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STRATEGY FOR FOUNDATIONS: AT THE CROSSROADS OF CONTROL, LEGITIMACY AND FOUNDER'S INFLUENCE?

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Amélie MERNIER

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Jury:

Gentiane HAESBROECK, University of Liege, Belgium
Marc LABIE, University of Mons, Belgium
Sybille MERTENS (co-supervisor), University of Liege, HEC Liege, Belgium
Anne-Claire PACHE (co-supervisor), ESSEC Business School, France
Marta REY-GARCIA, University of A Coruña, Spain
Virginie XHAUFLAIR, University of Liege, HEC Liege, Belgium

A Jean-Da,

*« Il est extrêmement rare
que la montagne
soit abrupte de tous côtés »*

A. Gide

ABSTRACT

While the term “philanthropy” had almost fallen into disuse in some European countries some decades ago, the field of philanthropy in Europe is now in full swing. The number of philanthropic initiatives is multiplying (e.g. schools of philanthropy, academic chairs on philanthropy). In addition, during recent years, the number of foundations, considered to be the archetypal philanthropic organization, has exploded, as has their economic weight. The persistence of social needs, the emergence of new social and societal challenges, and the tension on public resources contribute to a favourable context for the emergence of private actors that aim to address public interest issues. Originally, the essence of philanthropy was deeply anchored in religious principles and limited to the act of giving without any expectation of reciprocation. Now, the field of philanthropy experiences profound changes. The worlds of business and philanthropy collide; philanthropists are no longer merely donors, they become social investors. The emergence of venture philanthropy is at the heart of this change of paradigm and constitutes the emblematic approach to evolution in the field. Inspired by business methods, venture philanthropy brings the idea of strategy to the field of philanthropy.

In this doctoral thesis, we study the management issue of strategy. In particular we are interested in a specific type of foundation, which we denote financing foundations. By so doing, we extend the usual denomination of grantmaking foundation to better align with the current practices and the literature. A financing foundation (FF) is a foundation (i.e. a private, non-profit organization without members, with its own governance rules, and that pursues a public purpose) that supports its recipients not only with grants but also with debts or equity. We first develop a strategic conceptual framework for financing foundations based on a literature review. This framework evidences the pragmatic choices FFs are confronted with, as well as the contextual conditions that influence FFs’ strategy.

We conduct empirical research in the field of foundations in Belgium. We adopt a quantitative approach and collect novel data by realizing an online survey among all the foundations in Belgium that pursue a public purpose. We perform cluster analysis and regression analysis in order to contribute to the understanding of strategy for FFs. With these analyses, we aim not only to describe strategy but also to explain the diversity among strategies. Three major results emerge from our research.

First, our results evidence the existence of three strategic patterns among the financing foundations in Belgium: proximate charitable philanthropy, high-

engagement philanthropy and international impact driven philanthropy. While the literature tends to dichotomize the field of philanthropy between traditional and charitable philanthropy and a new and strategic philanthropy, our results mitigate this vision of the field. Our analysis rather demonstrates that the strategic models of financing foundations are hybrid; they combine elements of the “charitable” ideal-type and the “venture philanthropy” ideal type. In addition, by using agency theory, institutional theory and imprinting theory, we attempt to explain the diversity among strategies. We discuss the existence of two upstream strategic drivers: legitimacy (for a private and non-democratic actor that tackles public interest issues in the context of Welfare State) and control (for an organization that delegates, through a financial flow, the operationalization of its mission). Based on these theories, we discuss how the strategic choices of financing foundations can be seen to some extent as an answer to the challenge of control and legitimacy. Finally, we complement the explanation of the diversity among financing foundation strategies by studying the influence of the founders on the strategic choices adopted. Financing foundations are person-led organizations; they are driven by the values and the beliefs of their founder. We demonstrate that the education, the age and the professional background of the founder effectively influence the strategic choices of FFs; gender and religious beliefs, in turn, do not seem to play a role. While institutional pressures push foundations towards the adoption of practices in line with the “new” philanthropy, our results highlight the idea that the founder’s imprint on the organization can act as a filter; the founder to some extent mitigates the institutional pressures.

Our research provides a significant contribution to the field of philanthropy, going beyond the prescriptive perspective to develop an evidence-based descriptive and analytical approach to strategy in this field. Our empirical results and theoretical discussion contribute to challenging the prevailing myths and to increased understanding of the diversity of strategies in philanthropy. They also offer practical implications for philanthropists, donors, and for policy-makers. Finally, our research raises very interesting future research avenues: for example, the founder acting as a filter against the institutional pressures, as well as the expected evolutions of FFs’ strategies over time according to these pressures.

RÉSUMÉ

Il y a quelques décennies, le terme même de « philanthropie » était presque tombé en désuétude dans certains pays européens. Aujourd'hui, le domaine de la philanthropie en Europe est en plein essor. Le nombre d'initiatives philanthropiques se multiplie (école de philanthropie, chaires académiques sur la philanthropie). De plus, au cours des dernières années, le nombre de fondations, archétype de l'organisation philanthropique, a explosé, tout comme leur poids économique. La persistance des besoins sociaux, l'émergence de nouveaux défis sociétaux et la pression sur les ressources publiques favorisent l'apparition d'acteurs privés qui se donnent pour mission d'aborder des problèmes d'intérêt général. À l'origine profondément ancrée dans les principes religieux et limitée à l'acte du don sans aucune attente de contrepartie, la philanthropie connaît désormais des changements profonds. Mondes des affaires et de la philanthropie entrent en collision : les philanthropes ne sont plus simplement des donateurs, ils deviennent des investisseurs sociaux. L'émergence de la philanthropie de risque (*venture philanthropy*) est au cœur de ce changement de paradigme. Inspirée des méthodes des affaires, la philanthropie de risque insuffle l'idée de stratégie dans le domaine de la philanthropie.

Dans cette thèse de doctorat, nous étudions précisément le problème de gestion que constitue la stratégie. En particulier, nous nous intéressons à un type particulier de fondations, que nous désignons « fondations de financement ». Ce faisant, nous étendons la dénomination commune de fondation des subventions (*grantmaking foundations*) pour mieux aligner les pratiques actuelles et la littérature. Une fondation de financement (FF) est une fondation (c'est-à-dire une organisation privée à but non lucratif sans membre, avec ses propres règles de gouvernance et qui poursuit un but public) qui soutient ses bénéficiaires non seulement avec des dons, mais aussi avec des dettes ou de la prise de participation. Sur la base d'une revue de littérature, nous développons dans un premier temps un cadre conceptuel stratégique pour les fondations de financement. Ce cadre témoigne des choix pragmatiques auxquels sont confrontées les FF ainsi que les conditions contextuelles qui influencent leur stratégie.

Dans un second temps, nous menons des recherches empiriques sur/dans le domaine des fondations en Belgique. Nous adoptons une approche quantitative et collectons de nouvelles données en réalisant un sondage en ligne au sein de toutes les fondations belges qui poursuivent un objectif d'intérêt général. Nous effectuons une analyse dite par cluster et une analyse de régression afin de contribuer à la compréhension de la stratégie des FFs. Avec ces analyses, nous

visons non seulement à décrire la stratégie, mais aussi à expliquer la diversité des stratégies. Trois résultats majeurs ressortent de nos recherches.

Tout d'abord, nos résultats prouvent l'existence de trois modèles stratégiques parmi les fondations de financement en Belgique: la philanthropie charitable de proximité, la philanthropie engagée et la philanthropie internationale à impact. Bien que la littérature ait tendance à diviser le domaine de la philanthropie entre la philanthropie traditionnelle et charitable et une philanthropie nouvelle et stratégique, nos résultats atténuent cette vision dichotomique. Notre analyse démontre plutôt que les modèles stratégiques de financement des fondations sont hybrides. Ils combinent les éléments de l'idéal-type "charitable" et de l'idéal-type « philanthropie de risque » (venture philanthropy). De plus, en utilisant la théorie de l'agence, la théorie institutionnelle et la théorie de l'empreinte, nous essayons d'expliquer la diversité des stratégies. Nous discutons l'existence de deux facteurs stratégiques en amont : la légitimité (pour un acteur privé et non démocratique qui poursuit un intérêt général dans le contexte d'Etat-providence) et le contrôle (pour une organisation qui délègue, par un flux financier, l'opérationnalisation de ses missions). Sur la base de ces théories, nous discutons la façon dont les choix stratégiques des fondations de financement peuvent être considérés, dans une certaine mesure, comme une réponse au défi du contrôle et de la légitimité. Enfin, nous complétons l'explication de la diversité des stratégies de financement des fondations en étudiant l'influence des fondateurs sur les choix stratégiques adoptés. Les fondations de financement sont des organisations très incarnées par leur fondateur. Elles sont empreintes de ses valeurs et croyances. Nous démontrons que l'éducation, l'âge et l'expérience professionnelle du fondateur influencent effectivement les choix stratégiques des FF. Le genre et la croyance religieuse quant à eux ne semblent pas jouer un rôle. Alors que les pressions institutionnelles poussent vers l'adoption de pratiques conformes à la « nouvelle » philanthropie, nos résultats soulignent l'idée que l'empreinte du fondateur sur l'organisation peut servir de filtre. Le fondateur atténue dans une certaine mesure les pressions institutionnelles.

Notre recherche contribue significativement à l'étude du domaine de la philanthropie. Nous développons une approche descriptive et analytique, prouvant l'existence de stratégies différentes dans la pratique de la philanthropie, qui va au-delà de la perspective habituelle. Nos résultats empiriques et notre discussion théorique contribuent à contester les mythes qui prévalent sur le terrain et à comprendre la diversité des stratégies philanthropiques. Ils offrent également des implications pratiques pour les philanthropes, les donateurs, ainsi que pour les décideurs politiques. Enfin, notre étude ouvre des avenues de recherches futures très intéressantes. Parmi celles-ci, citons l'étude du fondateur agissant comme un filtre contre les pressions institutionnelles ainsi que les évolutions attendues de ces stratégies philanthropiques en fonction des pressions du champ.

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Research context

Philanthropy is an age-old practice. It is defined as all voluntary resources transferred by private actors to serve the common good and to improve peoples' quality of life (Payton 1988). This includes money, but also time, skills, networks, etc. Today, with the persistence of social, societal, and environmental problems, as well as the emergence of new challenges, increasing wealth inequalities (and the emergence of high net worth individuals) and the search for meaning in life, philanthropy is returning to life. The current stress on public resources and the challenges faced by the model of the Welfare State in European countries also reinforce the role philanthropy can play. Philanthropy is increasingly important for the development and support of multiple societal interest activities, be that in the field of culture, scientific research, conservation or rehabilitation of heritage, social action, developmental cooperation, or environmental protection (Schuyt 2010).

For a long time the essence of the philanthropic action has been the act of giving. Deeply anchored in religious principles, giving was separate from any kind of return and there was no expectation in terms of the impact created. Today, the world of philanthropy is permeable to that of business. With the development of so-called "new" philanthropy (in particular venture philanthropy), the methods of for-profit business have been introduced to the field of philanthropy (Abélès 2003; Moody 2008). We are assisting in a paradigm change, philanthropists are no longer only "donors"; they are becoming "social investors". This evolution in the field thus brings the idea of strategy to philanthropy, and raises different questions: does the existence of this "new" model mean that other forms of philanthropy are not strategic? Does it imply that in the field of philanthropy, strategy is not always conscious or explicit? Does the emergence of this new type of philanthropy change the field of philanthropy?

In this research, we focus on a specific type of philanthropic organization: the financing foundation. These are foundations that act by financing others; not only with traditional grants but also with debts and/or equity. Despite the fact that the word "strategy" is "being bandied about" the study of strategy is still a much under-researched issue in the field of philanthropy (Frumkin 2006). A first necessary step of this research is thus to be able to describe strategy. Our first research question is "**What is strategy for FFs?**" To answer this, we build a

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meaningful strategic conceptual framework for financing foundations. Based on this framework, we conduct quantitative empirical research to contribute to two additional research questions: “**Are there different strategic models for FFs?**” and, if yes, “**How can we explain the diversity among FFs strategies?**”

To deepen our understanding of strategy, we then follow a process of going back and forth between our results and the theory. We call upon organizational theory that have been carefully chosen based on the characteristics of our research object: the financing foundations, and the specific issue we study: strategy. Behind an apparent lack of strategy, we will observe that strategies exist and that these strategies meet essential stakes. We understand that there are issues of control and legitimacy to which foundations must respond and that the founder also plays a crucial role in the choice of strategy.

Today, the domain of philanthropy in Europe is in full swing. This is testified by, among others, the creation of philanthropic services in banks, the emergence of research networks such as the European Research Network on Philanthropy¹, the existence of research chairs dedicated to philanthropy (e.g. “Chaire Philanthropie et Investissement social” in HEC- University of Liège in Belgium², “Chaire Philanthropie” at Essec Business School in France³, Center for Philanthropy Studies in Switzerland⁴, Center for Philanthropic Studies in the Netherlands⁵), the creation of schools of philanthropy (e.g. “L’École de la Philanthropie⁶” in France), the establishment of networks of philanthropists (e.g. “Fondation 3.0⁷” in Belgium), and the multitude of events and conferences related to philanthropy (e.g. “Printemps de la Philanthropie” organized by the King Baudouin Foundation in Belgium, the “Lunch and Learn” organized by the Philanthropy chair of Essec Business School in France, the “Atelier des Fondations” organized by the “Centre Français des Fonds et des Fondations⁸” in France).

In comparison, academic research is still scarce. The existing literature mostly comes from the United State, although in recent years research has also been developing in Europe. However, the context of the Welfare State in European countries raises specific questions and deserves attention. The development of academic research in the field of philanthropy and in particular in Europe is needed to support the understanding and the growth of this sector.

¹ www.ernop.eu

² www.labos.ulg.ac.be/philanthropie

³ www.chaire-philanthropie.essec.edu

⁴ www.ceps.unibas.ch

⁵ www.giving.nl

⁶ www.ecoledelaphilanthropie.org

⁷ www.foundationfuturegenerations.org/fr/projet/fondation-30-tables-rondes-strategiques

⁸ www.centre-francais-fondations.org/events/atelier-des-fondations-2017

Research object

Philanthropy encompasses a large set of practices. From volunteering to monetary gifts, from one-time to long-term support, from informal to formal initiatives, from the provision of pro-bono expertise to equipment, etc., the spectrum of philanthropic actions is large. In this research, we are interested in what is called **structured/organized philanthropy**. This means that philanthropic action is channeled through the creation of an organization. In particular, we study **foundations** which are considered to be the emblematic philanthropic organization (Rey-Garcia and Alvarez-Gonzalez 2011). A foundation is a non-profit organization that is private, non-membership based, self-governing, and that serves a public purpose (Anheier 2001). During recent decades the number of foundations in Europe has increased, as has their economic weight (Fondation de France and CERPhi 2015; DAFNE 2014). In Europe the last few decades have seen foundations making a breakthrough by establishing themselves as private actors that look after the public interest.

Furthermore, among the diversity of action modes existing in the foundation sector (Anheier 2001), we focus on the foundations whose core activity is the **financing** of others (contrary to operating foundations that are in charge of the direct operation of their mission in the field). In this sense, financing foundations are special compared to other non-profit organizations because they do not look for funding but provide it. In this perspective, we introduce a new terminology: **financing foundation** (FF) that extends the traditional terminology of “grantmaking foundations”. FF are foundations that support either individuals or operating organizations through the provision of a financial flow that can take the form of grant, debt and/or equity. Because of the recent evolutions in the field of philanthropy, the toolbox of foundations has been enlarged from simple grants to tailor-made support that also includes debt and equity (Mair and Hehenberger 2014).

The coming of the “new” philanthropy that is qualified as “strategic” leads the sector of foundations to question their **strategy** and to be aware of the choices they make. In particular, the issue of effectiveness (the effective achievement of the mission) is at the heart of this reflection. Some authors such as Porter and Kramer (1999) deplore a lack of strategy in the foundation sector; according to them, the term *strategy* has become almost meaningless because of its overuse. Foundations are called upon to develop strategy in order to create (more) impact (Letts, Ryan, and Grossman 1997). With this research, we want to contribute to the understanding of strategy for foundations; in particular in the context of a Welfare State.

Theoretical perspective

In this research we adopt a multi-paradigm theoretical perspective; we use agency theory, institutional theory, and imprinting theory. This favors the comprehension of complexity through a nuanced view of our research object. This also allows us to better fit our research purpose (Hatch and Cunliffe 2009). The combination of different theories allows us to provide a deeper and comprehensive answer to our research question by focusing on different aspects of the phenomenon (Rojot 1997).

Because FFs outsource the operationalization of their mission, they are inevitably confronted with delegation issues. To effectively carry out their objective, they have to ensure that recipients work appropriately. **Agency theory** (Jensen and Meckling 1976) allows us to reflect on this question. Like any organization, FFs depend on their environment and need to be recognized as legitimate. In the case of FFs in the particular context of the Welfare State, the issue of legitimacy is even more crucial. Indeed, the figure of the FF itself is not recognized as legitimate. Legitimacy is at the heart of **institutional theory** (Suchman 1995). We thus build our analysis on institutional theory and the distinction made between three types of legitimacy: cognitive legitimacy, moral legitimacy and pragmatic legitimacy.

Finally, FFs are organizations in which the role of the founder is crucial; the organizational structure has the board of directors as the only decision-making organ required by law, and leaves a high degree of freedom to the founder. We are interested in understanding how the profile of the founder influences the strategic choices of FFs. **Imprinting theory** (Marquis and Tilcsik 2013; Simsek, Curtis Fox, and Heavey 2015) studies how different sources (such as individuals) create a long-term impression on different entities (among others, the organization and in particular its strategy). This theory is thus a good fit to support this research question.

Methodology

We adopt a **quantitative methodology**. This means that we use statistical and mathematical tools in order to describe, explain, and predict a phenomenon through the use of operationalized concepts in the form of measurable variables. We proceed in two steps. First, upstream of the collection of data, we realize exploratory interviews with key actors in the foundation sector in Belgium. This step is a necessary preliminary to understand the field for empirical investigation

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and to ensure an alignment between the data we aim to collect and the practices in the field. The second stage is then the administration of a comprehensive survey of the Belgian foundations. We contact 1227 Belgian foundations that pursue a public purpose (at the end of 2014) by mail and invite them to answer an online questionnaire. This results in a sample of 136 financing foundations that we use to conduct cluster analysis and regression analysis.

Epistemological position

The question of the epistemological position is not easy to answer. Our research is part of a relatively emerging field and the literature is rather scarce. We are exploring under-researched and still unknown topics. In this context, it is not always possible to properly define our epistemological position *a priori*. We are somewhat led to adopt an approach that is **pragmatic** that is to say bounded by the availability of data and the existence of literature. Nevertheless, because our approach is quantitative, by essence, it is rather **positivist**. The development of a strategic conceptual framework to describe FFs' strategy *a priori* also goes in this direction.

Overall, the approach followed in this thesis is rather **abductive** in the sense of Peirce (1940/1955). This means that we, as researchers, engage in a process of going back and forth from the cases to the literature in order to develop propositions and explanatory hypotheses (Burks 1946; Reichertz 2004). Because our field of investigation is still rather unexplored, it is almost impossible to follow a deductive approach. We therefore make the choice to start from the data, and then to create a dialogue between our results and the literature. In Chapter 4, we derive empirical results that resonate with the existing Manichean vision of philanthropy divided between the “old and charitable” philanthropy and the “new and strategic” philanthropy. Furthermore, we use organizational theory, in particular agency theory and institutional theory (Chapter 5) to deepen our understanding of our results. In Chapter 6, we also build knowledge by making bridges between the results obtained and the theoretical mechanisms through imprinting theory that may explain these results.

Research objectives and expected contributions

With this research, our overall objective is to contribute to the understanding of the strategy of FFs. We aim to achieve this in different ways and at different levels. We identified five main expected contributions of our research, either in the academic field of philanthropy or in organizational theory. First, our research

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is expected to advance the state of knowledge of the foundation sector in Europe, and in particular in Belgium, by providing data on foundations. There is no current census of foundations in Belgium and this is a first necessary step to develop our understanding of the sector. This will be extensively developed in Chapter 3. Second, our research aims to question and study the recent evolutions in the field of philanthropy and the normative approach of strategy prevailing in the field (Chapters 1 and 2). Another objective of our research is to be able to describe and analyze the practices of financing foundations (a new terminology that we suggest) considered as black boxes by developing a strategic conceptual framework (Chapter 2). In addition, our research is expected to support a better understanding of the strategic practices of foundations and the upstream challenges they may attempt to answer to. In particular, with our research, we attempt to deepen our understanding of strategy by grounding it in organizational theories (i.e., agency theory and institutional theory) that take into account the specific feature of financing foundations (Chapters 4 and 5). We also aim to refine the understanding of the three types of legitimacy introduced by institutional theory and the nature of the pressures existing for specific organizations such as FFs (Chapter 5). Finally, our research will attempt to provide a multi-level analysis of FFs strategy by also studying the influence of the founder (Chapter 6).

Dissertation structure

The structure of this work is depicted in Figure 0.1. This work is articulated around six chapters. In **Chapter 1**, we present the overall context of our research; in particular, through the history of philanthropy, we highlight the change of paradigms that have taken place in the field of philanthropy. This historical review anchors our research; today we talk about “strategic” philanthropy while historically philanthropy was mostly associated with charity. Then, we define the type of organization that we focus on: the foundations. We review the existing taxonomy and the roles attributed to them. We finally introduce a new terminology: financing foundation (FF) and evidence the particular nature of this organization. FFs are the specific object of our research. At the end of this first chapter, we draw on the specificities of FFs to highlight and discuss the specific challenges they are confronted with, in particular in the context of Welfare State.

From **Chapter 2**, we study a specific management issue: strategy. We first highlight the lack of an explicit strategic approach observed in the foundation sector as well as the lack of a framework to inform the practices of foundations. The aim of this chapter is to contribute to this shortfall by developing a strategic conceptual framework for FFs. To do this, we review the literature in the field of

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philanthropy with a strategic focus. We then build a meaningful strategic conceptual framework for FFs that unites and articulates the fragments of literature. Through the building of this conceptual framework, we identify the main and transversal strategic decisions FFs are confronted with.

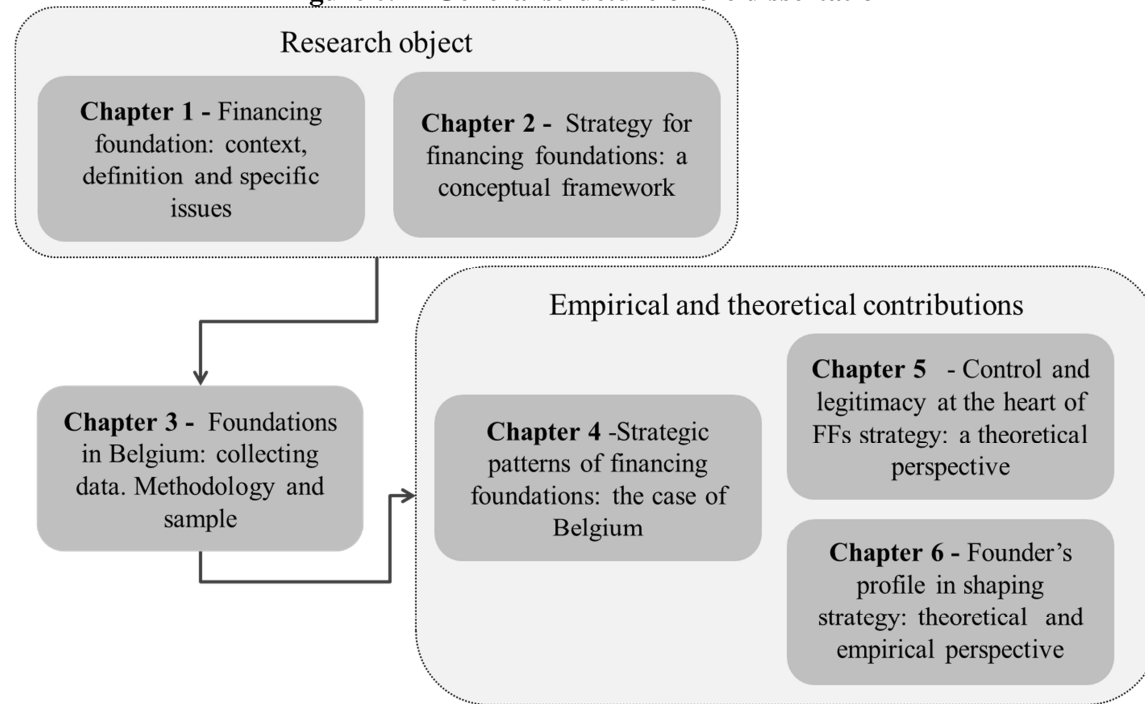
The objective of **Chapter 3** is to detail the methodology followed, as well as the population for our empirical research: the foundation sector in Belgium. We adopt a quantitative approach divided into two steps: we first realize exploratory interviews with Belgian foundations. We then conduct a comprehensive survey among the foundations in Belgium. The sample obtained is presented. We finally explain how the data collected will be analyzed through quantitative methods, in particular cluster analysis and regression analysis.

In Chapters 4, 5 and 6, we make a dialogue between the results of our analysis and theories. In particular, in **Chapter 4** we elicit three types of strategy from among the financing foundations in Belgium. We challenge these strategic patterns based on the traditional models of philanthropy described in the literature.

With **chapter 5** we deepen our understanding of strategy among FFs by analyzing the results obtained through a theoretical perspective. We return to the specific issues of legitimacy and control faced by financing foundations highlighted in Chapter 1 and discuss the link between these and the idea of effectiveness underlying strategy in the literature. We guide reflection by using agency theory (that studies the issue of delegation and control) and institutional theory (whose core element is legitimacy). We reflect on how the different strategic patterns evidenced in Chapter 4 can be seen, to some extent, as answer to the challenges of control and legitimacy.

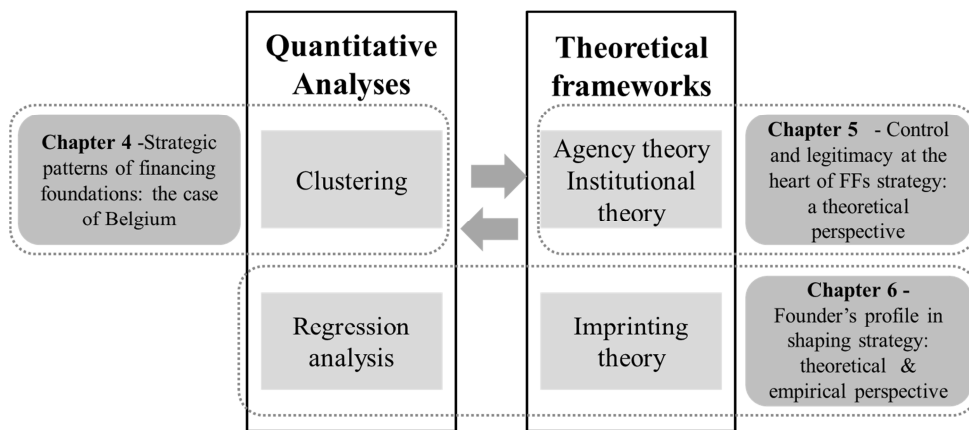
Finally, in **chapter 6** we study the influence of a FF's founder on the FF's strategy. To do this, we use imprinting theory that states, for example, that the profile of individuals at the time of the creation permanently imprints the strategy of an organization. We make the link between the strategic choices emblematic of the new practices of philanthropy and the profile of the founder (i.e., age, education, professional background, and belief).

Figure 0.1 - General structure of the dissertation



As evidenced in Figure 0.1, the first two chapters set the basis for the work, through the context and the definition of financing foundations (Chapter 1) and the development of a strategic conceptual framework (Chapter 2). Further, Chapter 3 details the methodology and the sample used. Then, the subsequent chapters bring together the empirical and the theoretical contributions of our research. The links between the quantitative analyses and the theoretical frameworks used are given in Figure 0.2.

Figure 0.2 - Links between quantitative analyses and theoretical frameworks



In our research, we thus address both dimensions of philanthropy: instrumental and expressive (Frumkin 2006). In **Chapter 5** we investigate the instrumental dimension of philanthropy through the issues of legitimacy and control faced by FFs; these are seen as necessary conditions to effectively carry out FFs' objectives. This gives a rather rational view of strategy. In addition, we approach the expressive dimension of philanthropy; in **Chapter 6** we study how the values and the profile of the founder influence, to some extent, the strategic choices of a FF. The instrumental dimension and expressive dimension are not isolated, they interact with each other (Frumkin 2006).

1 | FINANCING FOUNDATIONS: CONTEXT, DEFINITION AND SPECIFIC ISSUES

In this first chapter, we aim to specify the focus of our research and in particular the type of organization and the context we study: **financing foundations (FFs)** in the context of a **Welfare State**. The objective of this chapter is also to identify the specific related issues raised by this object in this context; these are the elements based on which we will articulate our overall reflection.

Our field of research is that of philanthropy. The Greek roots of the word philanthropy reveal that it means the “love of humanity”. Philanthropy is an age-old practice that has experienced significant evolution over time. Philanthropy can take many forms and in particular, it can be “organized”. In that case, it is channelled through formal organizational structures. Philanthropic foundations are considered as the emblematic philanthropic organizations.

What is a foundation? A foundation is a non-profit organization that is private, in the sense of its initiator, and that has a public purpose. It also has the peculiarity of having no members, that is to say no general assembly. There is a high variety of foundation types, which depend on the profile of the founder and the mode of action. We study financing foundations (FFs), a terminology we introduce, that are a specific type of foundation that finances others through grants, debt and/or equity. The issue of delegation is at the heart of this mode of intervention and raises a specific issue of control.

Foundations exist worldwide and in various contexts. In this research, we focus on the context of a Welfare State. Even if today this model is under pressure and called upon to evolve, in this context, the State is (still) considered as the key actor that is in charge of the public interest. This has implications in the study of our phenomenon and raises specific questions, in particular the one of legitimacy.

