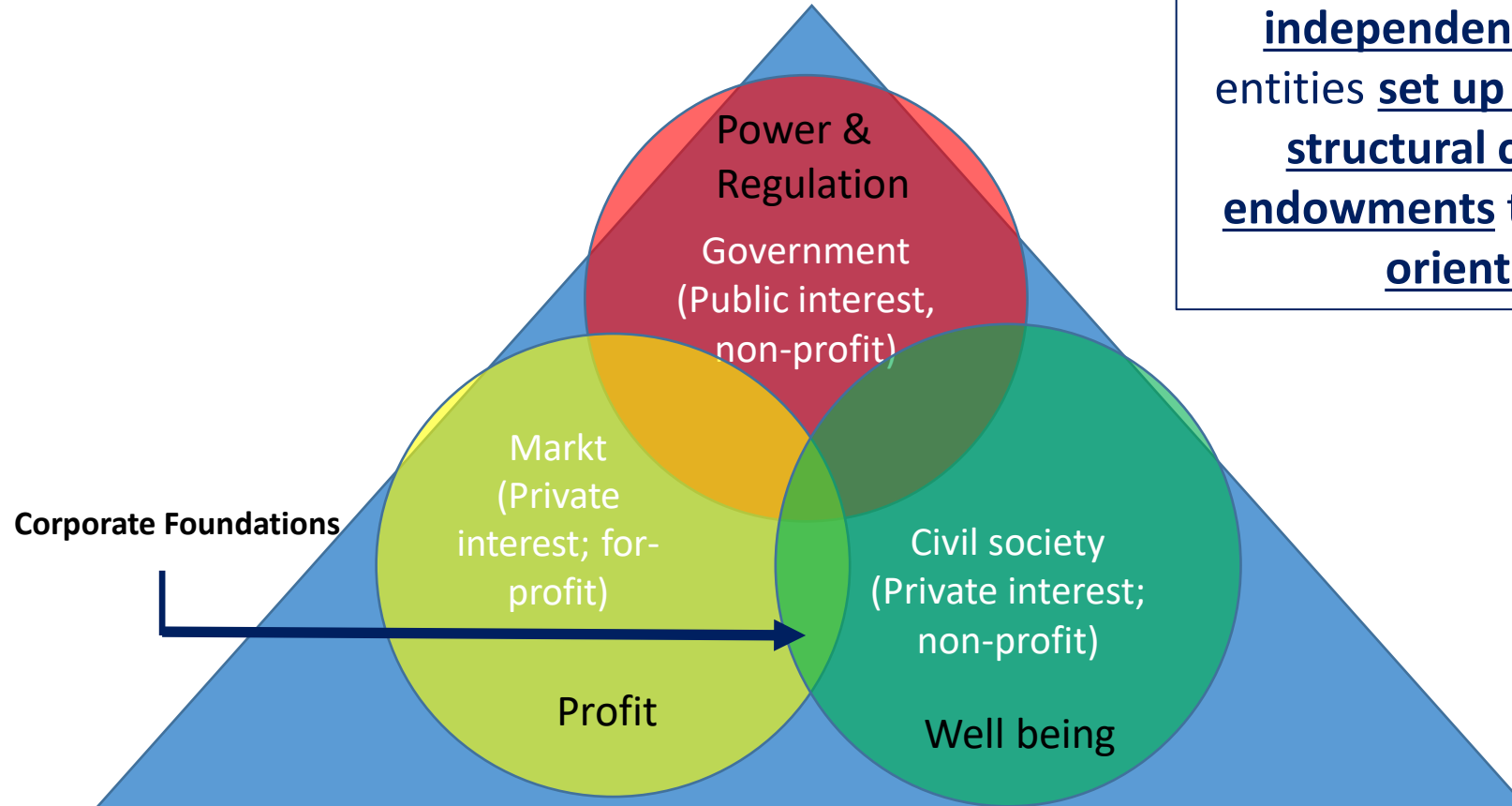
A giraffe with a brown and white spotted pattern stands in profile, facing right. It is positioned on the left side of the frame. The background is a bright blue sky with scattered white clouds. The ground is a flat, grassy plain.

