Strategy for financing foundations: how do they create value?

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Amélie Mernier
Centre for Social Economy, HEC-ULg Management School, Belgium

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Outline

• Why this research question?
• What is a financing foundation?
• State of theory: philanthropy & strategy
• Assumptions
• Strategic framework
• Research avenues
Why this research question?

- **Revival** observed in Europe (more than 129,000 foundations - total expenditures 53 billion euros)
- Evolution of the **legal framework** (increasing interest)
- **Breakthrough**: Private money to reach **general interest**
- **Legitimacy issue**
- **Efficiency issue**
- **Non-democratic control**
- **Welfare state** (complementary role recognized)
- **New forms** of philanthropy (inspired from business methods)
Why this research question?

**Strategy matters**
Development of a clear vision of value to create and how to achieve it in uncertainty environment

**Financing foundations:**
Non-profit
Not operating
Specific governance

All organizations benefit from developing a strategic approach (Moore, 2000)

Focus on **profit-seeking** organizations: generate wealth for shareholders (through price mechanism, value capture)

Interest on **non-profit** organizations:
• rather on governance
• operating organizations
What is a foundation?

Foundation

General interest

Private

Non-membership based

(Anheier, 2001)
What is a **financing** foundation?

- **Financing foundation**
- **Operating intermediary**
- **Financing flows**
  - Grants
  - Loans
  - Equity investments
- **Project /Program implementation**
- **Target beneficiaries**
State of theory: philanthropy

- Literature rather scarce (consultancy reports, best practices)
- Late 1980s: strategic philanthropy
- Focus on mission statement and the influence of environment
- Lack of strategic approach deplored (Porter and Kramer, 1999; Frumkin, 2006)

**Gap:** Identification of the strategic choices faced by financing foundations and typology of strategies
Strategic conceptual framework

• Based on
  – existing for-profit, non-profit (incl. Philanthropy) literature
  – field investigation in France and Belgium

20 semi-structured interviews with Belgian foundations- sample representative of sector’s heterogeneity
Strategic conceptual framework

- Identify the main dimensions of the strategy for a financing foundation

**Mission statement:** expression of the financing foundation’s vision

**Strategic choices:** controllable variables on which the financing foundations make decision to implement and fulfill its mission

- **Scope**
- **Means**
- **Control**

**Long-term goal**

**Course of actions & resources allocation**
Assumptions

Nature of obligation

RESULTS

MEANS

« Investment »
strategy

« Welfare state »
strategy

« Entrepreneurship »
strategy

« Charity »
strategy

RATIONALITY

EMOTIONALITY

Driver
Strategic conceptual framework

- Bounder the action of the foundation
- Motivate staff and donors
- Support the evaluation

*(Oster, 1995)*

**Mission statement**

Value creation for a target group of beneficiaries

**Selection of the cause(s) supported**

Direct value created (beneficiaries)
Indirect value created (founders and donors)
Strategic conceptual framework

Strategic choices

SCOPE
Degree of focus
Geographic coverage
Recipient type
Reach

Mission statement
Value creation for a target group of beneficiaries
Strategic conceptual framework

Mission statement
- Value creation for a target group of beneficiaries

Strategic choices
- MEANS
  - Type of financing
  - Time horizon
  - Degree of engagement
  - Nature of activities funded
  - Identification policy
  - Collaboration
Strategic conceptual framework

Strategic choices

CONTROL
Board of directors composition
Additional organs
Degree of formalisation
Reporting processes

Mission statement
Value creation for a target group of beneficiaries
Strategic conceptual framework

**Mission statement**

Value creation for a target group of beneficiaries

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**Strategic choices**

**SCOPE**
- Degree of focus
- Geographic coverage
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**MEANS**
- Type of financing
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**CONTROL**
- Board of directors composition
- Additional organs
- Degree of formalisation
- Reporting processes
Next steps

Cluster: Strategy typology

Determinants
- Institutional theory
- Resource dependence theory
- Agency theory

Strategic choices

SCOPE
- Degree of focus
- Geographic coverage
- Recipient type
- Reach

MEANS
- Type of financing
- Time horizon
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- Collaboration

Mission statement
Value creation for a target group of beneficiaries
Merci pour votre attention.

amernier@ulg.ac.be
Discussion

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• Existing typologies in strategy field?
• « No strategy » = strategy?
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