This chapter is organized as follows: we first present the overall context of our research by giving a brief review of the history of philanthropy. We then narrow our research to “organized” philanthropy and in particular to foundations. We define and present the existing types of foundation; we also review the roles usually attributed to foundations in the literature. In a later stage, we define the concept of a financing foundation (FF) and highlight its specificities. We finally identify the specific issues, internal and external, raised by such organization in the context of Welfare State.

1.1. What is philanthropy?

Philanthropy is a term that comes from the Greek word *philanthrôpìa* (Sulek 2010); if we return to the roots of this word, *philos* (i.e. friends) and *anthropos* (i.e. human being), philanthropy hence means “the love of humanity”.

1.1.1. Definition

A philanthropist is a person who, out of natural disposition and goodness, is inclined to love all men (Dictionnaire de l'Académie française 1762) through actions that aim to improve the condition of his fellow men (Bescherelle 1861)⁹. Philanthropy is a voluntary action for the public good (Payton 1988). Philanthropy is a very broad concept whose meaning can vary according to philosophical and cultural trends (Sulek 2010). Philanthropy covers a large set of practices, structures and actors that evolve according to social, cultural, economic, political and religious contexts (Lambelet 2014).

Nevertheless, among scholars, a commonly accepted definition of philanthropy is the following (Sulek 2010): “*the private giving of time or valuables (money, security, property) for public purposes*” (Salamon 1992:10). This encompasses all voluntary resource transfers by private actors to serve the common good and to improve the quality of people’s lives. Philanthropy includes not only gifts (transfer of money) but also volunteering (transfer of time), provision of skills, properties or giving access to a network (Giving in the Netherlands 2009). In our research, we will mainly study philanthropy as the transfer of money.

Philanthropy is at the crossroads of the public and private spheres. Philanthropy has a double function; it allows specific societal needs to be met but also expresses a philanthropist’s values (Frumkin 2006). This corresponds to the distinction made by this author between the instrumental and the expressive dimensions of philanthropy. Indeed, philanthropy can be seen as a response by (wealthy) individuals to both tackle social issues and support the causes they personally deem worthy (Sandfort 2008).

⁹ <http://chaire-philanthropie.essec.edu/>

1.1.2. A brief historical review

Philanthropy has existed throughout history; nevertheless, in this historical review, we are mainly interested in the main evolutions of the organization and secularization of philanthropy. People often think that philanthropy is an American concept but philanthropy is an age-old practice that has known its first golden Age in Europe (Adam (2004) cited by Schuyt (2010)). Philanthropy emerges in the United States only at the beginning of the twentieth century while it had already existed in Europe from the fourteenth century (Bishop and Green 2008). The evolution of philanthropy can be understood in terms of three main phases¹⁰ (Figure 1.1). They correspond to a change of paradigm in the way philanthropy is seen.

Phase 1: Charitable philanthropy

The first significant phase of the history of the organization of philanthropy begins in the Renaissance. Originally, philanthropy is in the hands of rich people and takes place through the establishment of religious institutions in order to alleviate the circumstances of poor, disabled, or sick people (Clough 1960); hospitals, schools, and orphanages were amongst the first institutionalized forms of philanthropy. History is full of examples of philanthropy that are often called charity. At the heart of this philanthropy, there is the act of giving. In Europe, the roots of the development of philanthropy are to be found in the Judeo-Christian tradition. The philanthropic spirit is seen as one of the noblest qualities of civilized men (Eells 1958). In Christian theology, charity is a supreme virtue that both points to the love of God and the neighbor (as a creature of God), and includes any charitable act performed freely to his neighbor. Philanthropy is also a means to assert social inequality. Socially, European elites tried to use pro-poor aid to stabilize the existing social order, which they presented to the poor as infallible and therefore as legitimate and immutable (van Leeuwen 1994). Between the sixteenth and the eighteenth centuries, civil and religious wars hinder the development of philanthropy. Nevertheless, it will know a renewal during the Enlightenment. During this period, philanthropy is negatively perceived; the reason is that helping the poor is no longer recognized as something positive because it encourages a dependency relationship (e.g. it encourages the poor not to work and increases unemployment issues). This first phase characterizes the Old Continent. This phase initiates the beginning of the progressive organization and secularization of charity (Charbonneau 2012), nevertheless, it is mainly characterized by the act of giving.

¹⁰ Some authors such as Bishop and Green (2008), for example, distinguish five golden ages in the history of philanthropy that are related to the industrial era.

Phase 2: Scientific philanthropy

The development of philanthropy then experiences a second phase with the industrial era that begins in the nineteenth century. It is at this time that philanthropy appears in the United States with emblematic entrepreneur-philanthropists such as Carnegie (1835-1919) and Rockefeller (1839-1937) and, a little later, Ford (1863- 1947). In the United States, history of philanthropy is rooted in the Protestant tradition that consists in “giving back to society” (Abélès 2003). These philanthropists of the nineteenth and twentieth centuries sought to distance themselves from the conventional notion of charity and adopt a more rational approach to giving, which is called "scientific philanthropy" (Bremmer 1956; Carnegie 1906). This new generation of philanthropists makes three main criticisms of charity: first, it posits the needy in an inferior state, it is only palliative to the symptoms of poverty, and it lacks professionalism. By contrast, the modern philanthropy they promote is proactive (it targets the causes, not only the symptoms, based on science and reason and no longer with religious and emotional drivers), delocalized (it goes further than the interpersonal dimension inherent to charity), and autonomous (it values a rational treatment instead of a religious one) (Lambelet 2014). The social issues addressed by philanthropy are then enlarged and are not limited to the support of the needy. The act of giving is no longer the only essence of philanthropy; philanthropists are interested in acting meaningfully and to make a difference; reason is the main driver during this phase.

It is also during this second phase that philanthropic foundations are created (Aksartova 2003). This phase corresponds to a period when most of the developed countries experience an organizational revolution (Meyer and Scott 1992). In the United States foundations have since then been part of the national system. The immense resources that were put at the disposal of the first foundations by philanthropists such as Carnegie or Rockefeller allowed them to go beyond the traditional and local issues addressed by charities (Aksartova 2003). In Europe, the *raison d'être* of foundations is linked to dramatic changes that occurred between the 16th and the 20th century. While the French Revolution of 1789 prevented the creation of foundations or other associations, the 19th century allowed them to enjoy a legal status.

Phase 3: Strategic philanthropy

In the late 90s and early 2000s, philanthropy is going through a third phase. This revolution takes root in the United States, more precisely, in the famous “Silicon Valley” in California with the emergence of what is called “venture philanthropy”. In Europe, it emerges a little later with the creation of the

European Venture Philanthropy Association (EVPA) in 2004. At this time, in Silicon Valley, the dot-com boom and its new millionaires emerge, the high-techers who have made a fortune with innovative technologies combined with practices inspired by venture capital (Frumkin 2003). Faithful to the American tradition of “giving back to society”, these high-techers engage in philanthropy; but contrary to Carnegie, Ford or Rockefeller, they are rarely from large and wealthy families and for many it is a first contact with philanthropy. They note that in the field of philanthropy, the gifts are often personal and without any strategic aim and long-term engagement (Brest 2005; Moody 2008). According to these new philanthropists, the methods currently used in the field of philanthropy do not allow a significant social impact to be created (Frumkin, 2003).

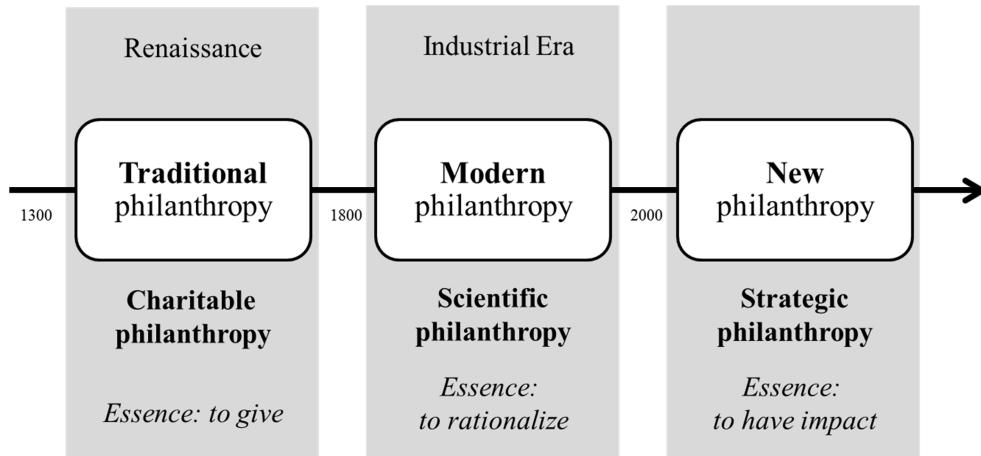
Venture philanthropy is the result of a collision of two worlds: the business world and the world of philanthropy. It has a specific focus on impact; the effectiveness of the action is a key element. In addition, it is characterized by high-engagement, either in a longer time horizon or by the provision of non-financial support. Philanthropy thus becomes professional, inspired by the business world (Letts, Ryan, and Grossman 1997). The idea of venture philanthropy is to apply the principles of venture capital to the field of philanthropy. We talk of strategic philanthropy in the sense of an engagement through clear objectives, based on strategies driven by data where philanthropists are engaged, and that is subject to rigorous evaluation (Kania, Kramer, and Russell 2014). The pure gifts are no longer the only means to support beneficiaries; these philanthropists take the posture of investors (i.e. they use debt and/or equity) and want to create impact.

The field of philanthropy experiences unprecedented changes; it undergoes a renewal through new forms, new tools, and new methods (Salamon 2014). Today, philanthropy plays an increasingly important role for the development and the support of multiple societal interest activities, be it in the field of culture, scientific research, conservation or rehabilitation of heritage, social action, developmental cooperation or environmental protection (Schuyt 2010). The way philanthropy is conceived today is still stamped by this historical evolution. However, it would be simplistic to assert that new philanthropists have reinvented the wheel. One rather considers that they have initiated a shift in the way philanthropy is conceived today (John 2006; Moody 2008).

Philanthropy has existed throughout history; nevertheless, in this historical review, we are interested in the main evolutions of the organization and secularization of philanthropy. People often think that philanthropy is an American concept but philanthropy is an age-old practice that has known its first golden Age in Europe (Adam (2004) cited by Schuyt (2010)). Philanthropy emerges in the United States only at the beginning of the twentieth century while it had already existed in Europe from the fourteenth century (Bishop and Green

2008). The evolution of philanthropy can be understood in terms of three main phases (Figure 1.1). They correspond to a change of paradigm in the way philanthropy is seen.

Figure 1.1 - The history of philanthropy: three phases



1.2. Foundations: a type of “organized/structured” philanthropy

Philanthropic actions can take various forms: from volunteering, regular or occasional, to timely monetary gifts, in the case of a natural disaster for example, or a gift of competence. But, beside the one-off initiatives, philanthropy can also be organized. According to Frumkin (2006), we can no longer conceive of giving only as an act that makes a link between isolated individuals and social causes; philanthropic funding is now delivered by institutions and organizations that stand between the donor and the recipient. In our research, we are interested in this specific type of philanthropy; this means a philanthropy that is structured and essentially monetary (contrary to volunteering for example).

1.2.1. Definition

“Organized philanthropy”, also called “structured philanthropy” encompasses “the set of private initiatives aimed at the public good that are channeled through the creation and/or control of ad hoc independently governed not-for-profit organizations (foundations, associations, charities, endowments, charitable trusts, etc.)” (Rey and Puig 2010:1). In this research we are interested in foundations, which are a specific type of organized philanthropy. Foundations are

considered as the archetype of philanthropic organizations (Rey-Garcia and Alvarez-Gonzalez 2011). Foundations have a long history in most of the world's cultures (Anheier and Daly 2004). They are among the oldest existing social institutions (Anheier and Leat 2013). There is high diversity in terms of history, cultural and political contexts and legal frameworks (Anheier 2001). Depending on the country, the meaning of the term "foundation" varies¹¹. Indeed, there is a high diversity of legal systems that lead to diversified application in terms of rights and control (Anheier and Daly 2004). Nevertheless, the definition given by Anheier is commonly accepted among scholars:

A foundation is a **non-profit organization that is private, non-membership based, self-governing and that serves a public purpose** (Anheier 2001).

A foundation is an organization that serves a **public purpose**. The very specificity of a foundation is that it pursues the public interest; it intervenes in educational, health-related, social, research-oriented, and cultural projects, etc. This feature is crucial because there are organizations labeled "foundations" that do not pursue a public purpose, these foundations which have personal objectives (such as personal enrichment, for example) are out of our research scope (this remark will be expanded upon in Chapter 3, where we select our initial population of foundations for our empirical research in Belgium). **In this research, we focus on foundations that serve a public purpose.**

In the literature, different terms are used to describe the purpose of actions or institutions which are deemed to be of interest to a population as a whole. Public good, common good, public purpose, public benefit, public interest, and general interest are among these terms. The distinction between them is sometimes blurry. There are two key components that come into play when we talk about "public interest": (1) the decision-makers are not the direct beneficiary of "public interest" actions and (2) the service or good offered has direct effects on the beneficiary but the effect also goes beyond. The first component is the fact that the beneficiaries of a foundation are not those who make the decision (Gui 1991). Founders, donors or directors do not make decisions for themselves; they make

¹¹ According to the Foundation Centre (www.foundationcenter.org), a foundation is a "non-governmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes". According to the European Foundation Centre (www.efc.be), a foundation is a "separately-constituted nonprofit body with its own reliable source of income, usually but not exclusively from an endowment or capital, has its own governing board and uses its financial resources for educational, health-related, social, research oriented, cultural or other public benefit purposes either by making grants to third parties or operating its own programs and projects."

decisions for others by defining their target beneficiaries and their field of intervention. The mission of a foundation is to create public value; this is guaranteed, among other factors, by the non-distribution constraint; a foundation cannot provide its founders or donors with any material gain (Salamon and Anheier 1992). The second component requires that the action of a foundation benefits the population as a whole, even if indirectly. This contrasts with the selfish interest. It means that even if a person or a group of people is not the direct beneficiary of a specific “public interest” project, in the end, it also benefits them (e.g. they live in a fairer society, they like art and they are happy that art projects are supported, they know that they may be subject to disease and feel confident that medical research is undertaken). This contrasts with “private good¹²” that will only have an effect on its “beneficiary/customer” (e.g. food, clothing). In this research, we mainly use the term “public interest” and in the specific case of foundations, we also use the term “public purpose” which is line with the generally accepted definition of foundations given by Anheier (2001).

Furthermore, a foundation is a **private** organization in the sense of its initiator. It is constituted separately from the State. A foundation is an autonomous organization with its **own internal governance rules and procedures**. In addition, a foundation **lacks a membership** and the decision-making power is concentrated in the hands of the board of directors; there is no general assembly (Rey-Garcia and Alvarez-Gonzalez 2011). A foundation is a vehicle that gives a high degree of freedom to its founder(s); among others to appoint the directors who will act in line with his expectations. As we will discuss at the end of this chapter, this specific organizational structure that is rather autocratic raise a legitimacy issue for this actor that intervene in the sphere of the public interest, especially in the context of Welfare State.

And finally, a foundation is a **non-profit** organization; a foundation does not distribute profits to those who own and manage the foundation (Mertens 2010). This also testifies to the fact that the primary objective of a foundation is not to make profit. A foundation is a not-for-profit organization. A foundation is characterized by an irredeemable and voluntary assignment of property (e.g. money, artistic heritage) to a particular cause of public interest.

In its more traditional form, mostly in the United States, a foundation was also characterized by an endowment and a sustainable vocation. A financial capital is endowed to the foundation and the annual returns on investment of this capital are

¹² Economists define the “public good” by relying on two criteria: the degree of excludability and the degree of rivalry. According to Ostrom (2010), a public good has a low degree of excludability (people who have not paid for the good can benefit from it) and a low degree of rivalry (the consumption of the good by a person does not limit the consumption of it by others).

used to support the mission of the foundation. In this sense, foundations are a very atypical organization because by essence, they give, rather than seek, funding (Aksartova 2003). Today, in particular in Europe, one sees foundations that raise money in exactly the same way as other non-profit organizations do (Anheier 2001). Similarly, while foundations were characterized for a long time by their long-term vocation, limited life foundations appear in which the capital is consumed in a limited period of time (Ostrower 2009).

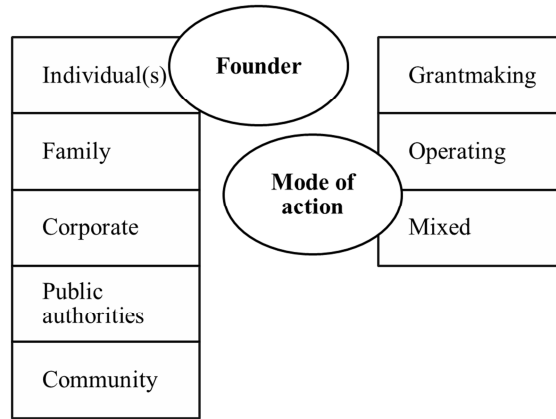
1.2.2. Taxonomy

There is a huge variety of terminology used to label foundations, such as: grantmaking foundation, operating foundation, corporate foundation, family foundation, community foundation, mixed foundation, etc. The sector of foundations is highly heterogeneous (Anheier and Daly 2007). This rich tapestry of foundation forms makes the understanding of the foundation sector more complicated (Hopt and Reuter 2001).

The type of foundation can be distinguished mainly based on the founder's profile and on the mode of action (Figure 1.2). First, foundations differ according to the **type of founder**. Indeed, anyone can be at the origin of the creation of a foundation: a physical or legal person (e.g. commercial company and non-profit organization). It is also possible to "found" alone or with others: with family, friends or actors concerned about the same cause. More specifically, a corporate foundation is a foundation sponsored by or related to a company (Anheier 2007). A community foundation, in turn, is characterized by a geographical focus and a corresponding representative nature of the board (Carman 2001). A family foundation operates with the hands-on involvement of an active donor and/or donor family (Lawrence 2002; Moody, Knap, and Corra 2011).

Depending on the founders, the resources put at the disposal of the foundation also vary. In the case of a corporate foundation, resources that the company can make available to "its" foundation are diverse: they include not only the financial resources of the foundation (usually in the form of cash flows, because it does not have an endowed capital) but also the cost of salary of the employees, the pro-bono expertise and the working time of its employees (corporate volunteering). A community foundation in turn has a specified community linked purpose supported by a pool of revenue and assets from a variety of sources. A government sponsored foundation is a foundation that either is created by a public body or supported by the public sector for either endowment or operating expenditure (Anheier 2007).

Figure 1.2 - Foundation taxonomy



Second, the type of foundation varies according to their **mode of action**. In particular, a distinction is made between operating foundations and grantmaking foundations (Anheier 2007). A foundation is said to be operating if it directly operates its own programs and projects, based on its own staff (Frumkin 2006). In turn, a grantmaking foundation is a foundation that makes grants to recipients; a grantmaking foundation does not take charge of the implementation and operationalization of projects. Grantmaking foundations thus create value through others (Porter and Kramer 1999). A foundation can also combine both aspects and is then qualified as a mixed foundation.

1.2.3. Roles

In the literature, different roles are attributed to foundations, and more broadly to philanthropy (Prewitt (1999); Porter and Kramer (1999); Frumkin (2006); and Anheier (2001)). These authors recognized among others the roles of redistribution, pluralism and change.

The role of redistribution consists in redistributing the primarily economic resources from higher to lower income groups (Prewitt 1999). Foundations channel funds to the less affluent parts of the population. The role of foundations is thus automatically linked to that of the State to a certain extent. Foundations can complement or supplement the role of the State in the sense of serving otherwise undersupplied groups under public budget constraints. Foundations can also substitute the State and become providers of public or quasi-public goods otherwise or previously supplied by the State (Anheier 2007). Additionally, foundations can start pilot projects that will then be taken over by the State; this is

related to the third role. The positioning of foundations from the State is thus diverse; foundations can also have an adversarial relationship or an autonomous relationship with the State (Frumkin 2006).

Pluralism is a second role attributed to foundations. Foundations act to protect civil liberties against the State and as a challenger in social, economic, cultural and environmental policy (Anheier 2007). Foundations promote differentiation in thought and diversity (Prewitt 1999).

Foundations are also recognized as having a role of change. They promote a fairer society, highlighting needs and empowering the socially excluded (Anheier 2007). Because foundations are free of market and political constraints, they have the potential to trigger and support the desired change. They have an innovational function; they can be an innovative actor in social perceptions, values, and relationships. Foundations also have the role of preservation; they are a key actor in preserving traditions and culture.

In addition, the idea of efficiency is often assimilated to a foundations' role. Nevertheless, efficiency is not a role as such but rather something that is part of the discourse around foundations and a desired attribution of the foundations action. Some authors, such as Porter and Kramer (1999), underline the potential of foundations to be effective by making links with the business world. In their view, because foundations are free of political and market constraints they should be more effective. Prewitt (1999) also said that foundations can offer services and allocate funds more efficiently than markets and governments could. Foundations are seen as having the potential to make more effective use of scarce resources than either individual donors or the government. Free from political pressures, foundations can explore new solutions to social problems with an independence that government can never have. And compared with individual donors, foundations have the scale, the time horizon, and the professional management to create benefits for society more effectively (Porter and Kramer 1999). Nonetheless, foundations are often challenged for not being effective enough when they could. We will further come back to this idea when we will specifically address the management issue of strategy from Chapter 2.

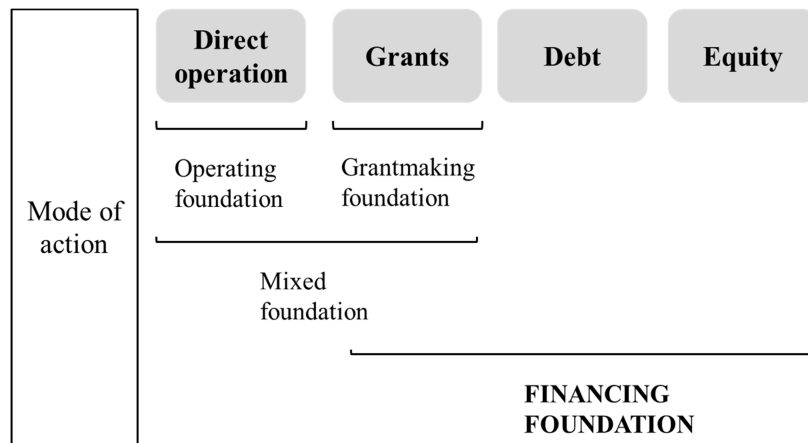
1.3. A new terminology: financing foundations (FFs)

With the wave of the “new” philanthropy, the term “grantmaking” foundation has become too restrictive. In this section, we suggest a new terminology that takes into account the recent evolutions in the field of philanthropy.

1.3.1. Definition of FFs

By definition, the term “grantmaking” only encompasses pure grants and does not include the new additional mechanisms available to carry out a philanthropic mission (e.g. debt, equity) brought by venture philanthropy. Indeed, the tools at disposal of the foundations to finance third parties have been enlarged (Mair and Hehenberger 2014). We introduce the terminology “**financing foundation (FF)**” to correct this misalignment between the current practices and the literature. We define a FF as a foundation supporting recipients with grants, debts and/or equity; what differentiates a FF is thus its mode of action (Figure 1.3). It should be noted, however, that the operationalization of this terminology is conditioned by the fact that the regulatory conditions allow foundations to make loans and shareholdings (which is not the case in France, for example). The core activity of a FF is to finance others; what characterizes the action of a FF is thus the existence of a monetary flow between FFs and their recipients (Figure 1.4). A FF is a peculiar organization in the sense it provides its recipient with funding. The recipients are then in charge of the concrete implementation and operationalization of projects. The choices a FF is led to make are then related to this activity of financing others.

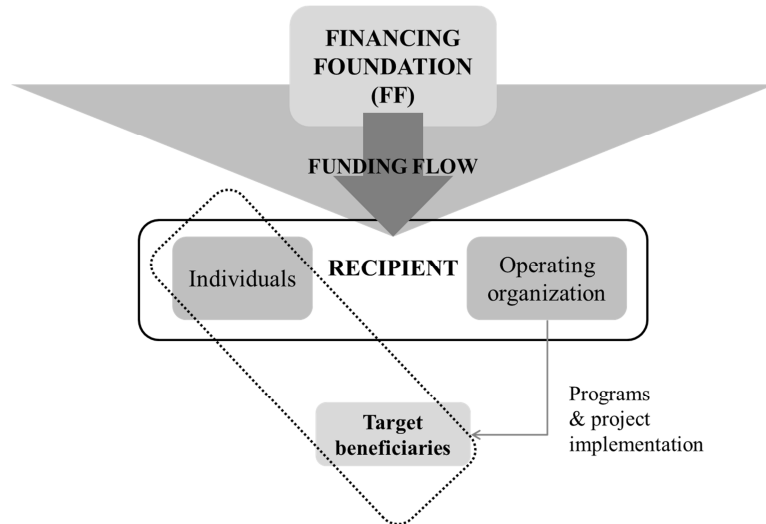
Figure 1.3 - Types of foundation according to their mode of action



The recipients of FFs can be either individual or operating intermediaries. In the case where the recipient is an individual, he receives money directly to carry out a specific project. Even if FFs have a direct link with the target beneficiary, what FFs do is only to finance it. When FFs direct their financial flow to operating

intermediaries, these intermediaries implement projects and programs with the target beneficiaries.

Figure 1.4 - Core activity of financing foundations (FFs)



When FFs finance individuals, they entrust people with the task of taking care of themselves and using the money they provide them with. This funding flow can take different forms: grants, debts, or equity, and can be combined with non-financial support in certain cases.

A FF is thus a foundation (i.e. a non-profit and private organization that is non-membership based, self-governing and that serves a public purpose) that finances recipients with grants, debts and/or equity.

1.3.2. Defining features of FFs

FFs thus belong to an economic sector that emerges independently of markets and the State (Von Schnurbein 2010; Arrivillaga and von Schnurbein 2014). FFs are not the only organizations that finance others; the State also has this role, as well as the organizations that operate in markets. Nevertheless, FFs are very unusual organizations in the sense that they combine private and public logics. From this perspective, FFs can be seen as hybrid organizations.

To illustrate this hybridity and the specific issues that are raised in the case of FFs, we compare FFs with two other actors, a for-profit and a non-profit, that also

perform financial intermediation. We consider subsidizing public bodies and for-profit investment funds, which have a similar indirect action of financing. We see these organizations as an ideal-type in the sense of Weber; the reality is in fact much more complex. An 'ideal type', in the Weberian sense, is an intellectual construction obtained by accentuation of certain traits of the considered subject (Coenen-Huther 2003).

We compare these financing organizations according to the three constituent components of the definition of a FF presented previously: the ultimate goal, the logic of action and the financing tools.

The ultimate goal

A subsidizing public body finances social missions in the interest of the citizens of a country. Its mission is to create public value. A for-profit investment fund, in turn, is a private organization that aims to generate financial returns for the investors (Jensen 1998). The goal of a for-profit investment fund is to capture value for its investors. These notions of value creation and value capture differentiate the ultimate goal of organizations. Value creation is considered as a key notion in management literature (Lepak, Smith, and Taylor 2007). It is measured at the level of the society or the system, and is the net increase of the utility of all society members (Mizik and Jacobson 2003). Value capture, measured at the organizational or unit level, is the appropriation of a portion of the net value created by the activity (Mizik and Jacobson 2003). For for-profit organizations, there is a clear bridge between value creation and value capture processes via price mechanisms. In the case of non-profit organizations, the non-distribution constraints prohibit value capture. A for-profit firm will have as primary goal the maximization of value capture while non-profit organizations will be predominantly driven by value creation (Santos 2012). In the specific case of foundations, in their more classical form (i.e. foundations created based on an endowment which is invested in order to generate revenues to support their mission), foundations are also interested, to some extent, in value capture to be able to financially support their grantees. Nevertheless, this is not the primary goal of the foundation. The ultimate goal of a FF is not to create value for its founders or donors; it aims to achieve a social mission of public interest. The purpose of FF is to serve a public purpose and thus create public value.

In addition, the effective achievement of a FF's mission is difficult to evaluate. The objective of FFs is to create a social impact; this is much more complex to measure compared to a financial return. The nature of a FF's mission thus raises a specific issue of evaluation.

The logic of action

Whereas the mission is politically mandated in the case of subsidizing public bodies (Moore 2000), the definition of the mission of a FF is at the discretion of its founder(s). In a democratic country, a subsidizing public body's mission is based on the choices of the median voter; the political outcomes reflect his preferences (Holcombe 1989). The decisions of the for-profit investment fund in turn are also at the discretion of its investors.

From this, two main elements emerge. First, while a FF and a subsidizing public body share similar ultimate goals, a FF contrary to a subsidizing public body does not have direct information or a democratic basis on which it can determine the most pressing and advocated social needs. FF founders instead rely more on their desire to act for the public interest or their interpretation of the existing needs that must be addressed (this refers to the expressive dimension of philanthropy). The action of the public subsidizing bodies is in turn characterized by its universality and fairness and anchored in an objective return from the population (via the vote). Second, in the case of FFs, the decisions are made by private actors but, contrary to for-profit investment funds, the founders are not the beneficiaries of their decisions. They make choices for the benefit of others, and it is more complex because FFs do not always have at their disposal all the information they need to make their decision (contrary to investors who have information on the market and have self-objectives).

These financing organizations also differ with regard to the resources at their disposal to achieve their ultimate goal. FFs are not directed at generating incomes, in comparison to incomes generated by governments by exacting taxes (compulsory payment) and markets by creating financial surplus (profits) (Arrivillaga and von Schnurbein 2014). The existence of FFs is conditional on the willingness of private individuals, founders or donors, to allocate financial wealth on a voluntary basis to realize the FF's mission. The logic is the same as that followed by investors who want to create financial impact, while FFs aim to create social impact. In the case of a for-profit investment fund, the contributions of investors are by essence voluntary. The resources of the subsidizing public bodies, on the contrary, are generated by the coercive system of taxes. The citizens of a country are constrained to pay the taxes and contribute to the public interest.