“In the Jungle of democracy and capitalism, there is no stranger or improbable creature than the private foundation. Private foundations are virtually a denial of basic premises: aristocratic institutions living on the privileges and indulgence of an egalitarian society; aggregations of private wealth which, contrary to the proclaimed instincts of Economic Man, have been conveyed to public purposes. Like the giraffe, they could not possibly exist, but they do.” (Nielsen 1979)

CORPORATE FOUNDATIONS AS HYBRID ORGANIZATIONS



Corporate foundations are **independent** legal non-profit entities **set up by companies** with **structural contributions or endowments** to focus on a **social oriented mission**



CAN CORPORATE FOUNDATIONS FULFILL THEIR HYBRID NATURE?

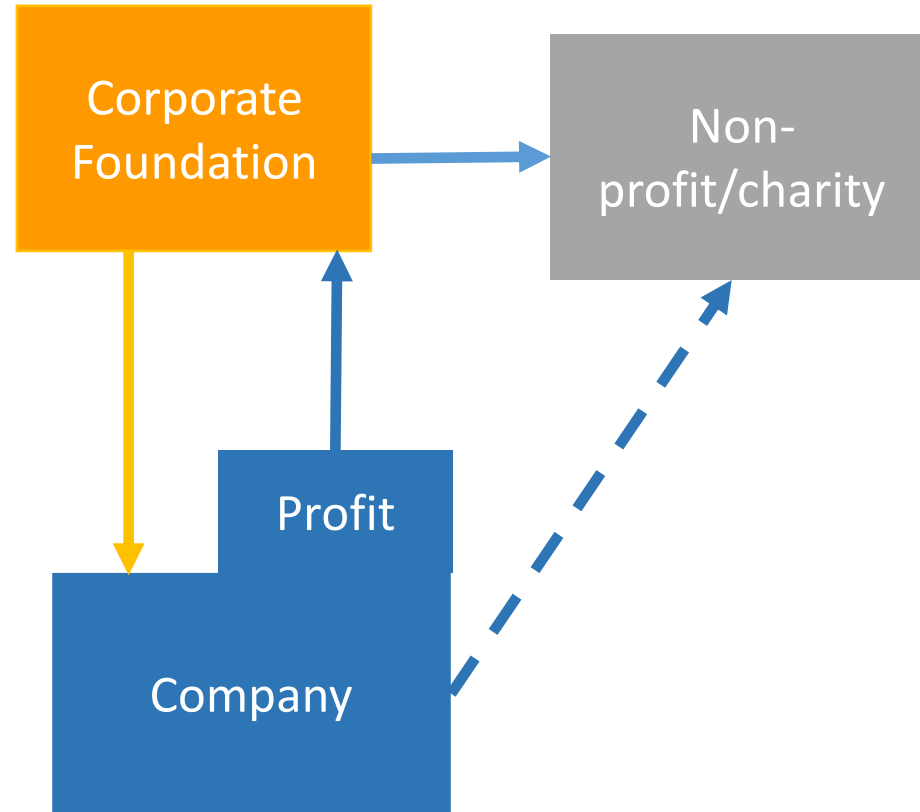


Very heterogenous in terms of:
Ownership
Control
Activities
Mission
Etc...

“If you have seen one
foundation, you have seen
one foundation” Owstrower
(2000)