In addition, the question of resources is closely linked to that of accountability. The governance structure of FFs, by which the decision-making power is concentrated in the hands of the board of directors, makes FFs accountable basically only to donors and founders. In the case of the for-profit investment fund, the accountability is also directed towards the investors "who pay for

themselves”. Contrary to subsidizing public bodies, by essence, FFs do not have a vocation to be democratic. A public subsidizing body is accountable to the citizens of the country who pay their taxes. Nevertheless, because FFs benefit from a favorable tax system, they are also accountable to civil society at large.

The financing tools

By essence, a subsidizing public body grants subsidies even if, under certain conditions, it can use debts and equity. A for-profit investment fund, in turn, finances operating intermediaries with debts or equity. Among these three financing organizations, FFs have the largest financing toolbox at their disposal. They can chose between the three financing supports. FFs are very specific actors because they can combine financing instruments that are in line with a public logic (grants) or ones that are in line with investment logic (debts and equity). Depending on the underlying social needs, the nature of the project supported, and the financial sustainability of FFs, a FF will make different decisions to carry out its mission. In addition, FFs can directly support individuals, compared to subsidizing public bodies that mainly support organizations. FFs can also provide their third parties with additional non-financial support.

The elements hereby discussed are summarized in Table 1.1 according to the three key dimensions that constitute the essence of FFs: ultimate goal, logic of action and financing tools. FFs share similar ultimate goals to subsidizing public bodies; they finance a social mission and aim to create value for a target group of beneficiaries; this will further have a positive impact on the society at a whole. The logic of action of FFs in turn is closer to that of the for-profit investment fund; it is at the discretion of the founders who voluntarily contribute. And finally, the financing tools at the disposal of FFs encompass those of the subsidizing public body and the for-profit investment fund.

Table 1.1 - Key dimensions of financing organizations

		Subsidizing public body	Financing foundation	For-profit investment fund	<i>FF definition</i>
Ultimate goal	<i>What?</i>	Achievement of a social mission	Achievement of a social mission	Achievement of a financial return	<i>public purpose</i>
	<i>For whom?</i>	Public value creation	Public value creation	Value capture for investors	<i>non-profit organization</i>
The logic of action	<i>Who decide?</i>	Politically mandated (democracy)	Founders discretion	Investors discretion	<i>non-membership based and self-governing</i>
	<i>Which resources?</i>	Coercive (taxes)	Voluntary (charitable contribution)	Voluntary (investments)	<i>private</i>
Financing tools	<i>How?</i>	Grants (subsidies)	Grants Debts Equity	Debts Equity	<i>finance recipients</i>

In the light of the elements discussed above, two tensions emerge in the case of FFs. The first issue is linked to the primary driver of FFs while the second lies in the nature of the obligation.

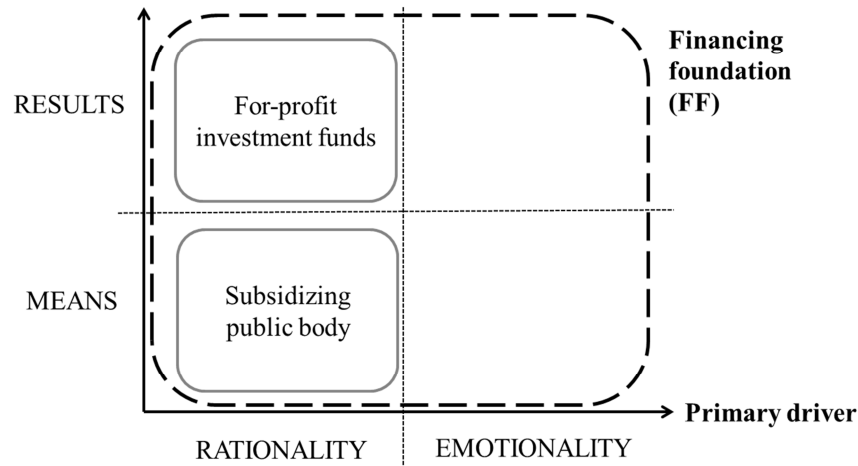
Primary driver

In the case of a for-profit investment fund and a subsidizing public body the primary driver is essentially rational. In the case of FFs the driver can be either rational or emotional. Indeed, while for the two other financing organizations the definition of the mission is made objectively, based on the financial return expected or the median voter preferences, the choices of the foundation are more subjective and based on founders' opinions; this feature is even more accentuated because of the specific governance structure of foundations. Because FFs encompass a very private dimension it automatically involves the values of the founders. This does not mean that the driver cannot be rational; the mission of FFs can be defined based on the most unmet or pressing needs on a very rational basis. This rather indicates that FFs are hybrid in the sense of being driven by rationality and emotionality (the relative importance of these can vary). FFs face the challenge of balancing the private needs of the founders and the public value to be created (Frumkin 2006).

Nature of the obligation

A second tension then emerges when we consider the financing tools available to FFs, is a tension between an "obligation of means" and an "obligation of results". Despite the emergence of new public management in the late 1980s (Hood 1995), the action of a subsidizing public body is still mainly characterized by an obligation of means in the sense of what mainly matters in this situation is that the means put at the disposal of the recipients are correctly used and managed; few attention is given to the achievement of the objectives pursued as such. The for-profit investment fund, in turn, has an obligation of results. What matters above all is the achievement of a certain financial return. In the case of FFs, the positioning according to this dimension can vary. Indeed, FFs can have a different level of requirement towards their third parties. In the case of an obligation of means, FFs will require their third parties to only provide them with financial justifications. Whereas FFs that have an obligation of results will require their recipients to justify the impact created. The existence of a tension between an obligation of means and an obligation of results is the consequence of the recent evolutions experienced by the field.

Figure 1.5 - Nature of obligation and primary driver



As evidenced in Figure 1.5, the nature of FFs leads to an action that is wider than that of the for-profit investment fund or the subsidizing public body. It is more complex because FFs can combine both types of obligation and rely on both emotionality and rationality.

At this stage, we understand that FFs will be led to make some specific choices in the social mission they want to achieve and how they want to do it. A FF's action, by its nature, combines the private and public logic that make FFs a unique organization.

1.4. Specific challenges for FFs

After the presentation and the review of the characteristics of FFs, the aim of this section is to discuss the specific issues raised by their distinct features, in the specific context of European Welfare State which is the one of our research. To address the challenges FFs are confronted with, we distinguish on the one hand the direct beneficiaries of FFs (their recipients) and on the other hand all those who are not direct beneficiaries. This distinction makes easier the identification of the specific issues FFs are faced with. As we will further detail in this section, these two types of stakeholders mainly confront FFs with respectively an issue of **control** and an issue of **legitimacy**. There is also a transversal issue that is the one of ethics surrounding the existence of FFs and their specific organizational structure.

Furthermore, to understand the challenges faced by FFs, it matters to specify the overall context of our research that to some extent shapes the issues faced by FFs. It is why, before analysing these issues, we first briefly give some figures on the European foundations sector. We then clarify in which context our research takes place: the context of Welfare State.

In this section, we will talk about the foundations sector and the foundations in general. Nevertheless, we are aware that there is great diversity of actors and organizations behind. This means that the elements we are going to underline here are not always relevant for all FFs. The importance of these challenges may vary from a FF to another depending on various factors such as the field(s) of intervention, the leader role a FF can play, the maturity of FF, the financial and human means of FFs...

1.4.1. Research context

A European foundations sector in growth

During the last few decades the number of European foundations has exploded, as has their economic weight. In Europe the number of foundations exceeded 129,000 foundations in 2014 with corresponding total expenditures of more than 54 billion euros and total assets of 433 billion euros (Fondation de France and CERPhi 2015; DAFNE 2014). In addition, the legal and fiscal frameworks governing foundations have evolved in many European countries, indicating a renewed interest in this type of organization (Fondation de France and CERPhi 2015).

The field of foundations also structures itself by creating networks involving key stakeholders of the field (e.g. Centre Français des Fondations, Fédération Belge des Fondations Philanthropiques). In addition, in recent years, research on philanthropy has been developed by European scholars, among others, through the European Research Network of Philanthropy (ERNOP - www.ernop.eu).

If we contrast the European foundations sector to the well-known American foundations sector, we observe that European philanthropy compares favorably with American philanthropy (Fondation de France and CERPhi 2015). In 2014, the vitality (i.e. the ratio of spending/total assets) of European foundations (12.7%) is higher than that of American foundations (8.6%). This may appear quite surprising giving that European foundations, contrary to American foundations, do not have pay-out ratio requirement. American foundations in turn, are required to spend annually at least 5% of their endowment (Steuerle 1977). In

addition, the proportional spending of gross domestic product is equivalent (0.45%) (Fondation de France and CERPhi 2015).

The Welfare State

In this section, we give some key elements to understand the context of Welfare State; nevertheless, we do not go into the details. This is not the object of our research as such.

The term “Welfare State” is ambiguous (Merrien 2007). It strictly means the monopolization by the State of the functions of social solidarity. Nevertheless, there is no country where the State fully mobilizes the functions of social solidarity, the realization is always partial (Merrien 2007). In the literature, different types of Welfare State¹³ are identified (Olivier 2014). The Welfare State¹⁴, as associated to the UK, is also distinguished from the Social State¹⁵, which is the terminology used to characterize the German State (Merrien 2007). The notion of a Welfare State expresses the idea that in a society where intermediary bodies, such as the family or professional bodies, are not able to fulfill a role of solidarity (i.e. an atomized society), the State is necessarily called upon to intervene, but in so doing it potentially reduces natural solidarities (Merrien 2007). In the context of a Welfare State, this plays a key role in the protection and promotion of the social and economic well-being of citizens under the principle of equality of opportunity, equitable distribution of wealth, and public responsibility.

Today, the model of the Welfare State is challenged (Rouzeau 2016); it is turning into what is often referred to as “new welfarism” (Van der Veen 2009). Even if in the literature the Welfare State remains an ideal-type, the use of this term tends to disappear in favor of other terminologies such as active social state, social investment state, or investor state. While societal solidarity was at the very heart of the model of the Welfare State, recent trends lead to an individualization of rights. The social investment state is defined as a model in which the State focuses on investment in human capital and enhancement of individual opportunities (e.g. Giddens (1998); Esping-Anderson (2001)). These trends are

¹³ Olivier (2014) distinguished the liberal Welfare State, the corporatist conservative Welfare State and the social democratic conservative Welfare State.

¹⁴ According to Merrien (2007), the English Welfare State and the French « Etat-providence » do not exactly cover the same reality. Nevertheless, in English, as far as we know, there is no other term than Welfare State to describe the context in which the State is in charge of the public interest.

¹⁵ The notion of the Social State differs from the one of Welfare State in the sense that it is associated with a strong intermediate body (such as trade unions and professional and employee associations).

reinforced by a lack of effectiveness often alleged against the Welfare State. The effectiveness of public action is challenged and the modes of intervention of the State are called upon to evolve (e.g. the European Commission consider the State as an investor for social progress (Rodert 2014)).

Having these elements in mind, in this research, we use the term “Welfare State” to designate a context where the State is still considered as the natural and legitimate actor to deal with the issues of public interest. This is the context of Belgium in which we will conduct our empirical research (Chapter 3).

1.4.2. FFs and their direct beneficiaries

A control issue

By direct beneficiaries, we mean the recipients (either individuals or third parties) that are supported by FFs through the provision of a financial flow. As previously explained, FFs do not directly operate their own projects; they have an indirect action. At the heart of FFs action, there is a delegation issue that raises a specific **control issue**. In order to fulfill their mission, FFs need to ensure an appropriate behavior of their recipients. This encompasses not only a good use of the financial means put at their disposal but also the achievement of the objectives on which they are committed and why they have received support from FFs. FFs are confronted with the need to control and monitor what the recipients do in order to ensure the achievement of their own objectives. In other words, FFs entrust a recipient to be in charge of the operationalization of projects, whose success determines the accomplishment of the FF’s mission. From a management perspective, FFs are led to deal with this internal issue of control. Given the growth of the sector and the large financial resources transferred to recipients by FFs, this issue of control is crucial in order to effectively advance public interest issues.

What makes this issue of control particularly complex is the question of evaluation. To evaluate an action means to identify the effects of the action in terms of the predefined objectives (Mertens de Wilmars and Marée 2012). These authors distinguish the realization, the outcome, and the impact of an action. The recent evolutions in the field of philanthropy have placed impact at the heart of the concern. Non-profit organizations, FFs included, are increasingly motivated to measure their impact (Arvidson and Lyon 2014). This is explained, among other reasons, by the isomorphic pressures in the non-profit world that FFs are part of (Leat 2006). This trend is becoming more prevalent because the field of philanthropy is moving from a position of “fund it and forget it” to another that

sees the funding as an investment (Leat 2006). Nevertheless, in the non-profit sector measuring the achievement of a mission is highly complex (Ebrahim and Rangan 2014). Philanthropic organizations do not have at their disposal a benchmark on which they can position themselves (Frumkin 2006). In the specific case of FFs, to be able to determine their impact (we will come back to this in the next section), FFs first need to be able to evaluate the fulfillment of the objectives of the recipients by the recipients themselves.

An accountability issue

In addition to this issue of control, the relationship between FFs and their recipients is characterized by a high power of asymmetry (Toepler 2006). The existence of a funding flow from FFs to their recipient creates an inevitable situation of power. FFs and recipients are not equal in practice; most of the time, recipients are dependent on the financing of FFs. There is a cleavage between FFs and their recipient; this makes their relation complicated and makes difficult an open dialogue between these two parties (Ostrander and Schervish 1990). Because of this imbalance, FFs are faced with an issue of **accountability** (Toepler 2006). This may emerge from third parties that are not part of this philanthropic relation and that may challenge FFs. In other words, FFs have responsibility towards their recipients in particular.

1.4.3. FFs and all those who are not their direct beneficiaries

The second category of stakeholders FFs deal with are all those who are not their direct beneficiaries. We will mainly focus on the State and the civil society in general.

An accountability issue

In addition to the issue of accountability raised by the specific nature of the relationship between FFs and their recipient, there are two additional reasons why FFs are faced with an issue of accountability: their giving benefits from tax break and it has effect on other people (Toepler 2006). Philanthropy that is the voluntary affectation of private money to a public purpose differs significantly from any other private consumption (Toepler 2006).

FFs benefit from an advantageous tax system; this explains why they are accountable to the society. There is a responsibility for FFs to use their funds wisely and effectively because a part of the cost is in reality taken in charge by the government (and the society as a whole) in the form of forgone tax (Brody 1997). FFs are accountable to civil society as a result of this tax exemption. It is

to some extent presumed that foundations' assets are public money (Brody and Tyler 2010). In a sector in growth in which the role of FFs is potentially called to become more important (and complementary to the one of the Welfare State (Archambault 2010)), this issue of accountability is primordial. Furthermore, because FFs aim to address public interest issues, their actions influence (directly and indirectly) others. They are accountable because they enact a private vision of the common good in the public sphere (Frumkin 2006). The idea of public interest projected by FFs on their beneficiaries makes them to have accountability demand on FFs (Toepler 2006).

Furthermore, the accountability of FFs is again challenged because of the difficulty to evaluate the fulfillment of FFs mission. Beyond the evaluation of the work of the recipients previously underlined, FFs need to be able to evaluate to which extent they effectively achieve their own objectives. This means to build an overall evaluation of projects supported by FFs based on which FFs are in a position to effectively evidence that they assume the public interest responsibilities assigned to them.

The accountability concern may be mitigated, to a certain extent, by the legal framework surrounding FFs. Nevertheless, these may be little constraining as it is for example the case in Belgium (see Chapter 3) for which the legal framework is little controlling and, if it is, there are few executive disposition to effectively control the work of foundations. FFs have a high degree of freedom regarding what they do and how they do it.

A generic legitimacy issue

In addition, FFs are faced with a broader issue that is the one of legitimacy. As other organizations, FFs need to be recognized and accepted by their stakeholders; they are faced with a legitimacy concern. The issue of legitimacy in the field of philanthropy is rarely explored in the literature (Frumkin 2006). However, in a democracy, foundations are increasingly likely to face questions regarding their legitimacy (Leat 2006). Because FFs depend on their environment, they need to be recognized as acting properly according to the rules and norms enacted by this environment. In the specific case of FFs the legitimacy challenge does not end at this point. This comes into play at two distinct levels: the one that is generic and related to the peculiar organizational structure of FFs and the one that is specific to each FF individually.

In the case of FFs and in the specific context of Welfare State, the legitimacy challenge is particularly strong: the figure of a FF itself is not legitimate because, from the Second World War, the Welfare State is considered as the legitimate body to take care of the public interest. The specific legitimacy issue faced by FFs

hence takes root in the fact that FFs are private and non-democratic organizations that serve a public purpose. From the Second World War, the State is considered as the key player in charge of the public interest, public interest is almost exclusively the responsibility of the State. It ensures the economic and social well-being of the citizens based on a redistribution of wealth (through a tax system). The State creates public goods that benefit society. In this context FFs are considered with suspicion as, unlike public actors, they are not subject to public assessment of their mission, operations, and decision-making. FFs lack anything resembling democratic controls (Frumkin 2006). Compared to other non-profit organizations FFs are peculiar because they have no members and are only accountable to the board of directors or the donors. The freedom of action given to foundations is at once a great virtue but at the same time a vulnerable vice (Stone 1975). At the very root of FFs' legitimacy there is the question of what they add that the government does not or could not (Leat 2006). Even in the United States where the Welfare State is not well developed, "*these large private resources directed into the public sphere roused attention, criticism and suspicion*" (Aksartova 2003:27). FFs strongly depend on the public's trust (Bekkers 2003). Bulmer (1999) cited by Aksartova (2003) underlines that the peculiarity of foundations as institutions lies in a lack of legitimacy.

Up to now, in most of the countries in Continental Europe, the State in charge of the public interest is still the model people have in mind. Even if the current evolutions of the FFs' environment (e.g. development of specific legal frameworks, fiscal incentives system (Fondation de France and CERPhi 2015), austerity constraints on public budgets that underline the need to find alternative funding sources (de Andrès-Alonso and Azofra-Palenzuela 2009), persistence of societal problems) advocate for a better recognition of the place FFs can take, FFs still face a legitimacy challenge. Today, the image of philanthropy in Europe is changing, partly because of the election of neo-liberal governments in several European countries and the privatization of many public services (Lambelet 2014; Schuyt 2013). Nevertheless, the breakthrough of these private and non-democratic actors who tackle the public interest is not accepted as taken-for-granted and generates mistrust. In Europe, monetary philanthropy is rather associated with a negative connotation due to a certain religious paternalism.

Beyond the associated accountability issue, the question of tax exemption is also related to the issue of legitimacy. By doing this the State recognizes the foundations and their private wealth as an instrument that contributes to public purpose (Harrison 1949). Four main reasons explain why foundations are subsidized (Fleischer 2009); they help the government to support tasks it normally has to take care of, they play an innovative role in solving societal problems, they provide goods and services that would be under-produced due to market and governmental failures and any good or service is desirable as such. Nevertheless,

the FFs' role is not yet fully recognized nor accepted and their actions are often questioned.

Specific legitimacy issues

In addition, specific legitimacy challenges may appear for FFs. The practices of FFs are often considered as black boxes (Bekkers 2003). FFs are not always likely to be transparent on what they do, how and with which means. In particular, in our research, we have been confronted with difficulties to gather information regarding the financial profile of FFs (see Chapter 3). This lack of transparency generates mistrust and entails FFs legitimacy. This is reinforced by suspicious associated to the origin of FFs endowment as well as their investment practices. The capital endowed to the FFs may have been generated to the detriment of the causes that FFs support (Zunz, 2012). This author even says that philanthropists may be considered as hypocritical. FFs are also often criticized for their lack of consistency between their investment choices (driven by the maximization of revenues in order to increase the pool of funds available to support their recipients) and their mission (Emerson 2003). Mission related investment aim to create the meeting between the philanthropic mission and the endowment management; there is an intention to create a positive social impact (Levitt 2011).

The legitimacy of FFs is also challenged because of the potential lack of internal expertise to address public interest issues. As previously underlined, a tension may exist between the passion or the personal objective of the founder and the issue of public interest. FFs are led person organization and by nature autocratic (Zunz 2012). We can ask ourselves what makes them legitimate to define social and societal needs and the best methods to do it. Addressing public interest issues require expertise (managerial and field related) and not only passion. This imbalance between the private needs of the philanthropist and the public interest issues pursued by FFs is even more problematic because of the particular governance structure of FFs. Through the establishment of additional governance bodies, FFs can, to some extent, contribute to the building of its expertise legitimacy.

Finally, FFs are often criticized because of their lack of effectiveness (Porter and Kramer 1999). This is reinforced by the difficulties related to the evaluation. In addition, because FFs are by essence very led person organizations, FFs are not always able to work at scale, to effectively and comprehensively address a specific public purpose.

1.5. Conclusion

In the light of the elements presented so far, we understand the complexity and the richness of the phenomenon of philanthropy. In particular, FFs, our research object, are a very specific type of organization whose core characteristics have been discussed. These raise a specific issue of control because of the delegation nature of their action as well as accountability and legitimacy challenges in our specific research context. Having identifying these challenges was the first necessary step of our research and we will come back to these elements throughout this research.

From next chapter, we are going to investigate the way FFs organize their management in order to realize their mission; in particular, we are going to study this through the management issue of strategy.

2 | STRATEGY FOR FINANCING FOUNDATIONS: A STRATEGIC CONCEPTUAL FRAMEWORK

In Chapter 1, we specified the type of organization we are interested in: the **financing foundations** (FFs). We also evidenced their very unusual nature. FFs are organizations that do not aim to make a profit, they are private, non-democratic, they have their own governance rules, and serve a *public purpose*. In addition, they are characterized by their core activity of financing others.

From this chapter onward, we turn to the study of a specific management issue: **strategy**. Strategy can be defined as the long-term goals of an organization and the course of action needed to carry out these objectives. We are interested in increasing the understanding of FFs' strategies, by investigating what strategy is, and what shapes strategy in the specific case of FFs.

In particular, based on the literature, we evidence that strategy is a crucial issue for FFs. This is reinforced by the emergence of “new” philanthropy (of which venture philanthropy is emblematic) that consists of the translation of business methods to the field of philanthropy. This latter also makes us realize that there are different ways to act; in other words, different “strategic” models. The literature in the field of philanthropy, which is essentially normative in that it largely prescribes standard or ideal methods, nevertheless reveals that few authors have addressed the issue of strategy.

Additionally, scholars deplore the lack of frameworks to inform the practices of FFs. It is precisely this gap that we aim to fill in this chapter by developing a **strategic conceptual framework for FFs**. This allows us to answer our first research question: “**what is strategy for FFs?**” This encompasses the identification of the fundamental decisions that leverage the achievement of the FFs' mission. In particular, we aim to tackle the strategic levers on which FFs can rely to carry out their mission. To develop the strategic conceptual framework, we adopt an approach that consists in assembling and articulating isolated and fragmented strategic elements proposed in the literature. We form a dialogue between the existing strategic pieces and we integrate them into a meaningful framework for FFs.

The chapter is organized as follows: we first clarify what we mean by strategy in this research. We then evidence the existence of a strategic issue faced by foundations and a fortiori FFs. In a later stage, we conduct a literature review on strategy in the academic field of philanthropy. Based on this, we develop and

detail a strategic conceptual framework for FFs that integrates the available fragments of literature.

2.1. Strategy: a crucial management issue for FFs

Today, with the recent evolutions in the field of philanthropy, in both the academic literature and the gray literature, the word “strategy” is “being bandied about”. Nevertheless, this does not guarantee that foundations effectively have a strategy, or at least that they “think” they have a strategy. Neither does this mean that we know what strategy is for foundations.

2.1.1. What is strategy?

At the beginning of our research, we have been confronted with the difficulty in defining what strategy is. Beyond the very basic definition of what strategy originally was in army usage, the number of meanings is profuse. Today, the word “strategy” is being used excessively and it is easy to lose its sense.

As for the definition of philanthropy, it is useful to return to the Greek roots of the word. *Strategy* comes from the Greek *strategos* that means army (i.e. *stratos*) and lead (i.e. *ageîn*). At its origin, the word strategy is related to the military domain. It is defined as the art of planning and coordinating the actions of military forces to attack or to defend. If we extend this to other domains, strategy is thus the science of leading and organizing actions to achieve an objective.

Indeed, a very simple way to understand what strategy is is to answer two questions: “*Where does the organization want to go?*” and “*How does the organization want to get there?*” (Eisenhardt 1999:1). Strategy encompasses the understanding of where an organization is headed and how the organization intends to achieve its mission (Quinn Patton, Foote, and Radner 2015). Strategy is defined as the key mechanisms used to put in place new directions within the organization, having a non-negligible impact on the structure of the organization and its performance (Chandler 1962). Having a strategy mostly requires the setting of clear objectives, a reflection on how carry out these goals (course of action and resource allocation), and the ability to assess their effective achievement. Strategy means the development of long-term vision, direction, and performance (Anheier 2007). Having a strategy for an organization hence means the commitment of the organization as a whole to a particular vision of how it will create value (Moore 2000). Strategy is generally divided into three areas: the first is the *raison d’être* of an organization, the second is what the organization does to achieve its purpose, and the third is how the organization deploys its resources to

carry out its mission (OECD Enterprise Philanthropy Working Group 2014). In this chapter, we are mainly interested in the “what” and the “how”.

2.1.2. *Strategy and philanthropy*

The strategic concern appeared in the academic field of philanthropy in the late 1980s, when a shift occurred from a more traditional form of giving to a more strategic one (Gautier and Pache 2013). Nevertheless, the interest in a strategic approach to philanthropy is not recent (Connolly 2011). Before the emergence of what is called “strategic philanthropy” or “strategic giving”, the 19th century emblematic philanthropists such as Carnegie or Rockefeller advocated for what they called “scientific philanthropy” (Chapter 1). At this time, Carnegie drew attention to the waste of means dedicated to charity because of unwise and careless spending (Carnegie 1906). Today, the term “scientific” has rather been replaced by the word “strategic” (Lambelet 2014); this requires an engagement of the foundation in favor of clear goals supported by rigorous assessment, for instance (Kania, Kramer, and Russell 2014).

In particular, in the sector of foundations, the term *strategy* has become almost meaningless because of its overuse (Porter and Kramer 1999). Having a purpose in mind is not enough to make an action “strategic”. The mission statement is at the heart of strategy but it is not strategy itself. Strategy requires the translation of the mission statement into short and long-term objectives and the identification of the most appropriate means for achieving these objectives. Because strategy underlies the achievement of a predefined objective, the notion of effectiveness (i.e. the degree to which something is successful in producing a desired result) is then also part of strategy.

2.1.3. *A lack of strategic approach*

Despite the emergence and the use of the term “strategic philanthropy”, a deficit of a strategic approach in the foundation sector is still deplored (Porter and Kramer 1999). Strategy is one of the most important areas missing from the field of philanthropy (Frumkin 2006). Today, foundations are called upon to develop a sound strategy (e.g. Letts, Ryan, and Grossman 1997; Porter and Kramer 1999; Anheier and Daly 2004; Brest 2005; Frumkin 2006; Sandfort 2008). “*Satisfied with doing good, too few foundations work strategically to do better*” (Porter and Kramer 1999: 4). Effectiveness, objective fulfillment, and measurement of the impact created are at the heart of the thinking of these authors.

According to Brest (2005); strategy is the vehicle to achieve the mission of a commitment to social change, and not a substitute for core values. Foundations are invited to work strategically in order to implement the desired change

(Sandfort 2008). Letts, Ryan, and Grossman (1997) evidenced the lack of a strategic approach by foundations by comparing them to venture capital firms. They raise the problem of performance measurement, and encourage foundations to develop a close relationship with their grantees in order to ensure their sustainability. They also deplore the practice of foundations that parcel out their support; according to them, it is not strategic. Porter and Kramer (1999), in turn, invite foundations to draw their attention to four main points. According to them, the creation of value brought by foundations requires (1) the selection of the best grantees, as well as (2) the creation of links with matching partners (i.e. once foundations have selected their grantees, they can inform other donors). In addition, foundations are called upon to (3) engage more beyond the provision of financial means, and finally (4) to contribute to advancing the state of knowledge and practices in their field. Reflection is needed to give money away effectively (Frumkin 2006). Granting money implies an identification of what matters, to set clear objectives, and to be able to assess if they have been met.

2.1.4. A lack of frameworks

Moreover, there is a lack of frameworks to inform current practices (Kramer 2001; Chew 2006; Sandfort 2008). Indeed, as far as we can tell, except for Frumkin (2006) there is no existing strategic framework developed for philanthropy. Foundations' practices are considered as black boxes (Bekkers 2003). Despite the fact that scholars advocate for the development of strategy, strategy for foundations is still unknown. We have rather poor information regarding the strategic decisions foundations are confronted with. In other words, we do not know what the components of strategy for a foundation are. The strategic levers on which foundations can rely to shape their strategy have not yet been addressed in the literature. It is crucial to advance the state of knowledge of foundations' practices, as stated by Porter and Kramer (1999).

The aim of our research is to contribute to these shortfalls. In particular in this chapter, we aim to inform strategy for FFs by developing a strategic conceptual framework for FFs. By "framework" we mean an analytical tool that identifies key tangible components of FFs' strategy. In other words, we attempt to provide a framework that includes the main strategic choices FFs are faced with; the strategic choices are seen as levers that include different alternatives and that support the achievement of a FF's mission. Strategy is understood as the combination of positioning on these strategic variables.

2.2. Strategy for FFs: a literature review

In this section, we present how we conduct the collection of the data and the main findings of the literature review on strategy in the field of philanthropy.

2.2.1. *Data collection and main findings*

To collect strategic issues addressed in the academic field of philanthropy, a search of major scholarly databases (EBSCO Host, SAGE Publications, JSTOR, SpringerLink, ScienceDirect, Wiley, Cairn, and Google Scholar) is performed, without limitation on the year of publication. Because “FF” is a new terminology and because the term “grantmaking foundation” gives few results, we extend our literature review to “philanthropic organizations” in general. We combine the word “strategy” and “strategic management” with the following key words: “grantmaking”, “philanthropy”, “philanthropic organizations”, “foundations”, and “philanthropic foundations” (e.g. strategic management AND philanthropy, strategy AND foundations). Except for the Cairn database the language used was exclusively English. In addition to the fact that the databases are owned by North American and Western European academic publishers, we face a selection bias that we cannot avoid (Gautier and Pache 2013).

The first search produced a high number of entries; however, after selecting for the items in our scope (i.e. that inform the components of strategy for foundations and *a fortiori* FFs that is to say the strategic choices they may be confronted with) and a review of the bibliography of the selected references, the resulting selection is around 70 items. We mainly focus on the academic literature, but there are also a vast number of strategy-related documents that consist of consultancy reports and best practices as defined by practitioners. Some of these are referenced in this section but we did not review all of them in detail.

Among the items selected, most have been published during the last twenty years. Strategy is hence a relatively recent topic in academic research. In addition, the academic papers are mainly Anglo-Saxon in origin (i.e. U.S, U.K, and Australia). Nevertheless, during the last decade academic research has also been developed other countries, such as Germany, Spain, and Switzerland.

2.2.2. *Literature that is scarce, fragmented and normative*

At the beginning of the review process, there were a vast number of entries produced when we combine the words *strategy* and *philanthropy*. This illustrates the appeal of the word “strategy” even if sometimes the usage is meaningless. Indeed, after analysis, the literature that effectively addresses strategic choices

and evidences strategic alternatives is rather scarce. Strategy is more often used as a generic term and rather addressed by the grey literature (e.g. The Foundation Review). Further, these contributions mainly evidence specific journeys of foundations and do not have a transversal aim.

In addition, the literature is fragmented. Rare exceptions apart, scholars discuss only specific elements of strategy (e.g. the target, the composition of the board, the geographical coverage). The strategy for foundations is rarely addressed in depth. Scholars have somewhat limited their research to one specific and isolated strategic component. They do not put the strategic elements in resonance with each other; they give a partial view of strategy for foundations and *a fortiori* FFs.

Furthermore, the literature regarding the strategic choices is essentially normative. This means that scholars identify behaviors that they consider strategic and others they do not. In other words, there are implicit norms or rules that state what is strategic and what is not. For example, foundations are required to be focused (Letts, Ryan, and Grossman 1997); if the foundation's activities are diversified, then according to these authors it is not strategic. In particular, the approach of venture philanthropy is mostly normative. According to this approach, to be (more) effective foundations need to fulfill a series of characteristics, such as an engagement in a longer time horizon or the provision of additional non-financial support (Grenier 2006).

2.2.3. *The case of corporate philanthropy*

In the academic field, strategy has been extensively addressed in the specific case of corporate philanthropy (e.g. Varadarajan 2009; Petroschius et al. 1993; Porter and Kramer 2002; Luo 2005; Bereskin and Hsu 2016). In most of these papers, the point of view taken is that of the firm; philanthropy is integrated into the strategic planning of the corporation (Marx 1999). Philanthropy is part of the strategy of the firm, for example in attracting investors, and creating cause-related marketing (Saiia, Carroll, and Buchholtz 2003). In this case, philanthropy is considered as strategic because, in addition to the benefit provided to beneficiaries, philanthropy primarily serves the interest of the firm. The literature on corporate philanthropy nevertheless does not address the strategy of corporate philanthropy itself. These papers do not relate the strategy used to give money away. This distinction is that which operates between “strategic philanthropy” and “philanthropic strategy” (Post and Waddock (1995) cited by Saiia, Carroll, and Buchholtz (2003)). “Strategic philanthropy” is defined as the impact and meaning created by the corporate resources granted by the firm, as well as on the recipients of those resources. “Philanthropic strategy” is in turn defined as the methods and procedures used to give money away.

In our research, we are interested in “philanthropic strategy”. We take the point of view of FFs and are willing to understand what the components of their strategy in financing others are. In this sense, the contribution of the literature on corporate philanthropy is rather limited. We refer to Gautier and Pache (2013) for a comprehensive literature review on corporate philanthropy.

2.2.4. *Venture philanthropy: a strategic approach*

In our review process, we found a lot of occurrences related to venture philanthropy. In the last fifteen years, numerous scholars have researched this specific type of philanthropy (e.g. Porter and Kramer 1999; Frumkin 2003; Moody 2008; Buckland, Hehenberger, and Hay 2013; Gordon 2014). The concept of venture philanthropy first appears in the academic field in the late 1990s with the publication of Letts, Ryan, and Grossman (1997): “*Virtuous capital: what foundations can learn from venture capitalists*”.

At the origin, venture philanthropy was developed to challenge the traditional approach of philanthropy that had been judged as ineffective (Letts, Ryan, and Grossman 1997). From the outset, these “new” philanthropists position themselves against traditional giving (Moody 2008; Defourny, Nyssens, and Thys 2016). On the one hand, they criticize the fact that traditional foundations support only specific programs, on a short-term basis and without monitoring the results (A. Grossman, Appleby, and Reimers 2013; Kingston and Bolton 2004). On the other hand, they blame foundations for not supporting the building of capacities of the recipients because they considered it too risky and not in line with their public purpose (Frumkin 2003).

The idea of venture philanthropy is thus to apply for-profit methods that have proved their worth in the for-profit sector, and in particular in the private equity sector (Abélès 2003; Kingston and Bolton 2004; deCourcy Hero 2001; Moody 2008). According to this approach, philanthropic organizations can be managed in exactly the same way as a for-profit firm: by defining strategy, fixing objectives and evaluating results (Abélès 2003; Brest 2005; Katz 2005). Because venture philanthropy is inspired by the traditional venture capital model (Scarлата, Zacharakis, and Walske 2015), it thus has, by essence, a strong strategic imprint. Venture philanthropy is from the start an approach which defines itself as being strategic. Venture philanthropy and strategic philanthropy are terms that are sometimes used interchangeably (John 2006; Katz 2005). Indeed, venture philanthropy itself claims to be strategic; it is strategic in the sense of being effective.

The introduction of this “strategic” approach forces the foundations to be aware of their strategy, to understand why they make this choice and not another. The

emergence of venture philanthropy is one of the definitive drivers of our research on strategy. It reveals the existence of alternative ways of acting. It contributes to the realization that there are different “strategic” models.

The approach of venture philanthropy is rather prescriptive. It advocates for a specific way of doing philanthropy that, according to its practitioners, increases the impact of the philanthropic action. The characteristics of venture philanthropy can be summarized in three elements: (1) the extent of engagement at different levels: the provision of additional non-financial support (including network involvement), a longer time horizon, organizational empowerment of the recipient, (2) the diversity of financing tools that can be used: not only grants but also debts and equity, and (3) the emphasis on impact and its measurement. These choices are strategic levers; they support the achievement of the public purpose of foundations. These three characteristics underlie the strategic alternatives at the disposal of FFs. In essence, FFs can have a high level of engagement or not, can diversify their financing tools or not, and can be focused on impact or not. In other words, instead of prescribing in terms of venture philanthropy we will go upstream and outline the different choices FFs can make.

The emergence of venture philanthropy that positions itself as strategic highlights the strategy of foundations and promotes a way of thinking systematically. In our research, the contribution of venture philanthropy is not only the strategic levers that it uses but also the fact that it creates awareness of the existence of different strategic models. In practice, all foundations have a strategy in the sense that they make choices on a certain number of variables in order to achieve their goals. However, not all foundations apply the prescription of venture philanthropy. We observe a variety of approaches. The presence of venture philanthropy evidences the fact that foundations have at their disposal strategic alternatives to shape their strategy.

2.2.5. *The 5-dimension prism of Frumkin*

Finally, when we explore the literature on strategy and philanthropy, the work of Frumkin (2006) entitled “*Strategic Giving: The Art and Science of Philanthropy*” appears central. It deserves special attention because, to our knowledge, it is the first (and only) attempt to address strategy in the field of philanthropy in a comprehensive manner. He is the first to aim to identify strategic variables on which donors make decisions to shape the strategy of giving. His main contribution is to provide individual donors with a framework of five dimensions which, according to him, are the five major elements of strategic giving: the identity and style of the donors, the values donors aim to produce through their giving, the timeframe of the giving, the vehicle or institution through which donors will give, and the logic model (i.e. “*a formal explication of how a*

philanthropic intervention proposes to achieve its ends” (Frumkin 2006: 174)). He takes the point of view of individual donors and relates the five key dimensions they have to have in mind when developing their strategy of giving. According to him, strategic giving requires an alignment between these five dimensions.

While inspiring for us, the framework suggested by Frumkin (2006) is not exactly in line with our research objective. Indeed, we cannot use this framework as such to inform strategy for FFs. Frumkin uses the notion of strategic variables which are the five dimensions of the framework; the different choices for each variable constitute the strategy of the donors. In that sense, it comes close to what we aim to develop. Nevertheless, Frumkin’s framework only partially answers our objective to describe a strategy for FFs (i.e. the combination of positioning of strategic levers that fall into the realm of management to achieve predefined objectives). There are three main reasons to explain this.

The first is Frumkin’s level of analysis, that of individual donors. In our research, we are a step further in the sense that we are interested in understanding the strategy for FFs. While Frumkin identifies the choice of institutions through which giving will be channeled as part of the strategic prism, in our case this choice is already fixed.

Second, according to Frumkin, the primary goal of philanthropy is to “*foster pluralism and allow donors to find meaningful ways to express their own values and beliefs*” (Grønbjerg 2007: 966). This is translated, for example, by the presence in the prism of the variable values and giving styles that refer to the importance of meeting donors’ expectations; donors are free to define what they think public needs are. Our view differs; for us, the primary objective of the FF’s mission is to achieve a specific public purpose. This does not mean that we do not consider the values and expectations of founders; we also take into account the expressive value of philanthropy but at a different level of analysis (see Chapter 6). In our view, the values and expectations of the founder are rather explanatory variables of the strategy but do not constitute the strategy itself. To articulate our research, we will rely on the distinction made by Frumkin (2006) between the instrumental and expressive dimensions of philanthropy.

Third, according to us, our objective is not fully in line with that of Frumkin. He underlines the importance of “thinking strategy”; he aims to provide individual donors and practitioners with a framework to support them in building their giving. In 2010, Frumkin published a second book that summarizes the elements discussed in Frumkin (2006) which is directed toward the practitioners (Frumkin 2010). It consists of a practical and concise guide for everyone involved in philanthropy. Our objective differs; we aim to reveal the practices of FFs and

understand their strategy in detail. This is closer to Frumkin's logic model. Finally, we do not have a prescriptive approach; we rather want to evidence strategic alternatives at the disposal of FFs. Nevertheless, thanks to the framework of Frumkin, we see some strategic levers emerge that interplay in the case of FFs, which we detail in the next section.

2.3. The patchwork literature: collecting strategy's pieces

In this section, we present the outcomes of the literature review that can be articulated around three main themes: the mission, the allocation of resources, and the issue of effectiveness.

2.3.1. The mission

In the literature, a first theme that emerges is choices regarding the mission. In particular, a mission statement is identified as a central issue for foundations (e.g. Sheehan 1996; Young 2001; Anheier and Daly 2004; Graddy and Morgan 2006, Frumkin 2006). In their mission statement foundations define the public purpose they want to serve and their long term goals. The choice of the causes they aim to support is at the heart of philanthropic strategy (Frumkin 2006). A foundation does not simply engage in the financing of social needs but invests in the creation of social value for society (Culwell, Berkowitz, and Christen 2004). Strategic giving implies a definition of the ultimate goals and the underlying impact that will be created, as well as the steps and processes to achieve these objectives and to eventually scale them (Frumkin 2006). This is known as a logic model.

According to Frumkin (2006), giving is strategic if it maximizes both the public value created as well as the private value for donors. Value is a strategic dimension for him. He operates a distinction between what he calls the instrumental and the expressive dimension of philanthropy. "*Philanthropy is valuable because it is a useful tool for the accomplishment of public purpose*" (Frumkin 2006: 155); this is the instrumental dimension. Its mission is expected to be in line with the needs of civil society (Park 1996). Furthermore, philanthropy "*allows donors to express their values and commitments*"; this is the expressive dimension (Frumkin 2006: 155). According to Frumkin, strategic philanthropy hence occurs when both instrumental and expressive dimensions are high. A foundation acts according to its vision of a better world (Whitman 2008; Otis and Jankowski 2005); it sets its objectives according to the causes it wants to advance, the subjects that make sense for it.

Frumkin (2006) also identifies the giving style as a strategic dimension. According to him, the motives and the ethics of the donors have to be clarified as

well as the degree of willing engagement by the donors. With giving, a match is made between the public need and the desire of the donors. The nature of this match may be diverse, encompassing empathy, obligation, and prosocial value orientation or altruism. The giving style of the donors encompasses hands-off giving, where autonomy and expertise is left to the recipient, to a more engaged giving where recipient and donors work together. In the literature, we also find the idea of personalized philanthropy (Kahne 1999). In this specific case, there is a personal relationship between the philanthropist and his grantee. This is as a strategic choice to increase the impact created (Kahne 1999). The practices of venture philanthropy for which the key targets are mainly non-profit organizations and social enterprise (Hehenberger, Boiardi, and Gianoncelli 2014), are also characterized by a high degree of engagement of the donors (Grenier 2006).

Furthermore, from a strategic point of view, it is generally expected that foundations are focused in their grant-making approach (Porter and Kramer 1999). For these authors, having a strategy demands focus. According to them, decision-making on what not to fund is a huge challenge for foundations. Usually, foundations parcel out their support (Letts, Ryan, and Grossman 1997). Foundations face decisions regarding what and whom to fund (Chelimsky 2001; Katz 2005; Lungeanu and Ward 2012).

And finally, the literature highlights different alternatives regarding the geographical scope of foundations' actions, whether in terms of scale or in terms of country coverage (Anheier and Daly 2004; Sandfort 2008; Harrow 2011; Glückler and Ries 2012). Developing a strategy for a FF includes, among others, the determination of the appropriate level of intervention (Sandfort 2008). International philanthropy is developing, while foundations were usually active mainly in their own country (Anheier and Daly 2004). Additionally, "place-based philanthropy", "community foundations", and "local philanthropy" are among the terms that refer to the choice of geographical perimeter. This is either studied from a governance perspective (e.g. Harrow 2011), an effectiveness point of view (e.g. Sheehan 1996), or based on a positioning approach (Chew and Osborne 2009).

2.3.2. *The allocation of resources*

The allocation of resources is a second major theme addressed in the literature. It encompasses a time dimension and a monetary dimension. In particular, the choices regarding the modalities of the support provided are addressed.

According to Frumkin (2006), timeframe is a strategic dimension. The donors are lead to make choices related to the temporality of their giving. This mainly

consists in the decisions regarding the spread of their resources over time. Donors balance how much they want to dedicate to address a cause now, and how much they want to save for future needs (Frumkin 2006). The notion of time appears central when philanthropic strategy is concerned. Foundations face difficulties in choosing their priorities, in managing their time (such as the time dedicated to their grantees) and the constraints presented by the scarcity of their resources (Leat 1995). In the case of venture philanthropists, philanthropists generally engage with the objective for a duration of between 3 and 4 years, to make the recipient organization sustainable without their support. They work on the basis of multi-year support (Grenier 2006; A. Grossman, Appleby, and Reimers 2013). Following the example of venture capital firms, foundations are required to ensure the long-term development of their grantees (Katz 2005). Many philanthropic organizations have a time horizon that is not synchronized with those of their grantees (Letts, Ryan, and Grossman 1997). The relation with the grantees will depend on the level of commitment (Connolly 2011); this is linked to the founders' involvement (Frumkin 2006; Eikenberry and Tech 2006).

Furthermore, most foundations take for granted their existence in perpetuity without reflecting on what this means for them (Smith 2004). Foundations continue to be managed on a short-term basis rather than planning for long-term sustainability (Chew and Osborne 2009). Compared to other non-profit organizations, most foundations are characterized by the existence of a financial endowment that ensures a certain level of financial viability. Nevertheless, despite the existence of an initial capital, foundations are limited and constrained because of the uncertainties of their financial resources (Smith, 2004); they are also faced with fundraising issues. Depending on the size of the foundations and their type, the need for additional financial resources is variable. For example, corporate foundations face fewer fundraising issues (Brown, Helland, and Smith 2006; Petrovits 2006) while fundraising is a major theme for community foundations (Ostrower 2004).

Beyond the time-related dimension, strategy requires choices to be made regarding the types of program supported, as well as the characteristics of that support (Frumkin 2006). The development of new philanthropy, and in particular venture philanthropy, is at the origin of an enlargement of the philanthropic tools available. Alternative financing tools are developed; philanthropic investment can take forms other than grants (Sandfort 2008). Developing a strategy implies an assessment of the range of tools that can be used by the foundation (Sandfort 2008). Foundations are prompted to think about the nature of the support they will provide (Frumkin 2006); they need to define their funding style (Quinn Patton, Foote, and Radner 2015). Whereas in the past philanthropic organizations provided third parties almost exclusively with grants, the wave of venture philanthropy has led foundations to also support the recipient through debt and

equity (Buckland, Hehenberger, and Hay 2013). In particular, venture philanthropy is characterized by the provision of tailored financing (Grenier 2006). In addition, venture philanthropists not only support projects but also empower the recipient organizations through capacity building (Grenier 2006; Grossman, Appleby, and Reimers 2013; Anheier and Daly 2004).

There are “*new ways of making grants, new ways of interacting with grantees, new ways of assessing the effects of foundation grants*” (Katz 2005: 1). To participate in a longer-term relationship with their grantees, foundations may offer access to expertise, network, infrastructure, etc. This is one of the elements that characterize venture philanthropy; it provides their recipient with additional non-financial support (Buckland, Hehenberger, and Hay 2013)

Finally, Frumkin (2006) identifies the choice of the legal vehicle as strategic. According to him, to be strategic, giving requires donors to choose the legal vehicle through which they will conduct their philanthropic action. Among the institutions donors can choose, he identifies independent foundations, grantmaking foundations, private foundations and corporate foundations.

2.3.3. *The issue of effectiveness*

Finally, we identify a third theme: effectiveness. Questions such as “Does the foundation’s work effectively meet civil society’s needs?” or “Do foundations achieve their objectives?” are often raised in the field of philanthropy. In particular, the issues of governance and performance measurement are addressed in the literature.

The essence of philanthropy is to act for a public purpose while being driven by private choices. This specificity raises governance issues in the foundation sector; in particular, it presents transparency and accountability concerns (Leat 2004). In the sector of foundations, the transparency and accountability pressures may be explained by (1) scandals leading to societal pressure, (2) donors and other stakeholders asking for information, (3) legal pressures, and (4) third-party supervision and assessment (Ebrahim (2010) quoted by Rey-Garcia, Martin-Cavanna, and Alvarez-Gonzalez (2012)). Governance is a strategic issue for foundations (Boesso et al. 2015; Harrow 2011). However, there is little concern for governance among the foundation sector (Leat 2004). Foundations are invited to define processes and rules that ensure the achievement of their objectives. In the case of a foundation for which the board is the only decision-making organ, the role of the board is crucial. With the development of venture philanthropy, the expertise brought in by the board of directors is essentially managerial (Boverini 2006).

The issue of effectiveness is also raised (i.e. the degree to which foundations effectively achieve their predefined goals). Thinking strategically means that foundations need to investigate the value they create (Chelimsky 2001). Nevertheless, scholars deplore the lack of evaluation and demonstration of effectiveness (Ostrower 2006; Stroh and Zurcher 2012; Culwell, Berkowitz, and Christen 2004; Thorpe 1999; Smith 2004; Otis and Jankowski 2005). Performance measurement is at the heart of venture philanthropy; this puts emphasis on the impact created and its measurement (Grenier 2006; Mair and Hehenberger 2014).

The question of effectiveness is complex because there is no agreement regarding the definition of philanthropic objectives nor their achievement (Frumkin 2006). Effectiveness measures are missing; most foundations do not know whether or not they accomplish their mission (Sheehan 1996; Porter and Kramer 1999). Foundations still lack the establishment of standards of effectiveness, to which they can refer to conduct regular assessment (Ostrower 2006; Srivastava and Oh 2010; Lungeanu and Ward 2012).

The challenge of assessment not only encompasses the projects supported by the foundations but also the performance of foundations themselves (Schmitz and Schillo 2005; Whitman 2008). Foundation effectiveness is related to grantee effectiveness (Chelimsky 2001). The high engagement of a philanthropic organization contributes to improving the performance of the grantees (Porter and Kramer 1999). Effectiveness measures may focus on the programmatic work of the recipient but also on the mission of the foundation itself (i.e. program effectiveness versus mission effectiveness (Frumkin 2006)). Foundations, in comparison to government or individual donors, have the potential to be more effective under the constraints of their resources (Porter and Kramer 1999). In times of economic downturn, it is crucial for foundations to develop strategic positions that differ from operational effectiveness, and identify their unique role (Kreamer and Bradford 2001). Foundations most often limit their evaluation to the correct spending of money granted rather than on impact created (Porter and Kramer 1999).

2.4. Development of a strategic conceptual framework for FFs

In this section, we attempt to give a meaning to the information collected in the literature review in the specific case of FFs (which themselves are a specific type of foundation). Our aim is to develop a meaningful strategic conceptual framework for FFs that orders and unites the splintered pieces of strategy addressed in the literature.

The aim of a conceptual framework is to support the understanding of a phenomenon. A conceptual framework does not provide an explanation of the reality; it does not take into account all of the aspects of reality but only those that are essential from the researcher's point of view (Van Campenhoudt and Quivy 2011). A conceptual framework can be described as a system of concepts that support and inform research (Maxwell 2012). With a conceptual framework, we grasp the reality and organize ideas. It is a theoretical structure that holds together elements. A conceptual framework is constructed and not found; the structure is something to be built and it is not something that exists ready-made (Maxwell 2012).

2.4.1. A bigger picture

In our specific case, the main objective of the development of a strategic conceptual framework is to describe strategy for FFs. We built the strategic conceptual framework based on the literature review (Sections 2.2 and 2.3). Our main goal is to identify the strategic levers which are variables on which FFs make decisions in terms of actions and resources in order to achieve their objectives (Eisenhardt and Zbaracki 1992). These strategic levers have the characteristic of being common to all FFs. They create a system and are coordinated in order to carry out FFs' goals. In other words, strategy for FFs is a system of controllable variables (in the sense of falling in the realm of management responsibility); on which FFs position themselves to achieve their mission statement. The identification of these elements is an invitation and a support for FFs to systematically think strategically.

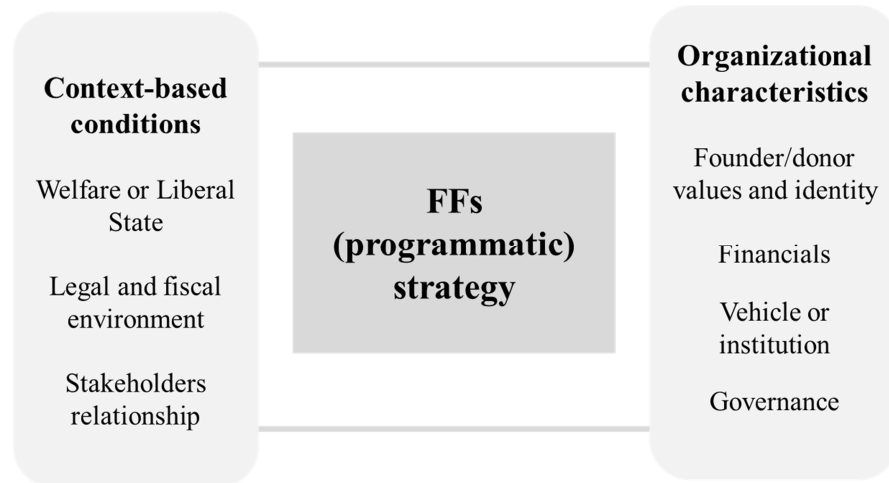
Nevertheless, the findings of our literature review also led us to identify contextual variables that appear to surround the issue of strategy. The literature review reveals that beyond the managerial dimension of strategy that is to say the programmatic strategic levers (the focus of our research) there are internal contextual elements; the organizational characteristics and elements related to the external environment (Table 2.1). These are also connected to the elements discussed at the end of Chapter 1.

Table 2.1 - Organizational characteristics

Internal and external conditions	Key authors	Content
Founder/donor values and identity	Frumkin (2006)	The values, beliefs, passion, and interests of the philanthropists are at the heart of the mission of foundations; they are part of the elements that need to be considered when strategy is studied.
Financials	Smith (2004), Chew and Osborne (2009), Brown et al. 2006, Petrovits (2006), Ostrower (2004)	The existence of an initial endowment, the use of fundraising, and the associated embedded uncertainty of these resources lead foundations to adopt specific behaviors. In addition, depending on the type of foundation, the strategic question of financials varies.
Vehicle or institution	Frumkin (2006); Anheier (2001)	The choice of the organization (including its legal status) through which the philanthropic action will be undertaken is part of strategy. In particular, the choice of the mode of action (e.g. being mixed or purely financing) is related to strategy, in terms of control, among others.
Governance	Boesso et al. (2015); Harrow (2011); Leat (2006) .	Governance (understood in a broad sense), beside the role of the board of directors, surrounds the overall idea of strategy for foundations.
Welfare or Liberal State	Schuyt (2010); Zunz (2012)	The development of philanthropy and the role foundations can play is connected to the type of State in place.
Legal and fiscal environment	Anheier (2001)	There is a high diversity of the legal and fiscal environment that shapes the foundation sector.
Stakeholders relationship	Harrow (2011); Toepler (2006)	Foundations are accountable to their stakeholders (to recipients, State and civil society, among others); they face an accountability challenge. Foundations lack legitimacy.

Figure 2.1 gives a bigger picture of strategy for FFs, including not only the core of strategy as defined in this research but also contextual elements that may come into play in FFs' strategy.

Figure 2.1 - Strategy for FFs: a bigger picture



In this research, among the contextual conditions, we consider the Welfare State as well as the legal and fiscal environment to be country boundaries. The stakeholder relationships discussed in Chapter 1, which raise specific legitimacy and control issues, are further investigated in Chapter 5 as explanatory variables. Regarding the organizational characteristics, we study the influence of the founder in Chapter 6. The financials and vehicle or institutions in turn are considered as control variables. This means that we are particularly interested in the role of the founder among the different organizational characteristics; we acknowledge this choice which is supported by our exploratory interviews (Chapter 3).

From next section, we are going to detail the box labelled FFs (programmatic) strategy in Figure 2.1 which is our primary objective. In particular, we explain how we build the strategic conceptual framework according to the definition of strategy adopted in our research (Section 2.1.4).

2.4.2. Method

The strategic levers we aim to identify refer to a perspective of strategy that is rather programmatic. Our objective is to tackle the choices FFs are confronted

with based on the literature review conducted. We are interested in the transversal dimensions of FFs' strategy. This means that we aim to develop a strategic conceptual framework that encompasses the main choices FFs are faced with and that are, as far as possible, applicable to all FFs.

The literature review allows us highlighting strategic levers that are strategic alternatives at the disposal of FFs. We attempt to depart from the normative approach suggested in the literature. For example, we transform a normative statement such as "to be strategic means to be focused" into a strategic variable that has different modalities: to be focused or to be diversified. We thus take a step back and show the strategic possibilities at the disposal of FFs. In other words, our objective is to underline the alternatives corresponding to the strategic levers. Indeed, these are not always explicit, in some cases, it was necessary to draw them out, to make them emerge. We have to return them to the status of strategic variables. More precisely, from the literature we distinguished four types of contributions (corresponding to the column "nature of the contribution", and detailed in the column "content" in Tables 2.1 to 2.3):

- (1) the variables that already have the status of **strategic choice**. In this case, the identification of the strategic levers is direct and corresponds to this variable.
- (2) the variable derived from the **normative statement** (mainly from venture philanthropy). This requires transformation of the statement into a variable with different modalities. These thus encompass not only the choice corresponding to the normative statement but also the corresponding strategic alternatives.
- (3) the variable corresponding to change brought by the **evolutions in the field** of philanthropy. The strategic levers thus include the new alternative and the "old" ones.
- (4) the variable related to the existence of a **specific type** of foundation. If so, the strategic lever is defined by considering this specific type as an alternative among others.

In the light of the analyses conducted in this chapter, we identify FFs' strategy as encompassing three main dimensions and eight strategic levers (Tables 2.1 to 2.3). In these tables, we explicit the link between the literature review and the building of the different components of the conceptual framework.

2.4.3. *Strategic dimension 1: scope*

The dimension labeled **scope** refers to the strategic choices of FFs in terms of what to fund and whom to fund. In their mission statement, FFs make choices regarding the scope they will cover. The scope includes not only the choices in

terms of domain of intervention but also in terms of geographical coverage and regarding the recipients. It consists of three strategic levers: the degree of diversification, the geographical coverage, and the recipient type.

Degree of diversification

In the face of the huge variety of societal issues, FFs make choices regarding the domains in which they will intervene. For example, FFs can be exclusively active in health or in art and culture; they can also intervene in parallel in different fields of activities like social action, education, and environment. Here, we are interested in reflecting on a certain level of abstraction. From the literature, it is not the choice of the domain¹⁶ itself that is strategic but whether they are active in one or several domains. The choice between being active in a niche (i.e. exclusively in one specific domain) or to be active cross-sectionally (i.e. in several domains) refers to the degree of diversification of FFs' actions.

Geographical coverage

The geographical coverage is the second strategic lever we identified. FFs are faced with the need define where they will be active geographically. It includes not only the country of intervention but also the level of intervention. The basic choice that naturally arises is whether to be active in a FF's own country or abroad. In addition, FFs are free to determine their scale of intervention. They can act at a national level or at lower level. For example, they can be active at the level of a community, a village, or a region.