FORMS – 1) COMPLETE OR PARTIAL OWNERS



Carl Zeiss Stiftung



FORMS – 2) ANNUAL CONTRIBUTIONS



ABN AMRO Foundation



Rabobank Foundation



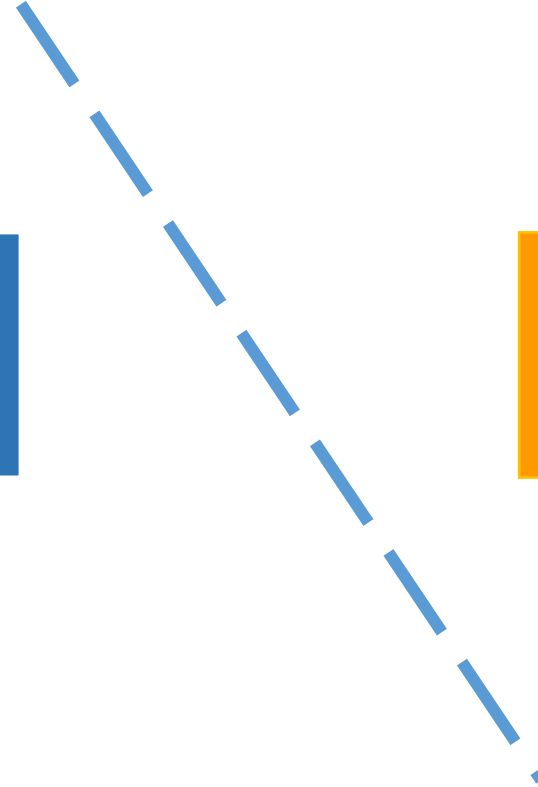
delta lloyd groep
foundation



FORMS – 3) INDEPENDENT INSTITUTION



Company



Corporate Foundation



Non-profit/charity

The Nestlé Foundation logo, featuring a globe icon and the text 'Nestlé Foundation' in white on a green background.

The Volkswagen Stiftung logo, featuring a grid of dots and the text 'Volkswagen Stiftung' in blue.



QUESTIONS THAT ARISE?

Corporate Foundations as nonprofits do not have legal owners as for-profits do, but ownership remains very important to these organizations

So do they owe up to:

The founding company?

“These foundations although legally without shareholders, belong in general to the companies that instituted them.” Mindlin (2012)

“They are never truly independent” (Kramer et al., 2004)

The beneficiaries?

“Corporate foundation only exists and act to further public purposes exclusively, and not the purposes of the corporation” (UK Charity Commission, 2009)

The obligations of the board?

“Board of directors should be accountable to the cause or purpose for which the organization was set up, and that “trustees [should] attend the goals, values, and expectations of the larger community” Smith (1995)



CAN YOU INTEGRATE STAKEHOLDERS?

By giving stakeholder groups ownership of the corporate foundation, you can involve them and empower them and make sure they take stake in it.

- **By giving corporate-related stakeholder groups ownership, the foundation can obtain support for its activities**
 - **Employees, board of directors, etc**
- **By giving societal stakeholder groups ownership, foundation can obtain legitimacy from society**
 - **Beneficiaries, community experts, etc**





LET'S TURN TO THE WORKSHOP



Corporate Foundations Knowledge Exchange

INSEAD – Fontainebleau – France

Workshop:
Structure and Governance of Corporate Foundations

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AIM OF THE WORKSHOP

In this workshop we will look at the **relative degree of independence** of the corporate foundation and its relation to the core business activities of the corporation

The goal is to reflect on how the mutual relationship between the corporation and the foundation enables the **foundation to fulfill its mission**

Emphasis will first be put on **different governance aspects**



Board



Staff



Operations



Funding



In kind



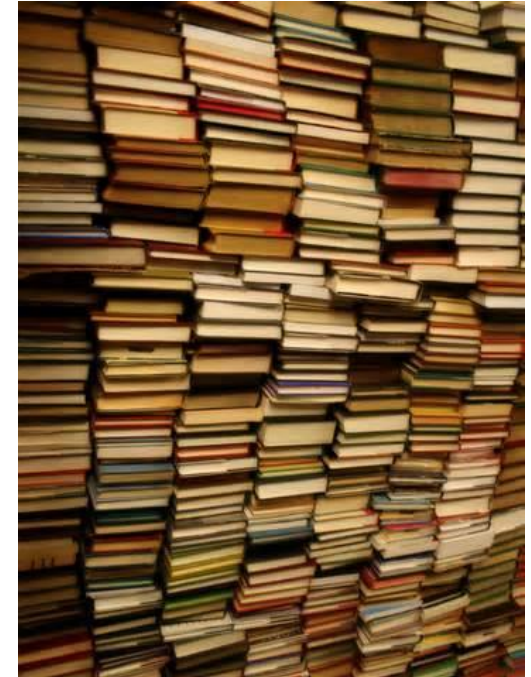
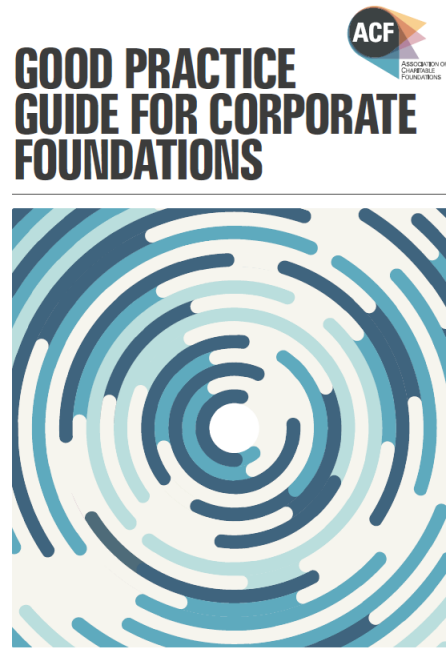
Visibility



Finally we will relate the relative degree of independence of the foundation with the core business area of the corporation and discuss 4 different philanthropy models



WHERE DO THE VARIABLES COME FROM?





INSTRUCTIONS



BEFORE STARTING

Revisit the vision of the foundation. What does it stand for? What are the goals of the foundation? What social impact does the foundation try to achieve?



RATE

Think of the relationship of the foundation with the funding company. How dependent is the foundation from the corporation

D2 Fully dependent (corporation has full control, decision making power)

D1 Relatively dependent (corporation has high influence)

I1 Relatively independent (corporation has some influence but foundation is in strong position)

I2 Fully independent (foundation holds most decision making power, can act independently)



APPLY



BOARD AND STAFF

BOARD	Dependent D2	D1	I1	Independent I2
Composition	All board members come from corporation			Majority of board members are external (e.g. experts)
Selection	Selected by corporation			Self-cooptation (skill based)
Functional expertise (strategy, finance, legal)	From corporate board members			Strong (external) expert knowledge
Mission expertise	From corporate board members			Strong (external) expert knowledge

STAFF	Dependent D2	D1	I1	Independent I2
Payroll	Staff on payroll of corporation			Staff on payroll of foundation
Working time	Staff with main working time for corporation			Staff exclusively working for foundation
Reporting structure	Staff reports to corporation manager			CEO reports to foundation board / Staff to foundation CEO
Recruitment	Staff recruited from within corporation			Staff recruited externally



OPERATIONS AND FUNDING

OPERATIONS	Dependent D2	D1	I1	Independent I2
Involvement of corporate volunteers	Many corporate volunteers involved			Rarely or not at all
Project selection	Approval by corporation			Approval by foundation board
Connection with other CSR activities of company	Strong involvement with CSR			No involvement with CSR

FUNDING	Dependent D2	D1	I1	Independent I2
Main source of funding	Annual contribution			Own endowment
Contribution based on reference value	Percentage of profits			No connection to company performance
Commitment	No written agreement on annual amounts			≥ 3 year contracts, additional funds if necessary