Recipient type

Finally, a third strategic lever corresponding to the strategic dimension of scope is the decision relative to the recipients. FFs present the distinction of being able to fund whom they want. While venture philanthropy recommends supporting organization in order to increase the impact created, FFs can also directly support individuals through scholarship or prizes.

For the strategic dimension scope, the link between the strategic levers and the literature review is evidence in Table 2.2.

¹⁶ The choice of the domain can be strategic, for example, FFs can choose a domain because the State does not prioritize this theme or because it is very promising for advancing the common good.

Table 2.2 - Conceptual framework : scope

Dimension	Strategic lever	Key authors	Nature of the contribution	Content
SCOPE (Schendel and Hofer 1979; Wratschko 2009; Miles et al. 1978)	Degree of diversification	Porter and Kramer (1999)	Normative statement	<i>"Strategy demands focus, yet foundations generally spread their resources - both money and people - too thin."</i> (p. 27)
		Letts et al. (1997)	Normative statement	<i>"The common practice of foundations is to parcel out (their support)"</i> contrary to what venture capital firms do (p. 39)
		Lungeano and Ward (2012)	Strategic choice	Grantmaking strategy is defined as grantmaking diversification vs. Focus (p 409)
	Geographical coverage	Harrow (2011)	Type of philanthropy/foundation	There is a dual meaning of 'local': it has geographical and community implications. (p. 2)
		Anheier and Daly (2004)	Evolution in the field	<i>"Although most foundations, bounded by their deeds or charters, remain domestic in orientation and activities, they are becoming markedly more involved internationally"</i> (p. 158)
	Recipient type	Khane (1999)	Strategic choice	Personalized philanthropy; individual relationships between the grantee and the philanthropist (p. 367)
		EVPA (2014)	Normative statement Evolution in the field	Key targets of venture philanthropy are non-profit organizations and social enterprises (p.8)

2.4.4. *Strategic dimension 2: supporting vehicle*

Supporting vehicle is the second building block of a FF's strategy. With the term **supporting vehicle**, we refer to the means through which FFs support their recipients; this includes not only the decision regarding how to give money away but also the support granted alongside it. Because the very activity of FFs is to finance recipients, they can be seen as offering financing products; they thus make choices regarding the characteristics of what they will deliver to their recipients. The contribution of venture philanthropy that emerges is key to this dimension; indeed, the nature of the support granted by FFs has been enlarged.

Financing tool

While traditionally, grants were the default financial tool of FFs, today FFs have at their disposal a toolbox that encompasses not only grants but also financing tools that are closer to investments. FFs can thus be seen as investors. They have the possibility to tailor their financial support not only by using grants but also debt and/or equity. The choice of the financing tool is not trivial because it has implications not only in terms of the financial resources committed but also in terms of the relationship with the recipient.

Timeframe

The choice of the time horizon on which FFs will provide their support is the second strategic lever. FFs commit to a certain period of time with their recipient. Originally, the supports granted were rather punctual and did not necessarily take place over time. The diversity of the possible time schedules confronts FFs with a second choice in terms of the supporting vehicle. The supports can be short-term, medium-term or longer-term; they can be renewable or defined in a multi-year perspective from the start.

Degree of engagement

Beside the modalities related to the monetary supports, FFs may also engage with their recipient at various additional levels. The action of FFs is no longer limited to signing checks. They can provide their recipients with additional non-financial support such as access to their expertise, infrastructure, network, materials, etc. In addition, FFs are aware of the opportunities to finance not only the projects but also to build the capacity of their recipients.

In Table 2.3, the identification of these strategic levers based on the literature review is detailed.

Table 2.3 - Conceptual framework : supporting vehicle

Dimension	Strategic lever	Key authors	Nature of the contribution	Content
SUPPORTING VEHICLE (Schendel and Hofer 1979; Wratschko 2009)	Financing tool	Mair and Hehenberger (2014)	Evolution in the field	Venture philanthropy enlarges the financing toolbox at the disposal of foundations (p. 1189)
		Buckland et al. (2013)	Normative statement Evolution in the field	<i>"Using a range of financing mechanisms, including grants, debt, and equity, tailored to the needs of the supported organization."</i> (p. 34)
	Timeframe	Frumkin (2006)	Strategic choice	<i>"Because philanthropic resources are always limited to some extent, donors have to decide how much to spend on current needs and how much to conserve for future needs."</i> (p. 293)
		Grossman et al. (2013)	Normative statement Evolution in the field	<i>"For the most part, philanthropy is distributed for specific programs, for relatively short periods of time (...) venture philanthropy takes another approach"</i> (p. 2)
	Level of engagement	Frumkin (2006)	Strategic choice	<i>"Engagement styles range from very hands-off approaches, in which non-profit autonomy and expertise are privileged, to a more deeply engaged approach."</i> (p. 267)
		Grossman et al. (2013)	Normative statement Evolution in the field	Venture philanthropists engage with their recipients by providing them with additional non-financial support (e.g. network, expertise). (p. 7)

2.4.5. *Strategic dimension 3: monitoring process*

Finally, we identify monitoring process as the third strategic dimension for FFs. In particular, we distinguish two components which are the requirements in terms of impact and the composition of the board of directors.

Note that in the literature review conducted, the general term of governance is used. Nevertheless, it appears that what emerge as strategic levers are mainly the question of the composition of board and the issue of impact. This means that in this research, we study a limited part of governance if we refer to the definition of governance given by (Lapie & Mersland, 2011:4): “*a system, or a set of mechanisms, by which an organization is directed and controlled in order to reach its mission and objectives*”. We do not suggest a comprehensive diagnostic of governance.

According to venture philanthropy, the reporting in terms of impact is a strategic choice FFs are confronted with. In addition, the composition of the board of directors is also a strategic choice FFs are faced with. Resource dependence theory effectively tackles the composition of the board as a strategic variable (Suchman, 1995). According to resource dependence theory (Pfeffer and Salancik, 1978), the survival of the organizations in their environment depends on the acquisition and maintenance of crucial resources (such as expertise) that can be acquired among others through the board of directors. In addition, the development of venture philanthropy identifies the level and the nature of expertise of the board of directors as strategic. In Chapter 3, we will see through the exploratory interviews that the composition of the board is effectively a conscious and strategic choice made by FFs.

It should be noted that in the building of such a frame there are loop effects which may appear. In particular, the board of directors, beyond the strategic choices it represents in term of monitoring process, will influence the overall strategy put in place by FFs. We acknowledge their existence but we do not specifically study them.

Impact requirements

Because FFs are not operating organizations, they depend on the work of the recipients to effectively carry out their public purpose. FFs are then lead to control and monitor what recipients do with their support. Having impact requirements is a means for FFs to determine if and how they are really achieving their objectives through the financing of their recipients. The degree of reporting required by FFs may vary from no obligations to the evaluation of the project

impact. Between these two extremes, FFs may ask for financial justification, description of the tangible results, or reporting on the impact of the project supported.

Board composition

Finally, because the board of directors is the only mandatory decision-making organ of FFs, its composition matters. It plays a role upstream (in the selection of the grantees, for example) or downstream (in the evaluation of recipients' work and ultimately FFs' work). This requires specific expertise. In particular, the development of venture philanthropy has brought a rather managerial expertise to the foundation sector.

For the sake of clarity, we have presented the dimensions and the strategic levers of the conceptual framework linearly and independently. Nevertheless, there is not an *a priori* chronology between the strategic choices made by FFs. FFs' strategy, as for other types of organization, is not static and needs constant review of the positioning and alignment on each strategic choice (Frumkin 2006). In addition, depending on the field of activity of FFs, the founder's profile, or else the financial structure, some strategic choices may be almost automatic. In this case, FFs will adjust their positioning on other strategic levers. Because of the very heterogeneity of the FF sector, it is also possible that rare exceptions do not comply with this strategic framework. Nevertheless, for those exceptions, the three strategic dimensions highlighted - scope, supporting vehicle, and monitoring process - remain valid.

The connection between the strategic levers that are part of the dimension monitoring process and the literature review is detailed in Table 2.4.

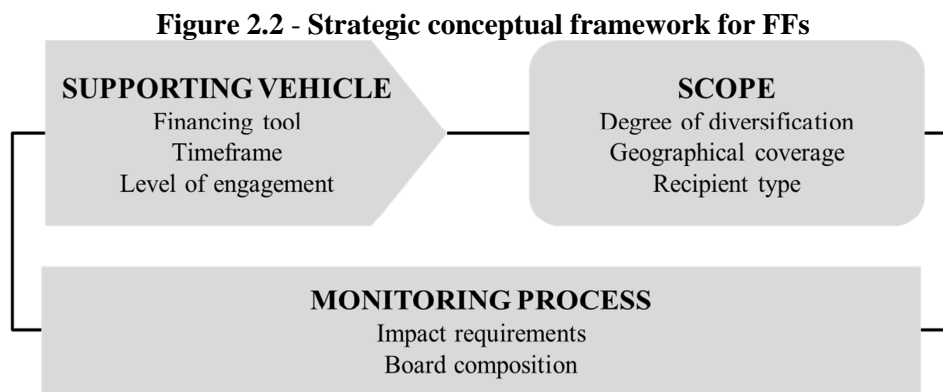
Table 2.4 - Conceptual framework : monitoring process

Dimension	Strategic lever	Key authors	Nature of the contribution	Content
MONITORING PROCESS*	Impact requirements	Mair and Hehenberger (2014)	Normative statement Evolution in the field	<i>"The ideal practices of VP include (...) performance measurement - monitoring results and measuring impact." (p. 1178)</i>
		Sheehan (1996)	Normative statement	<i>"Mission accomplishment as philanthropic organization effectiveness: key Findings from the Excellence in Philanthropy Project" (p. 1)</i>
	Board composition	Boesso et al. (2015)	Strategic choice	<i>"Only a few studies mention the relationship between foundations' governance and strategy formulation." (p. 198)</i>
		Boverini (2006)	Evolution in the field	<i>"Grantors (...) give their time to organizations in the areas of accounting, marketing, operations management, and whatever else they have expertise in." (p. 85)</i>

*** (Cornforth 2003; Amy J. Hillman, Cannella, and Paetzold 2000; W. A. Brown and Iverson 2004)**

2.4.6. *Strategic conceptual framework*

By combining the three dimensions and the associated eight strategic levers, we end up with a strategic conceptual framework for FFs as illustrated in Figure 2.2. This aims to cover the main and transversal strategic choices FFs are confronted with, based on the previously explained analysis of the literature. This figure details the box labelled FF programmatic strategy in Figure 2.1.



2.5. Conclusion

Based on the literature, we have developed a strategic conceptual framework for FFs. This conceptual model is not prescriptive; it doesn't suggest one best way of shaping strategy but rather allows us to capture the diversity and subtleties of strategic practices among FFs. This constitutes a first step in the understanding of FFs' strategy. Thanks to this strategic conceptual framework, we are able to systematically address the issue of strategy for FFs. We postulate that FFs mainly rely on these eight strategic levers to shape their strategy.

However, at this stage, we do not yet know how the choices of these strategic levers interact. We have no information regarding how FFs will combine the different strategic choices. Because we see these strategic levers as a system, it is probable that there are different strategic models. It is what we are going to investigate in Chapter 4 in the specific case of Belgium.

3 | FOUNDATIONS IN BELGIUM: COLLECTING DATA. METHODOLOGY AND SAMPLE

In the first two chapters, we have delineated our research object: the study of the strategy of financing foundations (FFs) in the context of a Welfare State. In Chapter 2, we developed a meaningful strategic conceptual framework for FFs by assembling and articulating pieces of literature. We identified eight strategic levers that are transversal tangible variables on which FFs can rely to shape their strategy in order to achieve their public purpose.

As highlighted in the previous chapter, today, we know little about the strategic practices of foundations and *a fortiori* FFs. We do not really understand how foundations work and what is behind their practices, which are often qualified as “black boxes”. It appears necessary to develop empirical research on FFs and investigate their strategy, in particular in Europe where the knowledge is rather scarce. This is the main objective of this chapter.

We investigate FFs’ practices in the specific case of **Belgium**. The Belgian foundation sector is growing and it is in the process of maturation. Ten years after a major evolution of the legal framework the sector tends to become more professional, and is reflecting on its practices through the creation of networks, work groups, etc. It is a field of investigation that is little explored.

We have adopted a **quantitative approach**, which means that we rely on measurable data that we can analyze with statistical and mathematical methods. We have designed a questionnaire based on the strategic conceptual framework developed in Chapter 2 to gather information on strategic practices. Context variables as well as variables that are potentially explanatory for FFs’ strategy are collected. The data was collected through an online questionnaire. To our knowledge, this is one of the first times in Europe that detailed quantitative data on strategy have been collected in the field of philanthropy. To conduct our empirical research, we had to identify the foundations that pursue a public purpose and that finance others. To do this, different nuances are taken into account in the Belgian context; this is why a presentation of the foundation sector in Belgium is useful. To some extent, the specific context of the foundation sector in Belgium justifies our methodological choices.

In this chapter, we first present the foundation sector in Belgium. We briefly explain the legal and fiscal environments in Belgium and give an insight into the sector of foundations in Belgium (in terms of numbers, geography, domains of intervention etc.). This is a necessary step to contextualize our research and to

understand how we were able to identify our initial population of FFs. In the second part of the chapter, we explain how we collect data. In particular, we detail how we build the questionnaire and how we conduct the comprehensive survey of the sector. We finally briefly present our sample of data and the quantitative methods we use in the next chapters to make sense of the data collected.

3.1. The foundation sector in Belgium

Understanding the environment of foundations in Belgium is a necessary first step to conduct empirical research. We need to understand the specificities of the foundation sector in Belgium. Indeed, in a further stage, this will help us to support, contextualize, and make sense of the results of our analyses.

3.1.1 Legal and fiscal environment

The foundation sector in Europe is characterized by a high heterogeneity (Anheier 2001). For example, there is a great diversity of legal frameworks. These shape the foundation sector in each country; either in terms of size, role, structure, or specificities (Van der Ploeg 1995; Blickenstorfer 2012). In particular in Belgium, the legal change that took place in 2002 strongly influences the current structure of the foundation sector.

The legal personality of foundations in Belgium

Foundations in Belgium are governed by the law of June 27, 1921 (*Loi Sur Les Associations sans but Lucratif, Les Associations Internationales sans but Lucratif et Les Fondations*. 1921), more than 80 years old; it grants legal personhood to non-profit organizations¹⁷ and public benefit institutions. This law was amended by the law of May 2, 2002 (*Loi Sur Les Associations sans but Lucratif, Les Associations Internationales sans but Lucratif et Les Fondations* 2003), which came into force on July 1, 2003. The evolution of the legal framework is identified as a pivotal moment in the Belgian foundation sector (Gijssels and Develtere 2006). This amendment is part of a broader European context; in several European countries new foundation laws have been put in place and are being considered (Anheier 2001).

According to the May 2, 2002, law a foundation is a legal structure to which the founder brings money/heritage (the minimum amount or the nature of these are

¹⁷ Association sans but lucrative (ASBL) in French

not set by the law) in order to realize a predefined disinterested purpose. The foundations cannot give any material gain to the founders, the administrator, or other person. The founder can be one or more natural person or legal entity (e.g. public authorities, enterprises, associations). From a management perspective a foundation has no members or associates; the board of directors is the only managerial body requested by law. Belgian law requires a minimum of three administrators; the law is rather not constraining. In practice, the Belgian foundations go beyond this requirement and establish different committees (e.g. strategic committee, investment committee, selection committee) in order to support the foundation's work (Mernier and Xhaufclair 2017). These bodies strengthen the management of the foundation and the expertise mobilized. They also allow a better control of the activity of the foundation, as well as the implication of stakeholders. The constitution of a foundation is done by a notarial deed when the founder is alive, or by will in the case of death cause. A public benefit foundation is recognized by royal decree after approval by the Ministry of Justice.

Changes initiated by the May 2002 law

To understand the environment of foundations in Belgium, it is necessary to establish the five major changes initiated by the May 2002 law. There is a complex underlying tracking challenge. Before the law of 2002, a foundation was identified under the appellation 'Public Utility Establishment'. This term is changed to '**Public Benefit Foundation**' in order to avoid any confusion with public establishments that are very different by nature (e.g. public hospitals, public schools, etc.). The amendment also **extends the list of goals** that a foundation has to undertake to be recognized as a public benefit foundation by the Ministry of Justice. Cultural and philosophical goals are added to the five existing goals: philanthropic, religious, scientific, artistic, and pedagogic. These thus aim to enable a better identification of the organizations under the legal status of public benefit foundation.

Another major change brought about by the amendment of May 2002 is **the creation of a new type of foundation** called **private foundations**. Contrary to the legal status of a public benefit foundation, the legal status of a private foundation does not require the consent of the Ministry of Justice. By nature, the objective of a private foundation can be more private (e.g. to maintain a familial heritage (via securities certification), to ensure the care of a disabled child). This point is particularly important for our empirical research. Because we are interested in the foundations that serve a public goal, we will examine in detail the organizations under the legal status of private foundations in order to identify the foundations that are in our scope. The creation of the legal status of private

foundations has strongly participated in giving a new impulse to the foundation sector in Belgium. Nevertheless, it has also caused a certain level of confusion inside the sector itself. The fact that the legal status of private foundations may be used for different aims (among others very private ones) does not participate in strengthening the identity of the sector. The underlying lack of transparency creates confusion between the foundations that effectively pursue a public purpose and the others one. This creates a certain level of mistrust and misunderstanding of the work of the Belgian foundations and challenges their legitimacy.

Additionally, **the protection of the ‘foundation’ appellation** is stated. In theory, only the organizations with a legal foundation status (i.e., public benefit foundation or private foundation) in the sense of the May 2, 2002, law are authorized to include the term ‘foundation’ in their name. To be systematic in our approach, we defined our initial population based on the legal status. Nevertheless, in practice, because there are no organized automatic controls, the coercive capacity of the law is rather limited (Heuschen 2003). Today, there are a number of organizations that are labelled foundations but that do not have the legal status of foundation. These will not be included in our population.

Finally, the last change is the division of the foundation sector regarding the size of the foundations, corresponding to specific accountability requirements: small foundations, big foundations, and very big foundations¹⁸. Since then, these accounting requirements have been modified by the law of January 14, 2013 (*Loi Portant Diverses Dispositions Relatives à La Réduction de La Charge de Travail Au Sein de La Justice* 2013).

¹⁸The law of May 2, 2002, distinguishes 3 foundation profiles: small, big, and very big foundations. The criteria used to distinguish these are the number of employees, the total assets, and the annual revenues. According to the law of January 14, 2013, to be considered as a very big foundation the foundation has to have more than 100 full time equivalents on average, or exceed more than one of the three following criteria: 50 full time equivalents, 7,300,000 euros as annual revenue, or 3,650,000 euros as total assets. A big foundation is a foundation that does not meet the criteria of the very big foundation and that exceeds more than one of the three following elements: 5 full time equivalents, 312,500 euros as annual revenue, or 1,249,500 euros as total assets. Finally, the small foundations are the foundations that do not fulfill the very big or big conditions. Depending of its profile, the accounting requirements differ. Up to now, the very big and big private foundations as well as the very big public benefit foundations have to deposit their annual accounts with the National Bank of Belgium. The other foundations have to deposit their annual accounts with the clerk of the corresponding court office.

Fiscal environment

One notable feature of Belgium is that it is divided into three regions: Wallonia, Brussels, and Flanders. The fiscal rules differ depending on the region. This means that the foundation sector is to some extent shaped by these differences. The region is one of the variables that will be used to test the representativeness of our sample.

Furthermore, two levels of tax benefits can be distinguished: at the level of the foundation's establishment and at the level of the donations, bequests, and gifts made to the foundation. At the level of the foundation itself, the tax regime applied is the limited tax system of the legal person¹⁹. The foundations are not subject to the corporate tax system. As a non-profit organization, a private foundation has to pay an annual tax of 0.17% on its initial capital. The public benefit foundations are exempted from paying this tax, as are the private foundations used to certificate corporation securities²⁰. The organizations under the legal status of foundation thus benefit from an advantageous tax system.

Table 3.1 - Tax system of the organizations under the legal status of foundation in Belgium

	Private Foundation			Public Benefit Foundation		
	Wallonia	Brussels	Flanders	Wallonia	Brussels	Flanders
Initial Capital	0.17%(*)	0.17%(*)	0.17%(*)	0%	0%	0%
Manual gift	0%	0%	0%	0%	0%	0%
Donation	7%	7%	7%	7%	6.6%	7%
Bequest	7%	12.5%	8.8%	7%	6.6%	8%
		25%(**)				

(*) Except if the private foundation's objective is the certification of corporation securities. In this case, the rate applied is 0%

(**) If the foundation does not have a fiscal agreement²¹

¹⁹Article 220 of the income tax code

²⁰The private foundation is used as the legal vehicle to receive securities of a corporation in exchange for the issuance of certificates of entitlement to economic benefits associated with these securities. The private foundation manages the benefits of these securities.

²¹ To obtain the fiscal agreement, the foundation has to correspond to one of the institution categories defined by the law and receive an agreement from the Public Finance Federal Service. There are 10 conditions relative to institution activities that are likely to be approved by the Public Finance Federal Service; these conditions are not specific to foundations: (1) scientific research institutions, (2) institutions that assist war victims, disabled people, elderly people, protected underage people or indigent people, (3) institutions that support developing countries, (4) cultural institutions, (5) institutions created to help victims of a natural disaster, (6) institutions acting for

Once the foundation is constituted, in addition to its initial capital, it can receive money from three main sources: gift, donation, or bequest. The corresponding tax treatment differs with the foundation type, the money source, and the region of residence of the donor²². If the donation is made in cash, there is no tax to pay, whatever the region, whatever the type of foundation, except if the donor dies within three years of the donation. The corresponding tax rates are summarized in Table 3.1.

3.1.2 *State of knowledge*

To date, the sector of foundations in Belgium is still rather unexplored. As far as we know, there are 11 studies that have been realized specifically on the Belgian foundation sector between 2001 and 2008 (see Table 3.2). In addition, some data on the sector are reported in international reports (Anheier 2001) or by actors such as the European Foundation Center²³ or DAFNE²⁴. In these studies, what is communicated is essentially a comparison of the number of foundations between different countries in order to give a picture of the size of the foundation sector in Europe.

Seven out of the eleven studies we identified have been conducted by key field actors, such as the King Baudouin Foundation or the European Foundation Center, and academic research is scarce. In addition, the vast majority of reports produced give a descriptive view of the sector of foundations in Belgium. While necessary, this gives little information on the practices of foundations in Belgium. Nevertheless, these reports outline the heterogeneity of the sector in terms of mode of action, type of foundation, financial and human means. These also identify key pivotal moments for the Belgian foundations and highlight the complementary role and the innovative role attributed to foundations in Belgium. Furthermore, the foundations under the legal status of private foundation are not systematically included in the studies despite their significant growth during the last decade. Since 2008, there has not been an update on the foundation sector in Belgium. We thus realized a complete update at the end of 2012 and at the end of 2014 by systematically including, for the first time, the foundations under the legal status of private foundation (Mernier and Xhauflair 2014, 2017). In the 2017

environmental protection, (7) institutions assisting victims of a major industrial accident, (8) institutions supporting the preservation or protection of a monument or site, (9) institutions that are dedicated to the management of animal refuges, and (10) institutions that have sustainable development as objectives.

²² The region taken into account is the region where the donor lived for the longest period during the last five years.

²³ www.efc.org

²⁴ www.dafne-online.eu

report, we give innovative results on the governance of the foundations, their strategy, and the profile and the motivation of their founders.

More than ten years after a major legal change, the sector of Belgian foundations has started to professionalize, to reflect on its practice, and to make a breakthrough. It has experienced a significant growth in recent years. In this context, a study of the strategy of foundations in Belgium appears relevant.

Table 3.2 - State of knowledge on foundations in Belgium: literature review

Author	Title	Type	Figures	Key elements
Marée and Mousny (2001)	Foundations in Europe	<i>Bertelsmann Foundation report</i>	310 public utility establishments in 1999 40 funds hosted by the King Baudouin Foundation	First description of the foundation sector in Belgium
Pirotte and Heuschen (2003)	Les fondations belges d'utilité publique : entre permanence et changements	Thesis in sociology	Sample of 20 public benefit foundations	Complementary role of the State and innovation
Heuschen (2003)	La forêt derrière l'arbre. Analyse sociologique exploratoire des fondations belges	Thesis in sociology	340 public benefit foundations in 2002	Heterogeneity of the foundation sector in Belgium Identification of two ideal-types of foundations among public benefit foundations (professionalized and impersonal foundations versus "weak" identity foundations)

Author	Title	Type	Figures	Key elements
Develtere, Van Ootegem, and Raymaekers (2004a)	Foundations in Belgium	<i>King Baudouin Foundation and European Foundation Centre report</i>	323 public benefit foundations in 2001, sample of 119 by survey	<u>Survey</u> Description of the sector by type of founder, region. Full time equivalent employees Total assets
Develtere, Van Ootegem, and Raymaekers (2004b)	Les fondations en Belgique. Profil du secteur	<i>King Baudouin Foundation report</i>	80 funds hosted by the King Baudouin Foundation	
Marée et al. (2005)	Le secteur associatif en Belgique. Une analyse quantitative et qualitative	<i>King Baudouin Foundation report</i>		
Gijssels and Develtere (2006)	Foundations in motion	<i>King Baudouin Foundation report</i>	67 members in the Belgian Foundation Network Analysis of the 15 biggest foundations	Identification of two key pivotal moments in the foundations sector in Belgium (i.e., amendment of 2002 law and creation of the Belgian Network of foundations in 2004) Trends: professionalization, transparency, and reflexive analysis

Author	Title	Type	Figures	Key elements
Pirotte (2007)	Country analysis: Belgium, in Anheier H. and Daly S (Eds.) The Politics of Foundations. A comparative analysis.	Book chapter	340 public benefit foundations	Most of the Belgian foundations are operating or mixed
Gijssels, Franchois, and Van Opstal (2008)	Les fondations en Belgique. Profil du secteur	<i>King Baudouin Foundation report</i>	323 public benefit foundations in 2001, sample of 173 by survey (146 public benefit foundations and 27 private foundations)	<u>Survey</u> Updated description of the sector 4 key dates: 1831, 1975 (i.e., creation of the King Baudouin Foundation), 2002 and 2004
Marée et al. (2008)	Les associations en Belgique. Une analyse quantitative et qualitative du secteur	<i>King Baudouin Foundation report</i>	363 public benefit foundations and estimation of 300 private foundations in 2007	
Gijssels (2008)	Foundations: catalysts of social change, innovation and civic action?	Conference Paper	77 members in the Belgian Foundation Network	Foundations are seen as catalysts of innovation, social change and civic action

Author	Title	Type	Figures	Key elements
Mernier and Xhaufclair (2014)	Les fondations en Belgique	<i>Belgian Foundation Network Report</i>	In 2012: 491 public benefit foundations 835 private foundations (with 545 that pursue a public purpose)	Foundations under the legal status of private foundation are included Identification of the foundations that serve a public purpose
Mernier and Xhaufclair (2017)	Les fondations en Belgique. Rapport 2017	Chaire Baillet Latour in Social investment and philanthropy report	In 2015: 1751 foundations (1178 private foundations and 573 public benefit foundations) 1334 foundations that pursue a public purpose	<u>Survey</u> Creating a foundation: by whom and why? Governance among the foundations in Belgium How do the Belgian foundations carry out their mission?

3.1.3 First insights

The exploratory phase of our research was work-intensive; in this section, we present a tiny part of the work carried out and give key elements that will be used further (for example for the issue of representativeness of our sample). We present the most up to date data, which is the data at the end of 2015. The comprehensive survey, in turn, has been performed based on the data at the end of 2014.

Before we started our research, there was no comprehensive database on the foundation sector in Belgium. We are the first to build this census and who are able to give a comprehensive view of the sector (including the foundations under the legal status of private foundation).

Sources of data

Several data sources had to be combined in order to build a database on foundations in Belgium (Table 3.3). With the help of ConcertES (www.concertes.be), a dialogue platform for organizations from the Belgian social economic sector that also manage an associated database for Wallonia and Brussels, we were able to develop a database on Belgian foundations. We realized a significant work of harmonization between the data extracted from the “Banque-Carrefour des Entreprises” and the list of the public benefit foundations provided by the Ministry of Justice.

Table 3.3 - Sources of data

Source	Data
ConcertEs	Database on social economy for Wallonia and Brussels - combination of data from <ul style="list-style-type: none"> • National Bank of Belgium (accounting data) <ul style="list-style-type: none"> • National Office for Social Security (employment data) • Banque-Carrefour des Entreprises (administrative data)
Federal public service – Justice	List of the foundations under the legal status of public benefit foundations
Belgian Monitor ²⁵	Legal statutes

²⁵ http://www.ejustice.just.fgov.be/tsv_pub/index_f.htm

How many foundations in Belgium?

In 2001, Anheier noticed the relatively small size of the foundation sector in Belgium and the weak growth in terms of foundation numbers. However, significant growth has been experienced across the sector in the last fifteen years. At the end of 2015, Belgium counts **1751** foundations from which 1178 have opted for the legal status of private foundations (PF) and 573 the status of public benefic foundations (PBF). Compared to 2014, there is a growth of 10%.

To provide a comprehensive view of the foundation sector in Belgium, we also need to mention the existence of hosted funds, mainly in the King Baudouin Foundation. The creation of a hosted fund allows donors to delegate the daily management of their philanthropic action. At the end of 2015, 524 funds are hosted in the King Baudouin Foundation with a corresponding capital from 750,000 euros to 28.5 million euros. These hosted funds are not negligible in the sector of foundations in Belgium. Nevertheless, we did not include these in our scope because they could not be accessed systematically.