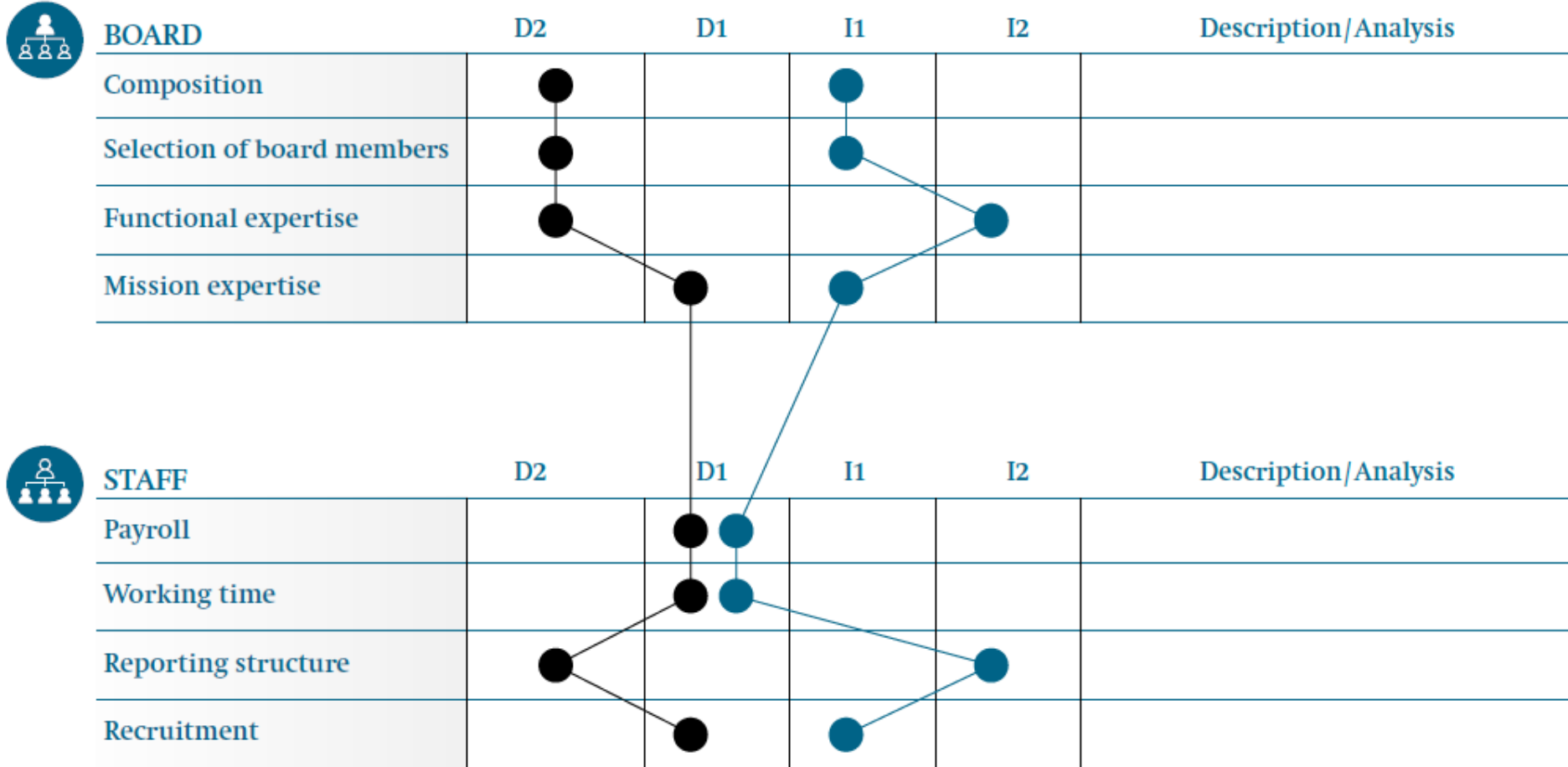
IN-KIND AND VISIBILITY

In kind	Dependent D2	D1	I1	Independent I2
Services (IT, HR, Legal)	Provided internally or by corporation's partners			Externally contracted
Public Relations	Organized by corporation			Managed independently by foundation

VISIBILITY	Dependent D2	D1	I1	Independent I2
Office of foundation	Foundation accomodated in corporate headquarter			Independent office outside company premises
Brand / Logo	Same logo and colors with minimal changes			Distinct logo