The identification of foundations that serve a public purpose

In our research, we are interested in the foundations that serve a public purpose. While for the foundations under the legal status of public benefit foundations the status itself ensures this, in the case of private foundations it is more complex. By analyzing the statutes of the private foundations and by discussions with representatives of the foundation sector (e.g. Belgian Foundation Network, King Baudouin Foundation, Fondation pour les Générations Futures), it appears that not all private foundations serve a public purpose in the sense in which we define it. Indeed, the legal status of a private foundation provides the founder with a tool that permits different types of issues to be addressed that can be more or less private. This adds to the lack of transparency of the sector and undermines its legitimacy to a certain extent in the eyes of civil society. Among the foundations that adopt the legal status of private foundation, we thus make a distinction between five categories (Table 3.4).

To obtain the categorization of a private foundation as detailed in Table 3.4, we realized three independent codings (i.e., performed by three researchers independently) based on reading and analysis of the statutes published in the Belgian Monitor.

In our research, we include only the private foundations that serve a public purpose, the first category in Table 3.4. While the care and well-being of vulnerable persons is a public interest purpose, we did not include these foundations in our scope because the mission of the private foundation targets a

single person. The private foundations that are related to the certification of corporate securities and those that manage heritage for private purposes also do not fall within our scope. Their objective is primarily private. Finally, we also exclude the foundations that we were not able to class in one of these categories. These elements reveal the importance of conducting a deep exploratory phase.

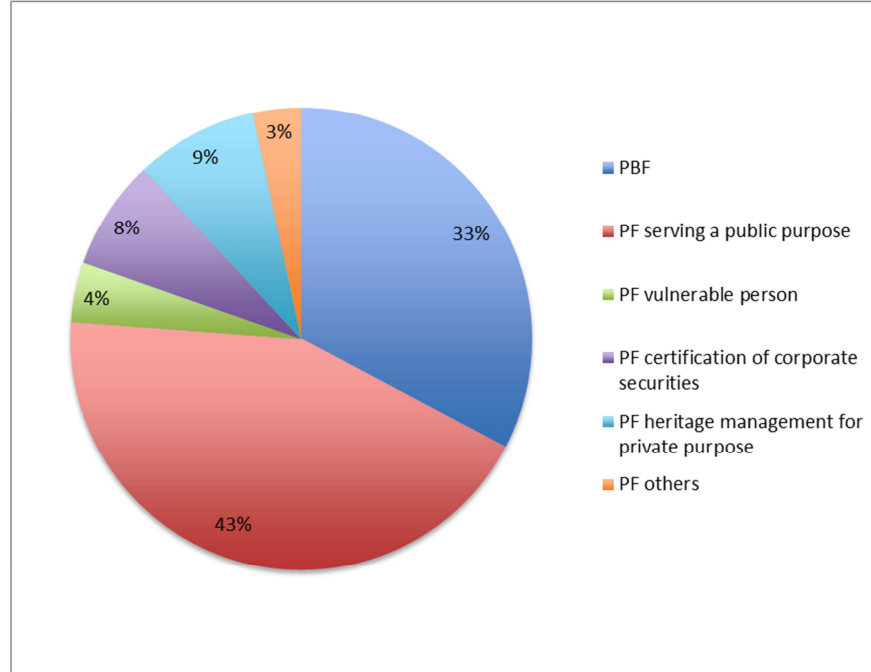
Table 3.4 - Type of private foundations

Type	Mission	Research scope
Serving a public purpose	The founder creates a private foundation that pursues one of the seven objectives defined for foundations under the legal status of public benefit foundation. In our view, these foundations could have the legal status of public benefit foundations if they wanted to	Yes
Vulnerable person	The founder creates a private foundation whose main objective is to become the legal representative of a vulnerable person (for example, a person with a disability). This allows the parents of vulnerable person(s) to ensure, in their absence, the independence and quality of life of their child.	No
Certification of corporate securities	The founder creates a foundation to prepare the transfer of his company to his heirs and ensure its continuity, even if their heirs do not wish to resume the business. The holder of securities transfers them to a private foundation, which issues certificates and exercises all powers.	No
Heritage management for private purposes	The founder creates a private foundation to preserve a family patrimony (e.g. real estate, artistic) or to maintain its integrity, and to prevent this heritage being diluted in the division of the succession	No
Other	We group in this category the private foundations that we were not able to rank in one of the previous categories, either because the mission statement in the statutes published in the Belgian Monitor is not clear, or because the statutes mention several objectives without any clearly stated prioritization of these different goals	No

In Figure 3.1, we observe that by the end of 2015, there are more PFs than PBFs. PFs represent 67% of Belgian foundations. In addition, PFs serving a public purpose are more numerous (43%) than PBFs (33%). This seems to demonstrate

the usefulness of the legal status of private foundation in the development of the sector. We thus see the importance of considering not only the foundations under the legal status of public benefit foundation but also the private foundations.

Figure 3.1 - Partition of the foundation sector according to legal status



Evolution of the size of the foundation sector in Belgium

The evolution of the number of foundations between 1922 and 2015 is presented in Figure 3.2. In Belgium, in addition to the May 2, 2002, law there are two events that are considered as key pivotal moments for the foundation sector in Belgium: the creation of the King Baudouin Foundation in 1975 (Pirotte 2007), and the creation of the Belgian Network of Foundations in 2004 (Gijssels and Develtere 2006).

The **King Baudouin Foundation** was founded in 1976 when King Baudouin I (1930-1993) celebrated his 25th anniversary as King of Belgium. The King did not wish to receive a personal gift to mark his jubilee. King Baudouin was moved by social affairs, had a strong sense of justice, and was concerned that society should be harmonious. A Foundation was therefore established to mark his jubilee that would make efforts to ensure better living conditions for the population. In terms of assets, the King Baudouin Foundation is by far the biggest foundation in

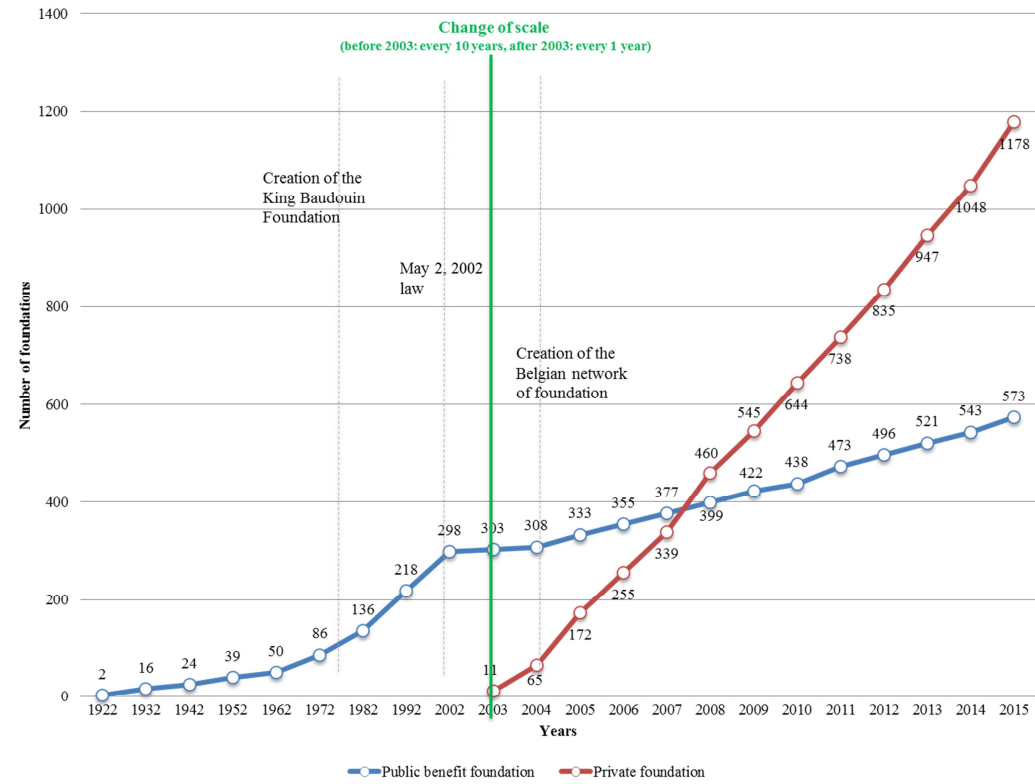
Belgium. Furthermore, it plays an innovative and active role in the foundation sector in Belgium. The King Baudouin foundation is at the origin of the creation of the Belgian Network of Foundations in 2004. In addition to its direct philanthropic activity as a foundation, the King Baudouin foundation hosts funds.

The **Belgian Network of Foundations** was created in 2004 on the initiative of the King Baudouin Foundation and 6 other foundations with, among others, the objective to strengthen the identity and the legitimacy of the foundation sector in Belgium. The work of the network is focused on three main items corresponding to three workgroups: law, finance/accounting, and governance. The network also aims to be a platform for exchange and information for practitioners²⁶. The Belgian Network of Foundations counts around 100 members at the end of 2015; the members are either foundations under the legal status of public benefit foundations or private foundations with a public interest mission. In 2017, with the change of president, the Belgian Network of Foundations becomes the “Fédération Belges des Fondations Philanthropiques”.

In our analysis, when we consider the year of creation, we use the dates 1975 and 2002 because they mark significant change within the sector. It is also on this basis that we test the representativeness of our sample and control our analysis. While from 1922 to 1975 an average of 2.6 PBFs were created each year, the growth accelerates to 7.3 new creations per year from 1976 to 2002. After the law of May 2, 2002, the PBFs experience a new momentum of growth: 21.2 PBFs are created each year. However, since 2003, the PFs have been the most successful: on average 90 PFs were created each year between 2003 and 2015. In 2015, the growth rate of the foundation sector was 10.1%, and 8.7% if we focus on the foundations serving a public purpose.

²⁶ www.reseaufondations.be

Figure 3.2 - Evolution of the number of foundations in Belgium from 1922 to 2015

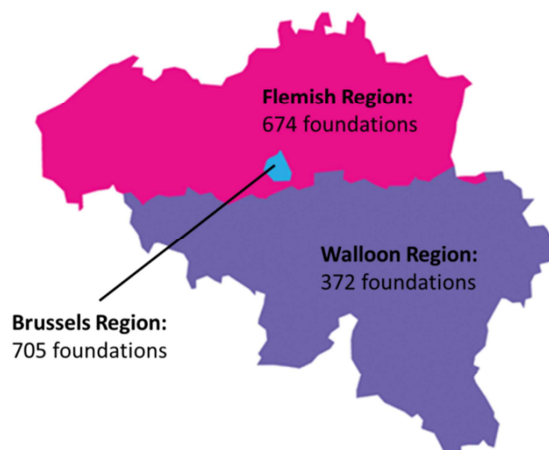


Geographical distribution within Belgium

In Belgium, the three Regions are autonomous in a large number of fields (e.g. economy, employment, environment, and disabled people). This creates differences between the three Regions and the foundation sector is no exception to this. The region is thus a variable that we will use to control our future analyses.

The Brussels Capital Region and the Flemish Region have the largest number of foundations, with 40% and 38% of Belgian foundations respectively (Figure 3.3). The character of Brussels as the capital and seat of the institutions of the European Union could explain this concentration. In fact, more than half of the PBFs (53%) have established their headquarters in Brussels. Flanders, for its part, accounts for almost half of the PFs (558 foundations). This characteristic is probably partly related to one of the reasons for the creation of the PF status in 2002: to facilitate the transfer of family businesses by allowing the certification of corporate securities through a PF under Belgian law. Until then, many Flemish bosses opted for the creation of a *stichtingadministratiekantoor* under Dutch law. Today, 60% of the PFs for certification of corporate securities and conservation of family patrimony are established in the Flemish region. In Wallonia, where just under a quarter of Belgian foundations have been created, the distribution between private foundations and public benefit foundations is more balanced: 59% PFs and 41% PBFs, as well as in Brussels which counts 57% PFs and 43% PBFs.

Figure 3.3 - Number of foundations by Region



While the density of foundations in Brussels is 59.3 per 100,000 inhabitants, the average foundation density in Belgium is 15.5 per 100,000 inhabitants. If we

focus on foundations serving a public purpose (as a reminder, a total of 1334 foundations), the density at the national level is 11.8. By comparison, France has a density of 6.1 foundations per 100,000 inhabitants (Fondation de France 2011) and Switzerland has 159 foundations per 100,000 inhabitants (Eckhardt, Jakob, and von Schnurbein 2016).

Fields of intervention of Belgian foundations

Based purely on the legal status we cannot determine the fields of intervention of the foundations. Nevertheless, this is important to better understand the sector. Based on the classification suggested in previous studies (Gijssels, Franchois, and Van Opstal 2008; Fondation de France 2011) and discussions with actors in the field, we suggest a categorization of the foundations that serve a public purpose according to 10 domains (Table 3.5).

Based on the statutes published in the Belgian Monitor, we have codified (based on three independent codings) the foundations that serve a public purpose (i.e., the public benefit foundations and the private foundations that serve a public purpose) according to these 10 domains.

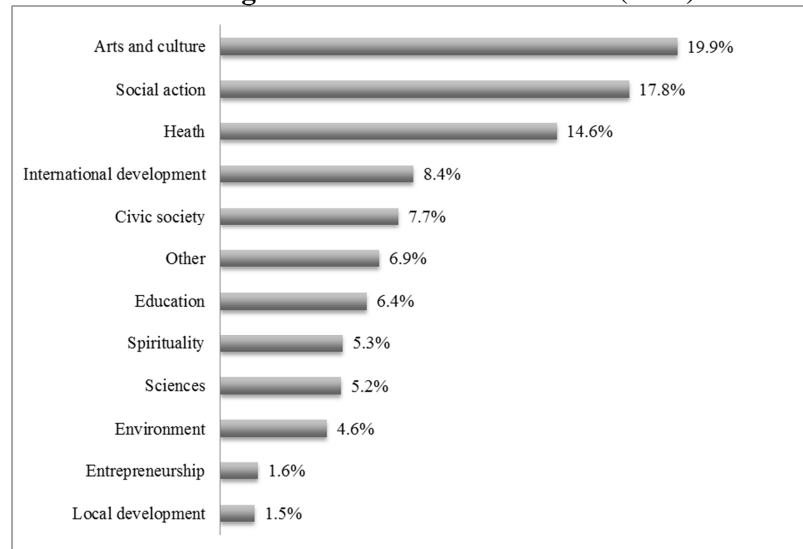
Table 3.5 - Fields of intervention of foundations that serve a public purpose

Field of intervention	Description
Social action	Assistance to disadvantaged people, persons in difficulty
Arts and culture	Diffusion, protection and promotion of the whole range of arts, including the conservation of (cultural) legacy/estate
Education	Education and training, including promotion of the access to education / training (for the whole range of occupations)
Health	Physical and mental health, support for people affected by illness, awareness campaigns, medical research
Science	Development, promotion and diffusion of the sciences, including research (other than medical research)
Environment	Protection and conservation of the environment/nature and animals. Sustainable development
Local development	Promotion of social/economic development initiatives, for a defined territory
Entrepreneurship	Support for the creation of companies
International development	Development co-operation and international relations
Civic society	Citizenship and promotion of equal rights and justice. Promotion of professional associations and unions
Spirituality	Diffusion of communal and religious values
Other	foundations that were unable to be classified in the previous categories

At the end of 2015, as we observe in Figure 3.4, art and culture, social action, and health remain the goals favored by Belgian foundations²⁷. This seems to be consistent with the roles of innovation and complementarity in relation to the State claimed by many Belgian foundations.

²⁷ This analysis of the areas of activity of the Belgian foundations must be taken with caution. On the one hand, foundations can have several purposes. On the other hand, the statutes do not always make it possible to discern the main purpose. In addition, we only count the number of foundations here; the privileged areas may differ if we carry out the exercise according to the distribution of financial resources.

Figure 3.4 - Partition of Belgian foundations that serve a public purpose according to their field of intervention (2015)



Social action is also an important area of intervention for Belgian foundations. In this area it should not be forgotten that "donors" not only give resources, but often (and this is a characteristic of Belgian foundations) operate their own programs. Social action, especially the improvement of living conditions of the population, is also the priority goal of the King Baudouin Foundation, one of the most important foundations of the country. Like the King Baudouin Foundation, many founders seem to be affected by the deterioration of the living conditions of their fellow citizens. In the future, it will be interesting to see if we can observe in Belgium the same trend as in France where social action, having been *ex aequo* with arts and culture since the early 2000s, has made a clear push between 2009 and 2013 to take first place in the fields of intervention of foundations: 29% of French foundations currently choose this topic as their main theme.

Finally, health is traditionally an area in which many founders, who have been affected by disease either personally or through their relatives, wish to intervene. It is also an area in which the innovative capacity of foundations can be significant, as the "niches" ignored by the public authorities and the private sector are numerous. In terms of health, the complementarity between the State and foundations is evident.

One might be surprised at the small number of foundations devoted to local development or the community, unlike what can be observed elsewhere, in particular in the Anglo-Saxon world. We can assume that these domains in

Belgium remain the privileged fields of intervention of the public actor, *a fortiori* in the current context of regionalization, which tends to concentrate the resources of the regional authorities on local economic development.

Economic weight of foundations in Belgium

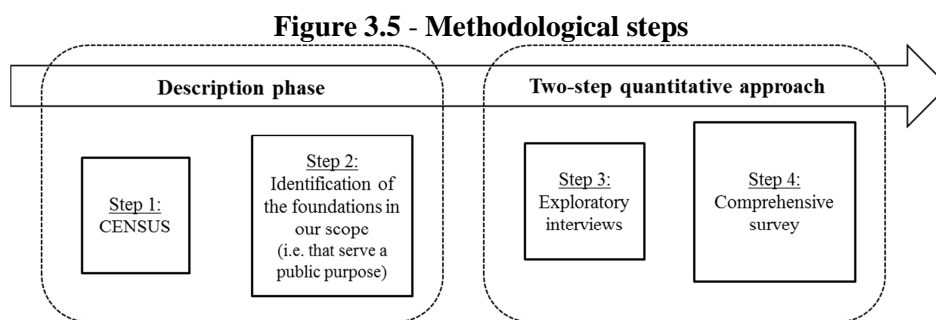
Until now, there is little information available on the total assets of the Belgian foundations and on the allocation of their resources. Indeed, until 2012, only the big PFs were requested to deposit their accounts with the National Bank of Belgium. However, since the law of January 14, 2013, the big PBF must also deposit their accounts with the National Bank of Belgium. This measure will certainly mean that the financial resources of foundations can be brought to light in the future. Nevertheless, as far as we know, there is no *a priori* control to check if these foundations have effectively fulfilled this requirement. The small foundations, in turn, have to deposit their annual accounts to the clerk of the corresponding court office. Except the data available at the National Bank of Belgium, there is no centralized information on the total of assets of the foundations in Belgium. Until now, the view on the financial profile of the Belgian foundations is only partial. In 2015, 82 foundations deposited their accounts with the National Bank of Belgium; the total of their assets is equal to 2.6 billion euros. If we rely on this information, it means that we have financial information only for 5% of the Belgian foundations (i.e. 82/1751). The foundations sector in Belgium is highly unbalanced with a small number of very big and famous foundations and numerous small and less known foundations. This may also mean that the vast majority of Belgian foundations do not use the revenues of their endowment investment in order to support their beneficiaries and may use fundraising as others non-profit organizations. This would need further investigation. Providing financial information such as the revenue size and structure, the funding, the total of assets, the amount of the initial endowment... is certainly a challenge for the sector in its search of legitimacy. As explained in Chapter 1, the lack of transparency regarding the origin of the endowment, the total of assets... often generates mistrust and may lead people to make the amalgam between foundations and tax evasion. Belgium is not exception to the rule. It thus matters for the development and the recognition of the sector of foundations in Belgium to be more transparent on this issue. Through our survey, we tried to gather financial information but, as explained further, it is not an issue easy to deal with.

We also note that the volume of employment inside the foundation sector in 2015 is equal to 7508 full time equivalent employees. The existence of paid staff within a foundation gives an indication of size and level of professionalization.

Depending on these factors, the strategy of a foundation may vary, which is why we also use controls in our analysis.

3.2. Quantitative methodology: a two-step approach

In the previous section, we presented the first step of our research: creation of a census of the foundations in Belgium, a description of the foundation sector, and identification of the foundations that serve a public purpose. With our research, we aim to go beyond description. In the previous chapter, we have seen that there is a lack of strategy identified in the foundation sector and, except for the existence of best practice guidelines from established field actors, there is no analytical literature on the strategy of foundations. The development of better data is needed to contribute to a more accurate understanding of foundations and to challenge some of the myths that prevail at an international level and in a national context (Anheier and Toepler 1999). In order to contribute to these shortfalls, we adopt a two-step quantitative approach. Because the practices of the foundations in Belgium are still relatively unknown, we first conduct exploratory interviews with foundations in Belgium. The main objectives were to develop our knowledge of the foundations, to understand them, to identify the vocabulary they use, their specificities, etc. and to penetrate the sector for the sake of the research (i.e., to achieve a significant answer rate). The foundation sector in Belgium is not very accessible and foundations are not likely to easily communicate their practices. The exploratory interviews were necessary to establish trust within the sector and to ensure the highest possible participation rate in the survey at the later stage. After this exploratory first step, we then started the collection of data by conducting a comprehensive survey. The different methodological steps are summarized in Figure 3.5.



3.2.1. Exploratory interviews

We first investigated the practices of foundations in Belgium through semi-structured interviews with Belgian foundations. We conducted 16 exploratory

interviews between January and June 2014, with the founder(s) if still alive, the board president, or the general secretary. These interviews mainly focus on the origins of the foundation, the mission of the foundation, the history of the founders, their mode of action, the mechanisms of governance, and the challenges they are faced with. All interviews were registered and transcribed. Additional documents were collected for each foundation, if available (statutes, internal rules, activity reports, etc.).

To ensure we considered a sample that is diversified enough, we took into account different features: (1) legal status, (2) the region of establishment, (3) the mode of action, (4) the year of creation, (5) the type of founder, (6) the trigger, (7) the resources, and (8) their primary field of intervention. These variables create a comprehensive view of the sector and its heterogeneity. In order to account for the heterogeneity of the sector, the sample of foundations thus includes public-benefit foundations, private foundations, and hosted funds at the King Baudouin Foundation. In addition, the variety of the foundations' modes of action is taken into account by the inclusion of operating, grant-making, and mixed foundations. The sample also includes old foundations (created in the 1950s) and very recent ones (created in 2013). The fields of activities are diversified, as is the geographical coverage. The sample is also heterogeneous in terms of size with foundations with big endowments (that only use the return of the invested capital) and foundations with small capital (that possibly have to do additional fundraising). The main characteristics of the interviewed foundations are presented in Table 3.6. The foundations have been made anonymous for confidentiality reasons.

To contact the interviewed foundations, we first relied on the advice provided by the Belgian Network of Foundations. We assumed that the foundations that are members of the Belgian Network of Foundations are a good place to start to approach the field. However, the Belgian Network of Foundations represents less than 10% of the total foundations. The field of foundations in Belgium is still little institutionalized. Then, we followed a "snowball effect" process. We asked the people interviewed to advise us of other interesting foundations to meet, and also foundations that are not members of the Belgian Network of Foundations. Our objective by following this process was to saturate the information gathered. The extremely high diversity of the sector of foundations in Belgium makes this very difficult.

Table 3.6 - Exploratory phase: interviewing foundations

Organization	Legal status	Region	Action mode	Year of creation	Founder type	Trigger	Resources	Field of intervention
<i>1</i>	PBF	Flanders	Operating	1951	Family	Family trauma	Own capital Fundraising (subsidies)	Health
<i>2</i>	PBF	Brussels	Mixed	1987	Individual	Will, no heir	Own capital	Civil society
<i>3</i>	PBF	Flanders	Grant-making	1988	Family	Money surplus	Own capital Occasional donations	Health
<i>4</i>	PBF	Brussels	Operating	1989	Individual	Family trauma	Own capital Fundraising Operations	Other (Road safety for young drivers)
<i>5</i>	PBF	Brussels	Mixed	1992	Individual (doctors)	Scarcity of money	Fundraising	Social action
<i>6</i>	PF	Brussels	Operating	1997	Individual	Family trauma	Own capital All patrimony dedicated	Social action

Organization	Legal status	Region	Action mode	Year of creation	Founder type	Trigger	Resources	Field of intervention
<i>7</i>	PBF	Brussels	Mixed	1999	Individual (doctors)	Scarcity of public money Research interest	Fundraising	Health
<i>8</i>	PBF	Wallonia	Mixed	1999	Religious community	Regional needs	Enterprise donation	Local development
<i>9</i>	PBF	Brussels	Grant-making	2005	Individual	Social needs	Fundraising	Education
<i>10</i>	Hosted funds	Brussels	Grant-making	2006	Family	Family philanthropic tradition Money surplus	Own capital	International development/ Environment
<i>11</i>	PF	Wallonia	Mixed	2006	Family	Family trauma	Own capital	Social action
<i>12</i>	PBF	Brussels	Venture philanthropy	2007	Family	Money surplus	Own capital	Health
<i>13</i>	PF	Brussels	Grant-making	2010	Enterprise	Social needs	Enterprise donation	Social action

Organization	Legal status	Region	Action mode	Year of creation	Founder type	Trigger	Resources	Field of intervention
<i>14</i>	PBF	Brussels	Operating	2012	Individual	Social needs	Own capital Fundraising	Social action/Spirituality
<i>15</i>	PF	Wallonia	Grant-making	2013	Family	Family trauma	Own capital Fundraising	Arts and culture
<i>16</i>	PF	Wallonia	Operating	2013	Individual	Family needs	Own capital Fundraising	Social action

We used an interview guide, given in Appendix 1. During the interview we addressed different topics from the presentation of the foundations, to their governance mechanisms with some discussion of strategic issues. The objective of the exploratory interviews was mainly to ensure our understanding of the practices of foundations in Belgium, in particular FFs. We also aimed to become familiar with the vocabulary commonly used by the foundations in order to be able to adequately formulate the questions for the survey. We investigated the choices regarding their mission, the characteristics of the modes of action of foundations, and how the foundations ensure the achievement of their objectives. By doing this, we aim to validate and consolidate the strategic conceptual framework developed in Chapter 2. The key findings of the exploratory interviews with some example anonymous quotes are given in Table 3.7.

We established that the eight strategic levers are variables that make sense in practice. We confirmed that the foundations make different choices regarding the three strategic dimensions we had identified and that the practices of the foundations we interviewed are highly diversified. Also, the foundations interviewed did not spontaneously use the term “strategy”, even if they effectively have a strategy in the sense of making specific choices in order to achieve a predefined purpose. These interviews also allowed us to realize the importance and the influence of the founder in the decision-making process, either in terms of mission or in terms of management.

Table 3.7 - Key findings of the exploratory interviews

Key findings	Quote examples		
<p>The founder plays a key role in the foundation (whether for mission-related choices or management decision-making)</p>	<p><i>"ce sont des problématiques qui me touchent"</i> <i>"En fait les gens savent ce que je fais, je fais des rencontres. Le problème est qu'actuellement, je ne suis pas équipée pour faire un appel à projets pour l'Afrique."</i></p>	<p><i>"Il a défini les statuts de manière conjointe, parce que pour lui c'était très important, comme il savait qu'il n'y allait pas avoir de membres familiaux, qu'il puisse y avoir quelque part un corpus de personnalités qui représentent les différentes facettes de cette fondation, donc c'est très clairement stipulé qu'il voulait x administrateurs du monde universitaire, économique, de la grande distribution, du monde culturel, donc c'est vraiment très clairement défini, et aujourd'hui on fonctionne de cette manière-là. "</i></p>	<p><i>"Parce que l'abbaye voulait quand même garder son droit de regard. Donc ça c'était clair."</i></p>
<p>The foundations make different choices related to their mission target</p>	<p><i>"elle fonctionne exclusivement en Belgique, principalement jusqu'à présent en Belgique francophone... "</i></p>	<p><i>"C'est-à-dire on reste dans le domaine du handicap... parfois ça s'élargit un peu à l'enfance mais c'est toujours un peu lié à ça. On nous demande beaucoup de choses quand on entend parler de nous : les drogués, le sida, des choses comme ça mais ça on ne le fait pas... on ne sait pas soigner toute la misère du monde... même si c'est des choses très valables en soi. "</i></p>	<p><i>"... c'était l'année internationale de l'eau si je me souviens, et puisqu'on voulait créer une association, on voulait faire quelque chose, on voulait faire de la philanthropie, notre objectif était donc l'eau dans le tiers-monde. L'eau dans les pays en voie de développement. "</i></p>

Key findings	Quote examples	
<p>The foundations make decisions regarding the modalities of the support they provide with</p>	<p><i>"On travaille dans ce cas-là parfois par don mais on essaye depuis pas mal d'années de travailler par le biais de prêt sans intérêt. Donc intérêt zéro. Et pour les premiers remboursements, la procédure standard, ça commence trois ans après l'octroi du prêt. Et c'est sur 5 ans en général. On est arrivé à ça un peu avec l'évolution des choses... les dons, c'est très bien mais ça responsabilise moins les gens"</i></p>	<p><i>"Non, c'est du subsidie vraiment, j'aime pas utiliser le mot mais c'est un soutien financier. Un don, je sais pas si on peut appeler ça un don, mais bon voilà..."</i></p> <p><i>"Des prêts, participation, voilà, ce sont toutes des choses sur lesquelles on doit réfléchir, et où les gens ne réfléchissent pas assez, je pense, je pense !"</i></p> <p><i>"C'est dans cet esprit que nous demandons, quand notre aide aboutit à un résultat exploitable, qui génère des revenus, qu'une partie de ces revenus revienne vers la fondation. C'est non seulement une condition de longévité de la fondation, mais une propagation, une promotion de l'idée de philanthropie, et du principe de philanthropie."</i></p>

Key findings	Quote examples		
<p>The foundations make choices related to the composition of the board (management and field related expertise)</p>	<p><i>"c'est bien d'avoir une inspiration, mais c'est bien aussi d'avoir de l'expérience et une expertise(...). Donc ça nous a donné un C.A. je crois assez bien fonctionnel, d'une certaine manière, avec 3 experts de l'Asie et de la migration, une personne du CGRA une personne de l'O.I.M (Office International pour l'Immigration) et puis Annabelle. Un commissaire aux comptes, un ami à IWAI que j'évoquais, et puis un investisseur dans le domaine philanthropique, et moi-même.</i></p>	<p><i>"Dans la Fondation, il y a le Président, qui est toujours un scientifique. Le vice-président, c'est dans les statuts, on l'a voulu comme ça, est quelqu'un de la société civile. Et dans le conseil d'administration, la moitié des membres sont des neurologues, ou scientifiques, et l'autre moitié, ce sont des représentants de la société civile, c'est-à-dire il y a un notaire, un avocat, un banquier, quelqu'un qui vient du milieu de la publicité, quelqu'un qui a été un pharmacien d'industrie, qui est à la retraite, il y a moi comme économiste, et donc, c'est balancé.. ça c'est le conseil d'administration."</i></p>	<p><i>"Le CA de la fondation... Les administrateurs sont au nombre de cinq, trois religieux et deux non nécessairement laïques."</i></p>

3.2.2. *Comprehensive survey: questionnaire design*

In this section, we describe how we have designed the questionnaire. In this research, we mainly focus on the part of the questionnaire that is on strategy, and we present that which is related to our research.