CONNECTING THE LINES



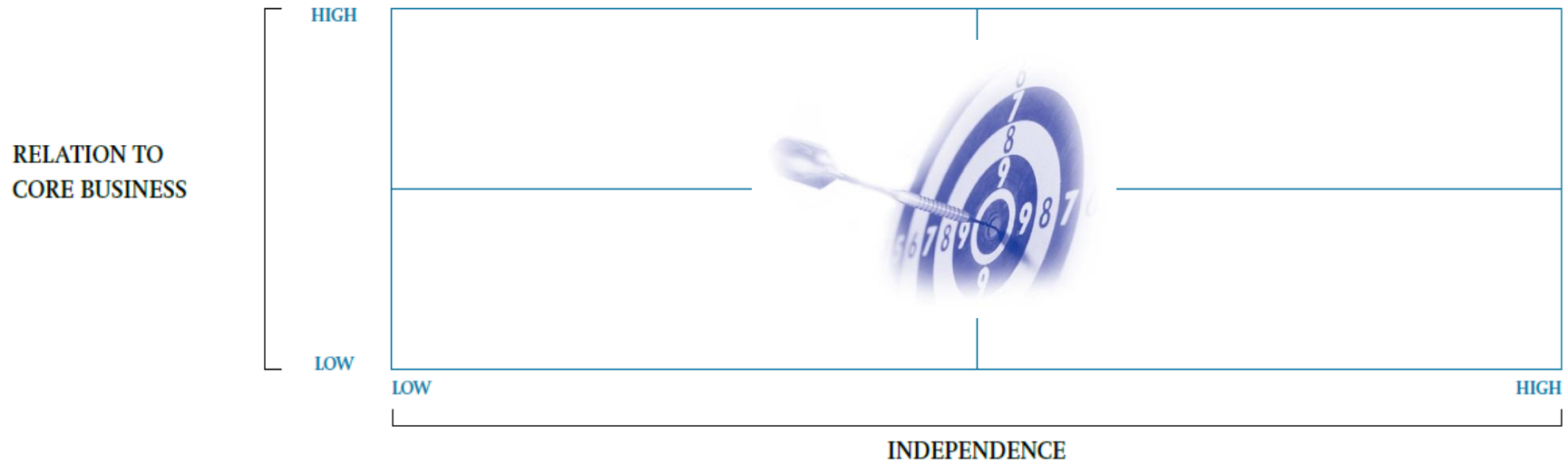




RELATION TO CORE BUSINESS

	D2	D1	I1	I2
Alignment of foundation's activities with core business area of corporation				