Nevertheless, the results of the survey are broader and will be also used for other research projects. The scope of the questionnaire was much broader than that of our research. We collected more information than we needed for this thesis. Because of the cost and the time required to carry out a comprehensive survey of this magnitude, and because we cannot solicit answers several times from the foundations, we thus extended the information collected. The aim of the survey was also to gather detailed information regarding the governance of foundations for another research project, as well as for other publications. We published a 48-page document (Mernier and Xhaufclair 2017) in February 2017, including an up to date landscape of the foundation sector in Belgium as well as a deep analysis of three main themes: (1) Creating a foundation: by whom and why? (2) Governance within the Belgian foundation, and (3) how do the Belgian foundations carry out their mission?

3.2.2.1. *Objectives and practical considerations*

The main objective of the comprehensive survey was to capture a snapshot of the practices of foundations in Belgium and in particular of FFs. Based on the data collected, we aimed to not only describe the strategy of FFs but also to provide explanatory variables for strategy (including information regarding the foundation itself but also the profile of the founder). We thus complement the well-suited descriptive aim for the questionnaire on organizational practices (Saunders, Lewis, and Thornhill 2012) with an explanatory objective. A survey of this magnitude represents significant costs and, because there is no further chance to improve the questionnaire, it is necessary to be careful in the construction of the questionnaire and to determine precisely the data we want to collect (Saunders, Lewis, and Thornhill 2012).

We collaborated with the CLEO²⁸, a research center of the University of Liège who are experts in opinion studies, for the design and implementation of the questionnaire. We used an online survey tool *Limesurvey*²⁹ to implement the

²⁸ Created in June 1982, the Center of Opinion Studies of the University of Liège, CLEO (Centre d'Étude de l'Opinion de l'Université de Liège) is a multidisciplinary research center. Their main activities are focused on the study of behaviors, opinions, social representations, as well as on the development of tools for data collection and analysis. Source: www.cleo-ulg.be.

²⁹ www.limesurvey.com/en/

questionnaire. Before uploading the questionnaire, we had regular meetings with the CLEO expert in order to determine the best structure and articulation of the questionnaire. Precautions have been taken to try to gather the best possible data.

As the Belgian foundation sector is highly heterogeneous, the realization of the questionnaire was very challenging. We had to deal with a high number of sub-questions corresponding to a sub-section of the foundation sector (such as for the FFs). We could not ask the same questions of all foundations. We had to be very careful to create a questionnaire to match the reality of the field as closely as possible. In this process, the outputs of the exploratory interviews were crucial; we relied on them to take into account all possible scenarios. Based on our acquired knowledge of the sector, we were able to build an almost tailor-made questionnaire for each foundation. The granularity of the questionnaire has made the analysis of the collected data quite complicated.

Additionally, because there are three national languages in Belgium, of which French and Dutch are the main languages, we had to make all the processes in both languages in order to ensure the participation of the foundations established in Flanders and in Brussels. This represents a higher level of complexity. Other questionnaires used to conduct surveys among foundation sectors (mainly in France and Belgium) were also reviewed in order to find the most suitable type and wording of the questions³⁰.

3.2.2.2. *Testing of the questionnaire*

The questionnaire was tested with eight directors of foundations, experts in the field and academic experts. We were careful to collect feedback from foundations under both the legal status of public benefit and private foundations, of various sizes, active in various fields (e.g. social action, entrepreneurship, health, art and culture), established in Brussels, Flanders, and Wallonia. The experts in the field are members of the Belgian Network of Foundations, and the academics are experts in philanthropy and social economy in general.

We met the CEO or an experienced collaborator of each foundation and we asked him/her to answer the questionnaire in paper format. We did not intervene in the completion of the questionnaire; we were careful to be as neutral as possible. We remained close by and were available if he/she needed clarification, more detail, or if she/he wanted to make remarks. We noted each question and comment. We then proceeded iteratively. After each interview, we integrated the remarks before the next interview. We included in this process the two representatives of the Belgian Network of Foundations. We applied the principle of saturation during

³⁰ The questionnaires reviewed are given in Appendix 2.

the whole process: once no totally new comments on the questionnaire arose, we discontinued testing.

Once the questionnaire had been iteratively adapted and no more comments arose from the field, we tested the questionnaire with academic experts and researchers. We integrated their remarks and comments before creating the online version of the questionnaire in collaboration with CLEO's expert. Once the online questionnaire was ready, we returned to some of the people who had tested the questionnaire and asked them to test the online version of the questionnaire. This allowed us to be sure that the mechanisms of the questionnaire were functioning and that the questions were as clear as possible.

Based on these back-and-forth exchanges with field and academic experts we obtained a complete questionnaire. By this we improved the validity of the questionnaire and ensured that the questionnaire measures what we intended (Saunders, Lewis, and Thornhill 2012). Our aim was to have standardized questions; this means we wanted to be confident that all respondents understand the question the same manner (Saunders, Lewis, and Thornhill 2012).

3.2.2.3. *A brief presentation of the questionnaire*

We sought to describe and explain strategy for FFs. This means that we have to be able to identify FFs among the Belgian foundations and to collect data to support our understanding of their strategy.

Even if our research scope is limited to FFs, we had to conduct the survey among all foundations. In Belgium, it is not possible to identify the FFs *a priori* from the other foundations. There is no administrative information that operates this distinction. This means that through our questionnaire, directed to all foundations, we must be able to identify the foundations that finance others (that differ to those that directly operate their own programs and those that preserve a heritage).

The questionnaire was (partially) designed based on the strategic conceptual framework developed in Chapter 2; these are the dependent variable(s). Regarding the independent variables, we gathered information with potential explanatory power. Because the results of the survey aim to not only fuel our research, we collected broad and diverse information. We collected data on the organizational specificities of the foundations (e.g. paid staff, network, volunteering, and collaboration), on the detailed mechanisms of governance (e.g. additional decision-making organs, degree of formalization), as well as information regarding the profile of the founders. The profile of the founder, to a certain extent, may explain the type of strategy chosen by FFs (we develop this in

Chapter 6). The exploratory interviews highlight the key role played by the founder. The dependent variable is thus clearly defined as well as the independent variables (Saunders, Lewis, and Thornhill 2012).

5-part questionnaire

The online questionnaire is designed around five broad categories. The first includes questions regarding the **profile of the foundation** (e.g. year of creation, legal status, existence of paid staff and volunteers, field(s) of intervention, target). If we return to the strategic conceptual framework developed in Chapter 2, this first part thus allows us to collect information regarding the degree of diversification as well as the geographical coverage.

The second part of the questionnaire encompasses questions regarding the **profile of the action of the foundation**. With this section, we aim to gather information regarding the mode of action of the foundation; this includes not only details regarding the modalities of the monetary support (e.g. type, duration) but also data on the additional non-financial support provided as well as impact requirements. We thus gather information on the recipient type, the time horizon, the type of support and the level of engagement, as well as the impact requirement. It is thus mainly linked to the strategic dimension labeled the supporting vehicle.

As explained previously, a key challenge we were faced with was the identification of FFs (or the foundations that are mixed in the sense of combining operating and financing activities). To do this, we created a key question in order to tackle the mode of action of the foundations as precisely as possible (Table 3.8). A foundation is labeled a FF if the respondent answers “yes” to question 3.1.1 and/or 3.1.2 and/or 3.1.3 and/or 3.1.4 and/or 3.1.5.

Table 3.8 - Identification of FFs

3.1.1 The foundation allocates gifts to individual persons (e.g. in the form of grants)	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.2 The foundation allocates gifts to organisations (e.g. not-for-profit organisations, universities, museums, etc.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.3 The foundation allocates loans to individual persons	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.4 The foundation allocates loans to organisations (e.g. not-for-profit organisations, universities, museums, etc.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.5 The foundation invests in organisations (is a shareholder)	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.6 The foundation directly executes its own programmes	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.1.7 The foundation maintains a (cultural / artistic / environmental / etc.) heritage	<input type="checkbox"/> Yes <input type="checkbox"/> No

In the third section, the respondents were asked about the **profile of the founder**. This category is not related to the strategic conceptual framework (i.e., the dependent variable) but to the explanatory aim of our questionnaire. We asked the respondent very precise information regarding the type of founder (i.e., individual, several individuals, family, commercial company, public authorities, others). In addition, we gathered data on the profile of the individual founder (e.g. age, gender, education, professional experience, beliefs). Where the foundation has been created by more than one person, in the case of a leader of the initiative who is clearly identified, we asked the same questions as those asked in the case of a single founder. The data collected in this part will mainly be used in Chapter 6.

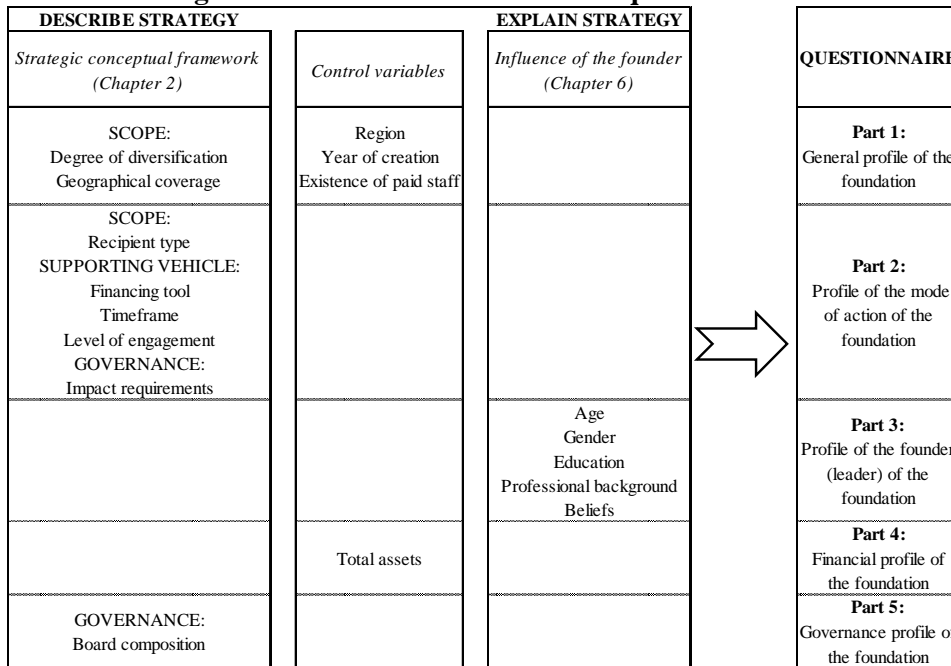
The fourth part of the questionnaire was dedicated to the **financial profile of the foundation** (e.g. total assets, initial asset, and source of assets). The design of this part was tricky because we know that not all foundations are likely to communicate easily about their finances, especially the foundations under the legal status of a private foundation. Regarding the amount of assets, for example, we decided to create a closed question with categories of totals of assets instead of asking the total of assets directly. The foundations would be more likely to answer the question in this way. The corresponding data has been little used in this research. As previously explained (see Chapter 2), we do not cover all the aspects of strategy in this dissertation. What interests us is to understand which the different strategic alternatives FFs can deal with are in order to achieve their missions. In this perspective, the financial profile of the FFs is rather a factor that influences strategy rather than the strategy itself. Even if FFs can act on their financial resources, we consider it rather as a constraint. In addition, the quality of the data collected through our survey was rather low and would have been very complicated to exploit. To some extent, this explains why the financial issues are little addressed in this dissertation. Nevertheless, we will use the information

related to the total assets collected with the survey to support the understanding of the results in Chapter 4 and also to control our results in Chapter 6.

Finally, the fifth part gathers information regarding the **governance of foundations**. It encompasses not only questions regarding the board (e.g. composition, role) but also the existence of additional organs, and the formalization inside the foundation. We thus collected data regarding the expertise (field and/or management) of the board; this corresponds to the third strategic dimension of our conceptual framework. At the end of the questionnaire, we also questioned foundations on their challenges for the future.

The overall structure of the questionnaire is presented in Figure 3.6. The full questionnaire in turn is given in Appendix 2.

Figure 3.6 - Overall structure of the questionnaire



Questionnaire mechanisms

Our questionnaire was quite long and complex, it took on average 40 minutes to be completed. Almost all of the questions were closed, which is the most suitable choice for a self-completed and online questionnaire (Saunders, Lewis, and Thornhill 2012). This means that the vast majority of the questions were forced-choice questions; the respondents had to choose the answer(s) from a pre-

established list of items. This type of question avoids an ex-post coding of the answers. Despite the exploratory phase and the testing of the questionnaire that guaranteed, to a certain extent, the exhaustiveness of the list provided, we always added the option “other” in order to get as complete a list as possible. This allows the respondent to express a suitable answer if he/she did not fit in a predefined category. We also made some questions mandatory (e.g. regarding the mode of action, the type of founder); in this case, we had an option “prefer not to answer” or “do not know” in order to prevent respondents not fulfilling the questionnaire because they were stuck on a question.

Given the high heterogeneity of the sector, we used the mechanisms of filters. These intervene at lots of levels (mainly depending on the mode of action and the profile of founder). The questions following the filter are displayed on the screen only once the filter question is answered in order to avoid respondents simply skipping annoying questions (Saunders, Lewis, and Thornhill 2012).

We also carefully considered the order and the flow of the questions to be as logical as possible for the respondents (Saunders, Lewis, and Thornhill 2012). This was possible thanks to the expertise of CLEO. Despite our efforts to reduce the length of the questionnaire as much as possible and to simplify it, it remains relatively long for a self-completed on-line questionnaire (Saunders, Lewis, and Thornhill 2012).

3.2.3. Comprehensive survey: population and data collection

In this section, we present how we targeted the population for the survey and how we effectively conducted the data collection.

3.2.3.1. Initial population

The population of our empirical research consists of the foundations that pursue a public purpose. As explained in Section 1, this requires making a coding of the foundations under the legal status of private foundations. In Section 1, we presented the most up to date situation of the foundation sector in Belgium, to the end of 2015. Nevertheless, at the time of the survey (in May 2015), these data were not yet available. Our target population is thus determined based on the existing foundations at the end of 2014.

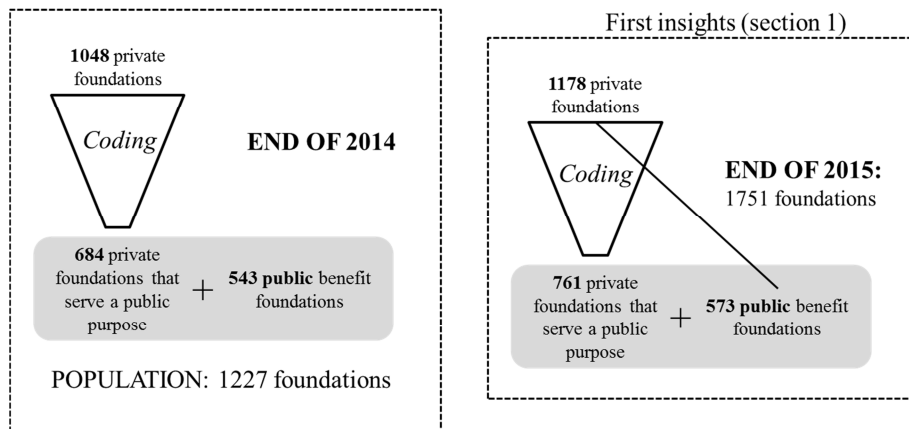
At the end of 2014, there are **1591 foundations** in Belgium (1048 private foundations and 543 public benefit foundations) for which we have at our disposal the following information:

- Enterprise number: this number is key in the treatment of the data, it corresponds to the unique identifier of each foundation

- Name of the foundation
- Location of headquarters
- Legal status
- Year of creation
- Full time equivalent employees
- Total of assets

Among these foundations, 1227 have been identified (based on independent coding of the statutes published in the Belgian Monitor) as serving a public purpose: 543 public benefit foundations and 684 private foundations. The different figures presented in this chapter are summarized in Figure 3.7.

Figure 3.7 - Foundation figures, end of 2014 and end of 2015



The population is described in Table 3.9. Of the population, 44% are under the legal status of public benefit foundation and 56% under the legal status of private foundations. The vast majority of the foundations (76%) have been created after 2003. Most of the foundations (45%) are located in Brussels and respectively 33% and 22% in Flanders and Wallonia.

Table 3.9 - Selected population

<i>Criteria</i>	<i>Categories</i>	Total population	
		<i>Frequency</i>	<i>Percentage</i>
Legal Status	Public Benefit Foundation	543	44%
	Private Foundation	684	56%
Year of creation	Before 1975	99	8%
	Between 1976 and 2002	198	16%
	After 2003	930	76%
Region	Brussels	547	45%
	Flanders	404	33%
	Wallonia	276	22%

3.2.3.2. Collection of contact information

At the start of our research, we decided to first contact the 1227 foundations by mail (domestic post). The mailing addresses are available on the statutes published in the Belgian Monitor. Our knowledge of the sector leads us to consider this option to be the most appropriate. A large portion of foundations in Belgium do not make any additional information available, such as what they do, other than contact information (for example via a website) and there is a certain level of formality in the sector.

Nevertheless, as we expected the spontaneous answer rate to be quite low, with the help of a student we collected contact information in order to conduct telephone and email reminders at a second stage. As evidenced in Table 3.10, for 539 foundations out of 1227 (44%), we do not have any additional contact information (i.e., telephone number and/or email address).

Table 3.10 - Database contact information

Contact information	Frequency	Percentage
Website	611	50%
Availability of telephone number	550	45%
Availability of email address	537	44%
No telephone number and no email address	539	44%

Table 3.10 gives information regarding the difficulty of making contact with the foundation sector in Belgium. Half the foundations listed do not communicate anything publicly. This tendency is accentuated if we consider the foundations with a legal status of private foundation. In this case, on average, only one third of private foundations communicate contact information (against 57% for public benefit foundations). This also led us to question the degree of activity of the foundations that do not have any public information. Our assumption is that the initial population is lower than the 1227 foundations initially identified. However, based on the information we have at our disposal, we are not able to confirm this hypothesis.

3.2.3.3. *Online survey and telephone reminders*

At the beginning of May 2015, we sent a letter (in French and Dutch) to the 1227 foundations listed; the letter included an invitation to answer the online questionnaire with a personal access code. This allows us to cross-reference, in a further stage, the data collected with the administrative data already available. We were careful in choosing the day that foundations would receive the letter (avoiding Fridays and public holidays). We received back 105 letters for which the mailing address was wrong, or for which the foundation no longer exists. This led us to adapt the initial population; from 1227 foundations, we have 1122 foundations that are potentially active.

Between May 15th and June 30th three students conducted telephone and email reminders. We selected the student for their language capabilities (one was Dutch, the second was confident in English and Dutch, and the third in French) and their communication skills. We briefed the three students before starting the reminder and provided them with a script to follow to catch the attention of the telephone respondents and include key information about the survey. We also made ourselves available (by Skype and telephone) in case the students had any doubts or questions.

It appeared that sometimes the respondent wanted to answer the questionnaire by telephone; in this case, the student entered the personal code online and filled in the questionnaire simultaneously. We were also faced with older respondents who prefer a paper questionnaire. In this case, we sent them the questionnaire in paper format, they returned the completed questionnaire and we entered this information in the online questionnaire.

On two occasions, for those that did not answer, we also sent email reminders to the foundations for which we had an email address. We also asked the Belgian Network of Foundations to send an email to their members to remind them to participate in the survey. Around half of the members of the Belgian Network of

Foundations completed the online questionnaire. For the reminders, we carefully chose the day for sending and avoided Fridays. We were attentive to use all the means at our disposal to reach the highest number of foundations as possible. It was a risky gamble but we may consider that we succeeded.

3.2.3.4. *Sample(s)*

Answer rate

We received 227 questionnaires for which the vast majority of questions were answered. Based on the 1122 foundations in the population, this corresponds to an answer rate of 20%. According to (Saunders, Lewis, and Thornhill 2012), the likely response rate of questionnaires using the internet is around 11% or lower. Our response rate is thus acceptable and even more so if we compare the length of our questionnaire (around 15 A4 pages) to the feasible length of this type of online and self-completed questionnaire (theoretically 6-8 A4 pages according to Saunders et al. (2012)). As previously explained, because the initial population is highly difficult to estimate and probably smaller than the 1122 foundations, it means that the effective answer rate is in practice higher than 20%. Nevertheless, this answer rate may appear rather low for a sector that is under-studied; this may mean that the sector itself is not willing to a great transparency and/or that the sector does not have the resources (i.e. staff) to dedicate time to this.

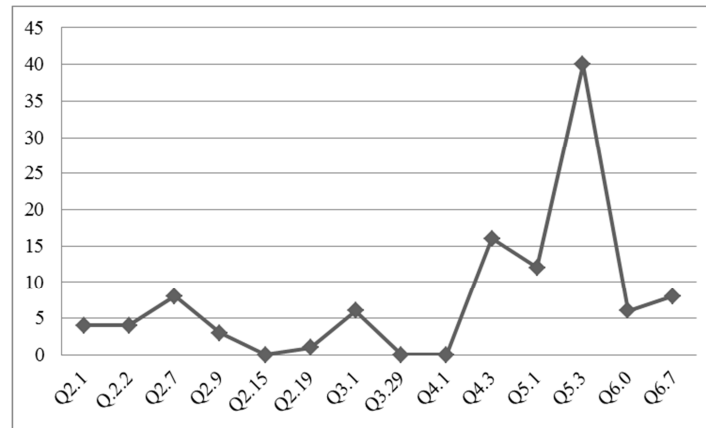
For this research, we do not use all 227 answers that encompass operating foundations, foundations that preserve a heritage, and FFs. We are interested only in FFs (or foundations that have an activity of financing i.e. mixed foundations for which we focus on the financing activity). These represent more than half of the sample (136 foundations). Because we cannot identify *a priori* the financing foundations inside the initial population, we are not able to compute a corresponding answer rate and we will be lead to determine the representativeness of the FFs sample based on the initial population. This means that we are faced with the following implicit hypothesis: the initial population of FFs is represented adequately by the initial population of foundations in general. In Chapters 4 and 6, where we conduct quantitative analyses, we will consider a subsample of 110 FFs and 101 FFs, respectively, because of missing data (Figure 3.8). It is possible that some respondents skipped questions which make their questionnaire not usable for our analysis. When dealing with missing data, it is interesting to (try to) analyze the reason why these data are missing. Three main missing mechanisms are distinguished in the literature (Little and Rubin 2014; Graham 2012):

- MCAR (missing completely at random): these missing data refer to the fact that respondent skipped or do not answer to some questions without any underlying strategy; they did not think it. The missing data occur entirely at random; they are independent both of observable variables and of unobservable parameters of interest. In others words, there's no relationship between whether a data point is missing and any values in the data set, missing or observed.
- MAR (missing at random): the missingness can be explained by variables on which full information is available. For example, this type of missing data can be associated to the last questions; the respondents did not have any reluctance to not answer them but they simply did not have time to do it or feel bored after a long questionnaire
- MNAR (missing not at random): in this case, the respondents did not answer at purpose, they did not want to.

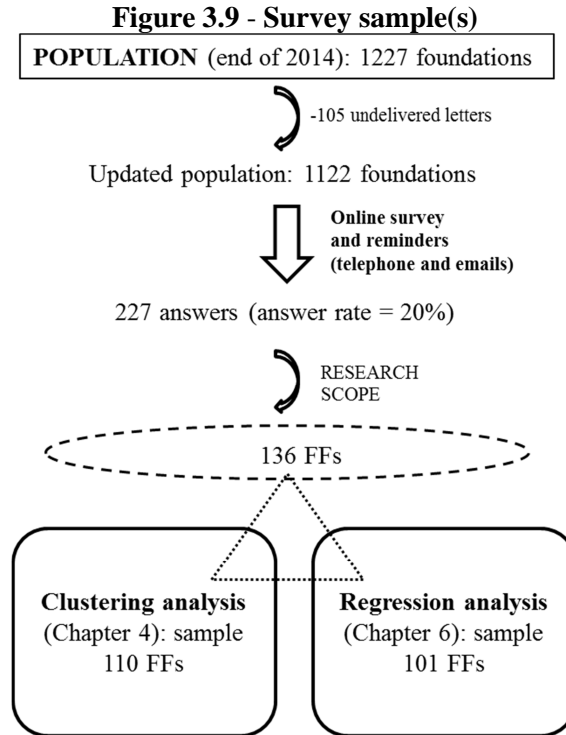
As previously explained, in our questionnaire, because we thought that some questions could be “touchy” or because we make some of them mandatory, we added respectively the option “prefer not to answer” and “do not know”.

For the questions relative to the belief and the religion of the founder or the leader, we added the option “prefer not to answer”. 11 out of the 31 NAs in Table 6.7 correspond to the answer “prefer not to answer” and are not at random (see Chapter 6). The respondents clearly did not want to communicate on this question. Nevertheless, it is probable that answering “prefer not to answer” could also be perceived as giving information; some of the respondent may have not answered the question on purpose. It seems reasonable that the missing data corresponding to this question are rather not at random.

As evidenced in Figure 3.8, if we select some general questions in each part of the questionnaire, we do not see a growth of missing data along the questionnaire. This means that most of the missing data are probably completely at random. Nevertheless, in the part 5 relative to the financial profile of the foundations, there is a peak of missing data (accentuated in question 5.3 where the amount of the initial capital is asked). This tends to support the idea according to which foundations are not inclined to be very transparent on their financial means and the existence of an endowment. For this part, missing data are potentially not missing at random.

Figure 3.8 - Missing data per survey questions**Biases**

Our sample(s) contain unavoidable biases. As the reminders can only be conducted for the foundations for which we have contact information (i.e., telephone number and/or email address), our sample is then biased by the availability of these data. This means that in our sample the foundations under the legal status of private foundation are under-represented. Also, because there are more private foundations in Flanders, Flanders is automatically also under-represented. This can also be explained by the fact that the umbrella of HEC-ULg and the Baillet Latour chair in “philanthropy and social investment” under which we conducted the survey is less known in this part of the country despite our efforts to make us visible in Flanders. This bias was difficult to avoid, we were aware of its existence and did all that possible to mitigate it (e.g. questionnaire available in French and Dutch, telephone and email reminders conducted in Dutch, support of the Belgian Network of Foundations that have members in Flanders).



There are also two potential additional biases. The first is the bias of social desirability, which corresponds to the tendency of the respondent to answer the questionnaire in a manner that will be viewed favorably by others. Nevertheless, because the questionnaire was online and self-completed, this bias is *de facto* limited. The second is linked to the neutrality of the wording of the questions. We attempted to be as neutral as possible. Nonetheless, for example, when we asked the respondent the type of reporting they require from their third parties, it is more socially rewarding to pretend to require detailed reporting in terms of the results of the projects supported rather than having no reporting requirements. We were not able to completely avoid these biases but we tried to mitigate them (e.g. by adding the possibility to answer “other”).

3.3. Data treatment: methods used

The objective of this section is to describe how we proceed to analyze our data (the sub-samples of 110 FFs and 101 FFs); in particular, we describe how we test the representativeness of the sample(s) and the two main statistical methods we applied. To conduct these analyses, we use the open source software R

(www.cran.r-project.org). We use R Commander for analyzing data, which is a user-friendly interface.

The results of these analyses will be detailed in Chapter 4 and Chapter 6; in this section, we only aim to give details regarding the methodology used to analyze the data. In Chapter 4, we aim to investigate the existence of strategic patterns among FFs in Belgium (i.e., the combination of choices on the eight strategic levers) based on the strategic conceptual framework developed in Chapter 2. The analysis tool that appears the most appropriate to conduct such an investigation is **cluster analysis**. We then want to go further than a description of the types of strategy and to understand why a FF chooses a specific strategy. More precisely, in Chapter 6, we investigate how the profile of the founder influences the strategic choices of FFs. For this, we turn to another type of statistical analysis with an explanatory aim: **regression analysis**. This allows us to predict the strategic choices (i.e., the dependent variables) in terms of variables such as the profile of the founders (i.e., independent variables).

3.3.1. Representativeness of the sample(s)

The idea behind the representativeness of a sample is the possibility to extrapolate the results obtained from the sample to the entire population. We thus aim to demonstrate that the sample is a good reflection of the population in its diversity; one way of doing this is to verify that the proportions according to some key variables are relatively similar both in the sample and in the population. This notion of “relatively” is captured by what is called the level of confidence of a statistical test; usually a threshold of 5% is considered acceptable; sometimes the level of 1% is also applied. This threshold corresponds to the level of risk of making a mistake that we accept. The representativeness of a sample is not an end in itself. If the sample is not representative according to a specific variable, knowledge of this helps to avoid making erroneous comments and mitigating the conclusions of the analysis.