Place your foundation in one of the squares

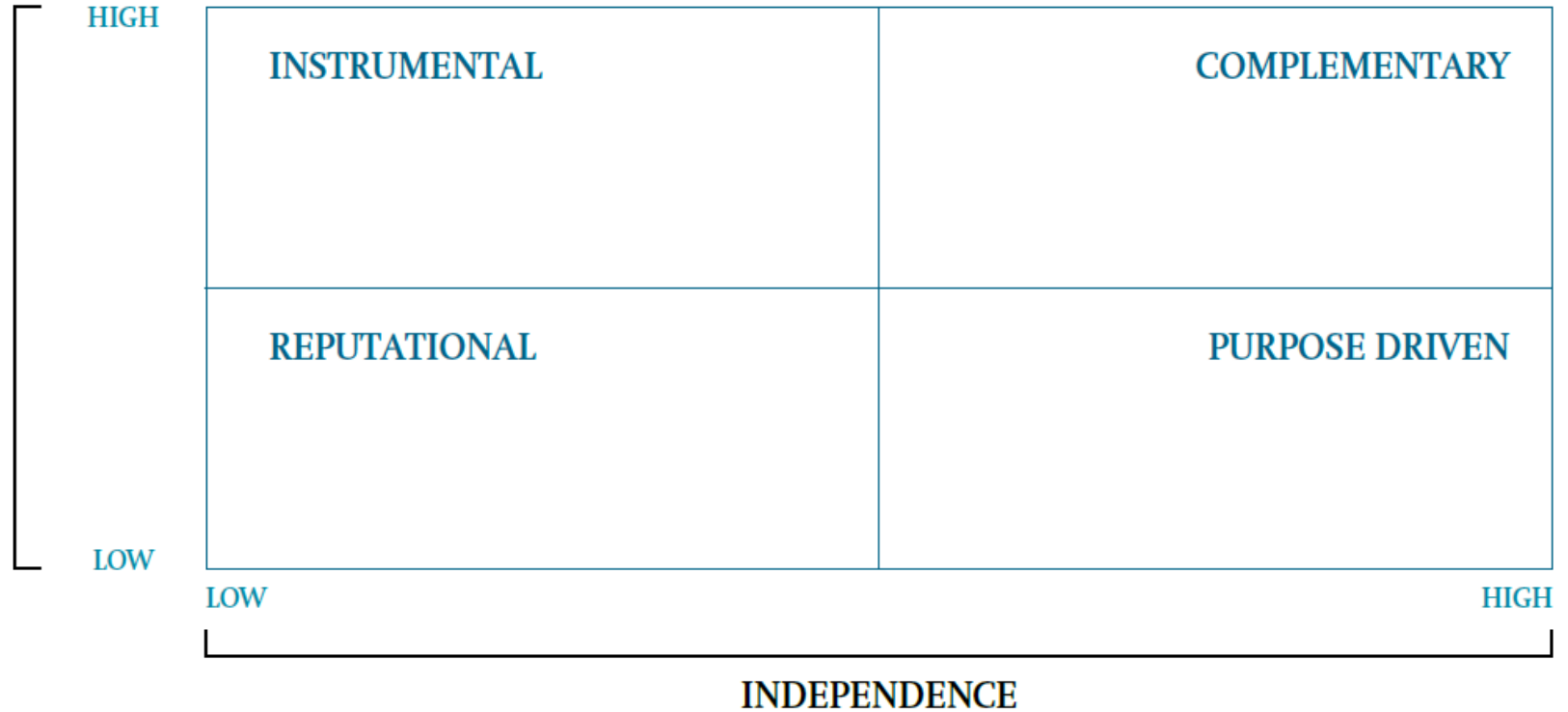






4 PHILANTHROPY STYLES

RELATION TO
CORE BUSINESS





4 PHILANTHROPY STYLES

Instrumental (agricultural productivity programs by seed producer)

- + Corporate benefits may be high, internal knowledge leveraged**
- Legitimacy might be questioned, risk for foundations of being instrumentalized**

Complementary (disaster relief by re-insurance company)

- + Independent experts show dedication to mission, corporate benefits can be expected**
- Conflict of interest and loyalty between business goals and foundation aims**

Reputational (art exhibitions by insurance company)

- + Activities of foundation add to image of corporation – secondary effects**
- Corporate sponsoring often a better and more flexible option**

Purpose driven (educational programs by telecommunication company)

- + Full concentration on mission – effects through reputation for company**
- Conflicting aims – no support by corporate board as they see little benefit**

CONCLUSION



- All models are valid approaches for corporate foundations. None is necessarily better than the other.
- Corporate foundations are great tools to achieve positive social impact and are a possibility for corporations to show their philanthropic engagement.
- A good governance structure supports the goal of both actors. Full independence is not necessarily the best choice.
- Company resources add to the power of corporate foundations. It is important to keep in mind though, that the aim of any governance relationship should be to enable the foundation in maximizing its potential for positive social impact.

While taking corporate interest into account ...



ADD TO RESEARCH

- **All academic ethics apply, including:**
 - **You are not obliged to participate**
 - **Data will be treated confidential**
 - **We will not connect the names of people or organizations with the outcomes**
 - **Even though we ask the name of the foundation....**
 - **Nothing will be published with names of people or organizations**
 - **But we do like to mention your participation in a list of participants**
 - **Results will be shared with the participants & DAFNE**
- **Hand-in the form after this workshop**
 - **You can do the exercise again at your organization!**



THANK YOU!



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