To be able to generalize the results of our analysis, we thus need to demonstrate that the sample of FFs obtained by the survey is representative of the population of foundations in Belgium. We test the representativeness of the sample according to four variables: the legal status, the region of establishment, the period of creation, and the existence of paid staff. The choice of these variables is conditioned on the one hand by the availability of the information on the initial population, and on another hand by the fact that these variables can potentially discriminate the strategy adopted. As we will explain further (in Chapter 5), the strategic choices of foundations are to some extent related to the issue of legitimacy. This differs depending on the legal status. In Belgium, the status of a public benefit foundation tends to be recognized as more legitimate than that of

the private foundation. The region of establishment of foundations may in turn also play a role in the choice of strategy. One explanation for this is that foundations established in Brussels may be more likely to be confronted with the new practices of philanthropy through attendance of conferences, workshops etc. that usually take place in the capital. They also have potentially more opportunities to meet other foundations and to exchange ideas regarding their practices (for example via the Belgian Network of Foundations that is established in Brussels). In addition, the period of creation arises naturally as a variable that may influence the strategic choices of foundations (Chapter 1). Finally, the existence of paid staff is a proxy for the size of foundations. It seems reasonable to think that bigger and smaller foundations will not behave similarly regarding strategy.

We test the null hypothesis that the proportions according to each of the four variables are similar in the sample and in the population. A binomial test is used in the case of the legal status and the existence of paid staff and a multinomial test is used in the case of the region and the period of creation (because they have more than 2 modalities). The null hypothesis is rejected in favor of the alternative hypothesis if the p-value (the probability that the null hypothesis is rejected by error; which is the probability of rejecting the null hypothesis while it is true) is less than the threshold selected (5% or 1%). In this case, the equality of the proportion is rejected and the sample is not considered as representative of the population according to the selected variable.

3.3.2. *Cluster analysis*

The main idea behind the cluster analysis is to group a set of objects (in our case a set of FFs) in such a way that the homogeneity of the objects inside a group (i.e., a cluster) is as large as possible, as is the heterogeneity between the clusters. In other words, inside a group, the objects are more similar (in some sense or another) to each other than to those in other groups. In clustering, the groups are not known in advance, they are suggested by the data.

In this research, we aim to investigate the existence of strategic patterns among FFs; this means studying the possibility of grouping FFs in such a way that FFs' strategy inside a group is similar but also differs from that of another group. Cluster analysis is a method that can be described as exploratory. It allows the structure (if any) inside a set of data to be understood. In our specific case, cluster analysis is an appropriate tool; it allows the strategy of FFs to be explored, for which we are not able to make assumptions *a priori*. By using cluster analysis, we expect that among FFs in Belgium distinct strategic patterns (i.e., clusters) emerge. The use of cluster analysis provides the identification of strategic patterns among Belgian foundations based on objective criteria. These clusters are also

called strategic groups; in strategic management, these are defined as groups of organizations within an industry that have a similar business model or similar strategy (McGee and Thomas 1986).

The idea of cluster analysis includes the notion of distance between two objects (in order to determine if two objects are similar) and the idea of aggregation of objects (in order to group the objects). We then have to determine which distance we use and which aggregation method.

Choice of distance: the squared Euclidian distance

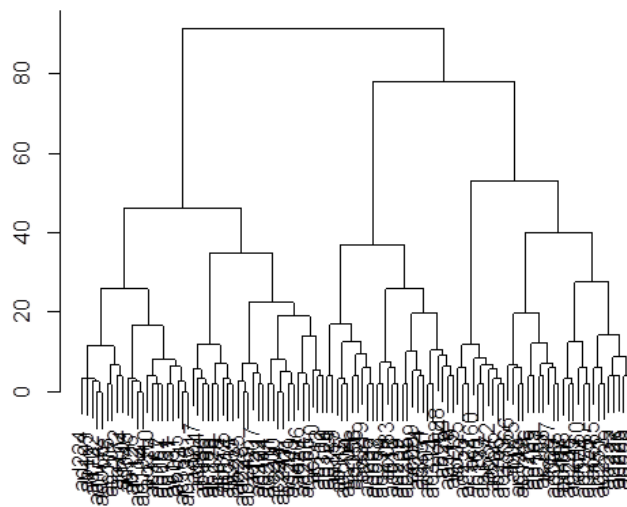
To determine the best choice in terms of distance, we proceed by trial-error and test different distances. The variables to which we apply the cluster analysis are indicators corresponding to the eight strategic levers identified in Chapter 2. All these variables are qualitative variables (i.e., categorical variables with two, three, or four modalities). With this type of variable, we can use the classical distances if we transform these variables into binary variables (i.e., if a variable has two modalities, we transform it into three distinct binary variables corresponding to the three modalities). We thus transform each categorical variable into binary variables corresponding to each modality (i.e., a categorical variable with three modalities A, B, and C is transformed into three binary variables: the variable A, the variable B, and the variable C - if the modality of the categorical variable is A this corresponds to a variable A equal to 1, a variable B equal to 0, and a variable C equal to 0). Beside the fact that **Squared Euclidian distance** is often used in the literature (Hening 2015; Domanski 2010), it also fits our purpose and is easily interpretable. It corresponds to the number of modalities in which the FFs differ (i.e., make different strategic choices).

Choice of the aggregation method: Ward's algorithm

Once we have chosen the distance according to which we will be able to determine if two FFs are similar, we have to select how FFs will be grouped. To aggregate FFs according to their strategic choices, we use the **Ward technique**. This is a method of classification that is ascending and hierarchical. We do not know the number of clusters in advance. The principle of this technique is iterative. The algorithm begins by calculating the distance (in our case the squared Euclidian distance that is the number of modalities in which FFs differ) between all the FFs in the sample. The distance matrix is then calculated. Then the algorithm puts together the two FFs which are the closest. A class is created to include these two FFs. The center of this class is calculated and is considered as a new object. Then, the algorithm computes the distance between all the remaining FFs including the center of the first class created. The algorithm thus groups the two closest objects. This continues until all FFs are grouped together. These

successive groupings produce a binary tree of classification called a dendrogram whose root corresponds to the class regrouping the set of FFs. Figure 3.9 gives the resulting dendrogram of the cluster analysis on FFs (see Chapter 4). This dendrogram represents a hierarchy of partitions. The production of this dendrogram is one of the advantages of this method; it produces a visual aid in order to choose the number of clusters.

Figure 3.10 - Cluster dendrogram (Squared Euclidian Distance & Ward technique)



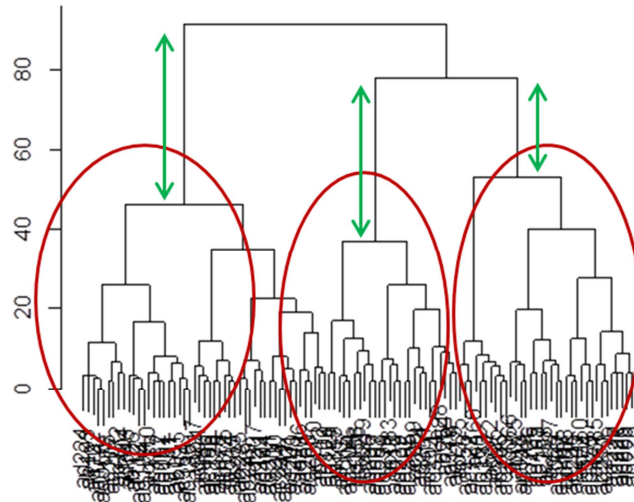
Choice of the number of clusters

The last step of the cluster analysis then consists of choosing the number of clusters, which is the number of groups that emerge from the data. This is a difficult issue (Charrad et al. 2014). There are different methods to support the decision regarding the number of clusters. The first natural method consists of observing the dendrogram. For example, in Figure 3.10, we could reasonably think that there are three clusters among the FFs in Belgium. Indeed, we notice that the distance of aggregation (vertical axes) are greater between these three groups (Figure 3.10).

Nevertheless, the visual decision must to be validated by additional objective criteria. There are a huge variety of criteria that allow the number of clusters to be chosen objectively (Charrad et al. 2014). We choose two criteria that are available in R: the **Calinski-Harabasz criterion** (CH criterion) and the **silhouette criterion**. The idea of the CH criterion is to compute the inertia within each group

and between each group. Well-defined clusters have large between-cluster inertia and small within-cluster inertia. The CH criterion is built so that the optimal number of clusters corresponds to the higher value of the CH criterion.

Figure 3.11 - Choice of the number of clusters

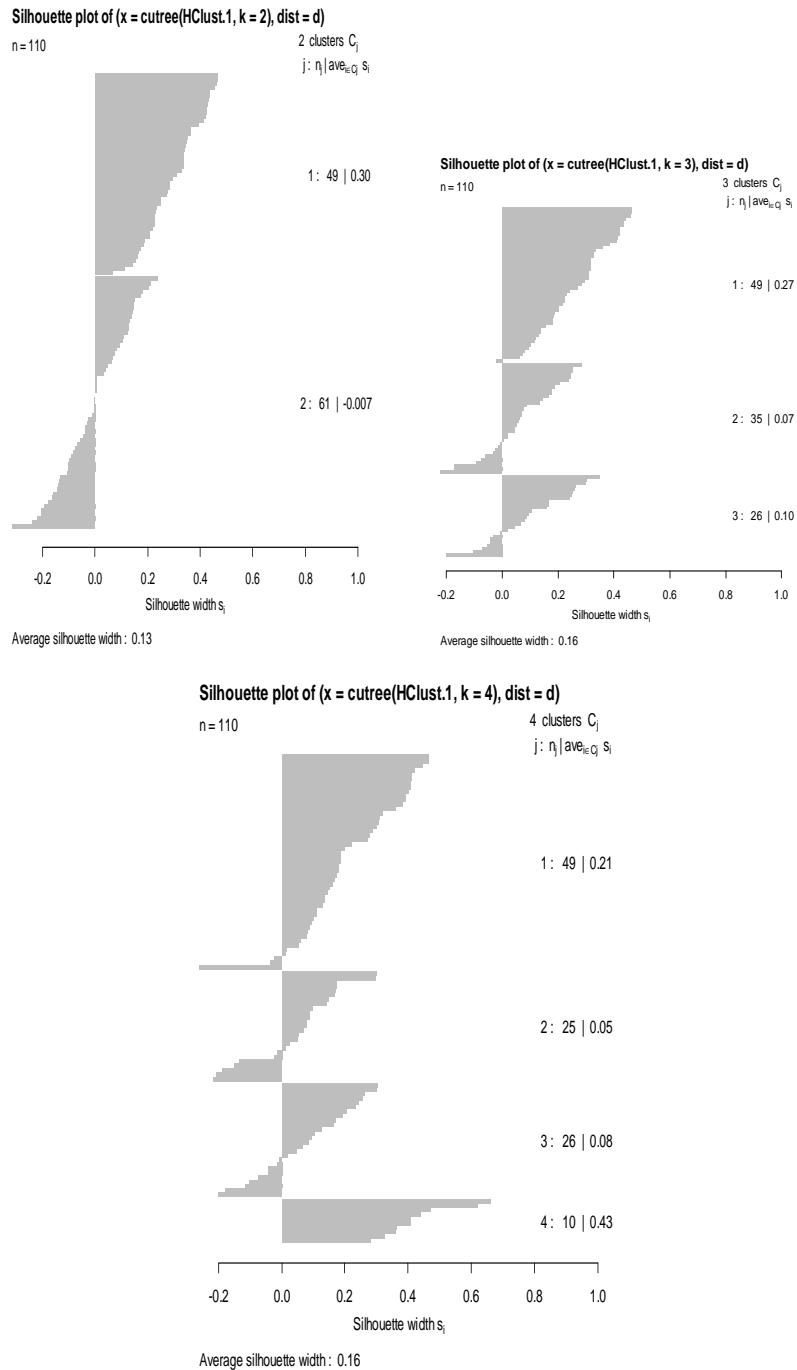


The **silhouette method** is another useful criterion for assessing the number of clusters. A silhouette width close to 1 indicates that the objects are in the right cluster while a silhouette width close to -1 indicates that the objects are in the wrong cluster. In Figure 3.11, we observe that if we choose 2 clusters (i.e., $k=2$), the first cluster has a rather good silhouette width (0.30) meaning that FFs in cluster 1 are rather well-classified. Cluster 2 in turn has a silhouette width equal to -0.007; this means that FFs in this cluster are not well-classified. On the contrary, if we choose 3 or 4 clusters (i.e., $k=3$ or $k=4$), the silhouette width is greater (the sum of the silhouette width for each cluster). In this example (Figures 3.10 and 3.11), the analysis of these 3 criteria (dendrogram, CH criterion, and silhouette criterion) allows us to conclude that three clusters correspond to a natural partition of the data.

Cluster analysis is a technique that depends on the choice of the distance and the aggregation method. It is important to choose a distance that makes sense for the type of data we have and that are used and recognized in the literature. In addition, to apply the distance on the same criteria (because it appears to be more logical) we decided to do this only on the variables with all information available. This means that the sample of 110 FFs used to conduct the cluster analysis

corresponds to the 110 FFs (out of 136 FFs) for which we have full information on the eight strategic levers.

Figure 3.12 - Choice of the number of clusters - Silhouette width



3.3.3. Regression analysis

Regression analysis is the second statistical method we used. The idea of regression analysis is to study the existence of relationship between a dependent variable (i.e., the variable we aim to explain) and independent variables (i.e., the variables that may explain the dependent variable to a certain extent). In other words, it allows the value or the modality taken by the independent variable to be predicted based on the dependent variables. This involves exploring the data and verifying the possible associations between variables leading to the formulation of hypotheses.

In our specific case, we aim to investigate the relationship between strategic choices (dependent variables) and the profile of the founder (independent variables). We want to study if the age, gender, education, and the professional experience of a founder may influence the choices made on strategic levers. For this analysis, we will not consider the eight strategic levers of the conceptual framework and we will focus on those that correspond to the adoption of new philanthropic practices (Chapter 6).

We use a **logit regression** that is suitable in the case of target independent variables which are binary variables. This type of regression models the occurrence of an event (the probability of success of this event) when the “value” of the independent variables are known. In our case, it thus models the choice of a specific strategic choice (among the two possibilities) given the profile of the founder. The main advantage of the logit regression is the use of the logit function (i.e., $\text{logit}(p) = \ln\left(\frac{p}{1-p}\right)$) that leads to easily interpretable results in terms of an **Odds** (i.e. an opportunity ratio: the probability of success divided by the probability of failure).

If π the probability of observing the event $Y=1$ (versus 0) (the probability of success), then the log Odds (logit transformation) can be expressed as a linear function of the parameters of the model with p predictors (i.e., independent variable):

$$\ln\left(\frac{\pi}{1-\pi}\right) = \beta_0 + \beta_1 X_1 + \dots + \beta_p X_p.$$

This means that the predicted probability (i.e., the probability of success) is the following:

$$P(Y = 1 | X_1, X_2, \dots, X_p) = \frac{\exp(\hat{\beta}_0 + \hat{\beta}_1 X_1 + \dots + \hat{\beta}_p X_p)}{1 + (\exp(\hat{\beta}_0 + \hat{\beta}_1 X_1 + \dots + \hat{\beta}_p X_p))}.$$

In our case, $Y=1$ will correspond to the choice of a specific modality for the strategic lever (for example, if we aim to model the degree of diversification, the success or the occurrence of an event could be the choice of being active in a niche). The predictors X in turn correspond to the characteristics of the founder such as age, education, etc. Further to this, if a young founder has three chances out of four to be niche-active against one chance out of four to be cross-sectional active, the odds will be equal to 3 (i.e., 3 against 1). Because the odds is greater than 1, it means that the choice of being active in a niche (rather than in several fields) is more likely if the founder is young. An Odds equal to 1 would correspond to the independence between the age and the choice regarding the degree of diversification. Finally, an odds smaller than 1 would mean that the choice of being active in a niche is less likely for young founder. It is also possible to compute an **odds-ratio** that is a ratio of odds. It allows comparing the change of modality in terms of odds of a variable compared to the reference category. If we come back to the previous example and if an old founder has one chance out of five to be niche active (and four chances out of five to be cross-sectional active), the corresponding odds is equal to $\frac{1}{4}$, the odds-ratio for being active in a niche, for a young founder compared to an old founder, will be equal to 3 divided by $\frac{1}{4}$ (i.e. 12). This odds-ratio, greater than one, means that there is a higher opportunity for a young founder to be active in a niche compared to an old founder. We will return to this in Chapter 6.

In addition to the variables corresponding to the profile of the founder, we will also integrate control variables. These are included because they may contain a portion of the information on the variation of the dependent variable. In other words, these variables may influence the dependent variables and if we do not consider them, we may obtain biased estimators.

As was the case for the cluster analysis, we were confronted with the issue of missing data in the case of the regression analysis. We are led to determine the combination of explanatory variables we will consider in our model. To do this, different methods exist (Yamashita, Yamashita, and Kamimura 2007). We used the Akaike Information Criterion (AIC) method (Akaike 1974). This criterion is a combination of the deviance of the model and the number of parameters. AIC thus represents a good compromise between the bias (that decreases with the number of parameters) and the parsimony (the need to describe the data with the number of parameters as low as possible). It consists of starting with a candidate model with all the explanatory variables (including the control variable) and then iteratively removing the least significant explanatory variable. The idea is to select from among the candidate models (i.e., the different combinations of explanatory variables) the model that minimizes the information loss. It is rigorously necessary that the compared models all derive from the same complete model (Burnham and Anderson 2002). This means that in order to be able to

compare the candidate model (and to select the model with the lower AIC), we have to work on a database without missing data. This is why we proceed with a sample of 101 FFs in the analysis in Chapter 6.

3.4. Conclusion

In this chapter, we presented our field of investigation, which is the foundation sector in Belgium. Knowledge of the specificities of the field is crucial for when we will interpret our results (Chapters 4, 5 and 6). In addition, we also detailed how we proceeded in collecting the data, and we underline the different methodological steps we realized. We finally present the two main statistical techniques (cluster analysis and regression analysis) which we will apply in the next chapters.

We now have all the field-related and methodological elements to conduct the analysis of the data collected. To make sense of our results, in the next chapters, we follow a process of going back and forth from our results to the literature.

4 | STRATEGIC PATTERNS OF FINANCING FOUNDATIONS: THE CASE OF BELGIUM

In the first three chapters, we have defined the object and the context of our research and have presented our methodology. For our empirical research, we adopt a quantitative method. From this chapter, we begin the analysis of the data collected through the comprehensive survey conducted of the foundation sector in Belgium. In particular, in this chapter, we aim to investigate the existence of strategic patterns among the FFs in Belgium based on the strategic conceptual framework developed in Chapter 2 in order to answer our second research question: “**are there different strategic models among FFs?**”

To do this, we use **cluster analysis** which is an exploratory statistical method. This method allows us to group FFs that present similar strategic patterns based on measurable and objective criteria. This is the creation of groups of FFs that make similar strategic choices on the eight strategic levers identified in Chapter 2 and that differ significantly from each other. The exploratory character of this method is suitable in our case because we do not know *a priori* what these groups could be.

If we refer to the recent evolutions in the field of philanthropy, one could think that the only strategic model that is valid is one in line with the prescriptions of venture philanthropy. The reality is more complex; each FF is led to make choices in order to achieve its mission, independently of the fact that these choices are considered strategic in the sense of the “new” philanthropy.

The format of this chapter differs of that of previous chapters. Our objective is to submit the results of this analysis to the academic journal *Nonprofit and Voluntary Sector Quarterly*³¹. The structure of this chapter is thus as close as possible to an academic paper that could be submitted. This means there are unavoidable repetitions (contextualization, presentation of the conceptual framework developed, and methodological elements); these were necessary to be able to consider this chapter as a stand-alone academic paper.

This “chapter” is structured as follows: we first contextualize the research and then briefly present the strategic dimensions on which we have relied to conduct the cluster analysis (this first part thus encompasses elements that have already been developed in Chapters 1 and 2). The results of our analysis are then

³¹ <http://journals.sagepub.com/home/nvs>

presented and discussed (this part includes methodological elements of Chapter 3).

Abstract

*This article innovates by examining, with quantitative methods, strategic patterns of financing foundations (FFs) which are a specific type of philanthropic foundation whose core activity is to finance recipients. The authors use a sample of 110 FFs in Belgium that were tested according to a hierarchical cluster method. They show that among Belgian FFs three distinct strategic groups emerge: **proximate charitable philanthropy**, **high-engagement philanthropy**, and **international impact-driven philanthropy**. With empirical evidence, these results give valuable knowledge on the practices of European Foundations. They challenge the usual Manichean vision of philanthropy, dichotomized between the “old” and the “new” philanthropy. To end, future research avenues are proposed.*

***Keywords:** philanthropy, foundations, financing, strategic group*

Contextualization

While the term “philanthropy” itself had almost fallen into disuse in some European countries a few decades ago, the field of philanthropy is now experiencing unprecedented changes in Europe where a revival is observed (Schuyt 2010). In recent decades the number of foundations, considered the archetypal philanthropic organization (Rey-Garcia and Alvarez- Gonzalez 2011), has exploded and so has their economic weight. In Europe, the number of foundations exceeds 147,000 in 2016 with corresponding total expenditures of more than 60 billion euros³². Also, the legal framework governing foundations has evolved in many European countries³³, indicating a high interest in this type of organization.

Philanthropy is no longer just for the emblematic philanthropic countries such as the United States or the United Kingdom. Philanthropy has also developed in European countries where public interest had been almost exclusively the responsibility of the Welfare State since the Second World War. However, the potential of philanthropy in this context has not yet been fully realized (Schuyt 2010). Foundations lack visibility and transparency; the practices of foundations

³²[http:// www.dafne-online.eu](http://www.dafne-online.eu)

³³ <http://www.efc.be>

are still considered to be black boxes (Bekkers 2003). Foundations are often viewed with suspicion and mistrust; this is accentuated by the fact that foundations benefit from an advantageous tax system.

Originally, foundations were established by religious institutions in order to alleviate the circumstances of poor, disabled, or sick people. Hospitals, schools, and orphanages were amongst the first institutionalized forms of philanthropy. Built on religious values such as compassion, asceticism, sharing, etc. (de Swaan 1988), the essence of the foundation was to give and to help others. In the literature, this form of philanthropy usually refers to charity (Schuyt 2010). In this approach, also qualified as traditional philanthropy, little attention is given to the effect of the gifts; there is no talk of the impact created or how to measure it. What matters is to give money away, to do the right thing.

This apparent shortage in thinking around philanthropic action has led some authors to deplore the lack of strategy among foundations (e.g. Porter and Kramer 1999; Anheier and Daly 2004; Sandfort 2008). While the nineteenth century saw the emergence of charitable foundations, the twentieth century saw their transformation into philanthropic foundations. The traditional approach to philanthropy has been reconsidered because of changes in global society over the last two decades and increases in wealth creation and inequality (Anheier and Leat 2002). It is in this context that venture philanthropy emerges at the end of the 90s in the United States' "Silicon Valley". Since then it has also spread in Europe. Venture philanthropy positions itself as being essentially strategic (John 2006); it somehow self-proclaims as being the strategic approach. This approach is also frequently described as philanthropy 2.0, strategic philanthropy, or commitment philanthropy (John 2006; Katz 2005). Venture philanthropy goes a step beyond charity (Bammi and Verma 2014); it outlines the importance of considering the philanthropic action in order to ensure its effectiveness. We have moved from the paternalistic figure of the philanthropist to that of the investor who wants to create and measure the impact produced.

Venture philanthropy prescribes a set of characteristics that need to be fulfilled in order to be effective and to carry out objectives. The ideal practices of venture philanthropy promoted by the European Venture Philanthropy Association (EVPA) encompass high engagement through the creation of a hands-off relationship with the recipients, as well as the support of capacity building, the provision of tailored-made financing including grants, debts, or equity (or a mix of these) over a multi-year perspective, the provision of additional non-financial support such as expertise, access to networks etc., and the measurement of performance (Mair and Hehenberger 2014).

The arrival of venture philanthropy in the foundation sector raises several questions. What does venture philanthropy suggest? Does it mean that other foundations are not strategic? Does it mean that all foundations are impelled to evolve in this direction? Venture philanthropy pushes foundations to be aware of the choices they make in order to effectively achieve their mission. It, by definition, brings the idea of strategy to the field. However, to study the strategy of foundations it is not enough to limit oneself to the normative requirements proposed by venture philanthropy. All foundations probably have a strategy, an idea of the mission they want to carry out and the path to achieve it. This is what we aim to investigate in this paper.

In particular, we are interested in a specific type of foundation: the financing foundation. A foundation is defined as a **non-profit organization that is private, non-membership based, self-governing, and that serves a public purpose** (Anheier 2001). There is a high diversity among the foundation sector depending, for example, on the type of founders and the mode of action. Grantmaking foundations (whose core activity is to make grants to recipients) are the type of foundation usually regarded as the archetype of modern foundations (Anheier 2001). With the expansion of the modes of giving brought in by venture philanthropy, the term “grantmaking foundation” has become too restrictive. By definition, it only encompasses pure grants and does not include the new additional mechanisms available (e.g. debt, equity). This is why we introduce the terminology “**financing foundation (FF)**” to correct this misalignment between the current practices and the literature. A FF is hence a foundation that finances others through grants, debts and/or equity.

This article is structured as follows: we first present the strategic dimensions we rely on. We then describe our sample and the method used. We finally detail and discuss the three strategic groups of FFs in Belgium that we obtained and design future research avenues.

Strategy for financing foundations (FFs)

To investigate strategy for FFs we consider the strategic variables proposed by venture philanthropy. We translate the strategic prescriptions of venture philanthropy into strategic alternatives that are at the disposal of FFs. We also scrutinize other strategic variables in the literature that are often addressed indirectly. This analysis leads us identify three strategic dimensions for FFs: **scope, supporting vehicle, and monitoring process.**

The dimension of **scope** refers to the strategic choices of FFs in terms of what to fund and whom to fund. In their mission statement, FFs make choices regarding the perimeter they will cover. The scope of FFs' intervention includes not only choices in terms of domain of intervention (such as whether to be diversified or focused) but also of geographical coverage and the type of recipients (e.g. Anheier and Daly 2004; Sandfort 2008; Harrow 2011; Glückler and Ries 2012; Chelimsky 2001; Katz 2005; Lungeanu and Ward 2012; Porter and Kramer 1999; Kahne 1999).

The second dimension, the **supporting vehicle**, finds its anchorage mainly in the methods of venture philanthropy which extend the modalities of support at the disposal of FFs. It includes decisions regarding how to give money away, which financing tools to use, which time horizon, and the level of engagement (such as through the provision of additional non-financial support or the financing of capacity building) (e.g. Quinn Patton, Foote, and Radner 2015; Frumkin 2006; Buckland, Hehenberger, and Hay 2013; Katz 2005).

Finally, the strategic dimension **monitoring process** encompasses the choices regarding the procedures and methods that are put in place in order to control and monitor the work of FFs. In particular, it includes the composition of the board (e.g. Harrow 2011; Boesso et al. 2012) and the reporting requirements in terms of impact (Mair and Hehenberger 2014).

Strategy for FFs is a combination of choices regarding these three dimensions. Our assumption is that the positioning on controllable variables (that we call strategic levers) makes a system in terms of scope, supporting vehicle, and monitoring process. A fine description of the strategic choices made by foundations deepens our understanding of the foundations' strategy and helps to identify strategic models.

Data collection

To inform the strategic practices of foundations, we conducted a comprehensive survey through an online questionnaire among the foundation sector in Belgium. To date, the academic research on the foundation sector in Belgium is rather scarce. However, more than ten years after a major legal change, the Belgian foundation sector is growing. It has started to become more professional (Gijssels 2008) and is structuring itself through, among other aspects, the creation of a network (Belgian Network of Foundations) and the organization of workshops and conferences.

Population

The sample population includes all organizations under the legal status of foundations that pursue a public purpose³⁴. It is not possible to identify *a priori* the FFs; this was therefore done through the questionnaire. In Belgium, there was no census of existing foundations. The first challenge the authors were faced with thus has been to create this census by combining different sources. At the end of 2014, 1122 Belgian foundations that pursue a public purpose are identified. The initial population is highly difficult to precisely define; the assumption is made that the actual number of foundations in Belgium is lower because of inactive foundations. For 49% of the foundations listed in the initial population, there is no publicly available contact information (i.e., telephone number and/or email address) in addition to the mailing address provided in the statutes; this may mean that a portion of the foundations are not active.

Survey

The 1122 foundations were contacted by mail and invited to answer an online survey available in French and Dutch, with a personal access code. Telephone reminders were conducted in the subsequent weeks. The aim of the questionnaire was broader than the needs of this research and collected data not only on the three strategic dimensions (i.e., scope, supporting vehicle, and monitoring process) but also on the foundation itself, the profile of the founder, and the financial profile of the foundation. We present in Table 4.1 the specific questions we have drawn on in this research as well as the corresponding indicators created in order to empirically investigate the strategic patterns among foundations in Belgium. To build the indicators, we have explored different possibilities (e.g. for degree of diversification, we test the use of two or three modalities including a medium degree of diversification) in order to have enough information and to be able to easily interpret the results. In addition, a level of segmentation limited in order to be able to further conduct the cluster analysis and the related analysis

³⁴ In Belgium, there are two legal statuses for foundations: the legal status of public benefit foundation and that of a private foundation. By definition, the foundations under the legal status of public benefit foundation pursue a public purpose (i.e., amongst seven objectives defined in the law: cultural, philosophical, religious, philanthropic, pedagogic, artistic, and scientific). However, a foundation under the legal status of private foundation can serve a public purpose or more private ones (e.g. preserve family heritage, take care of a disabled child). Based on the publication of the legal statuses in the Belgian Monitor, we realized independent coding of the mission statement of the private foundations in order to identify the private foundations that are in our scope.

given the limited size of our sample (e.g. for contingency tables and the associated chi-squared test, a minimum of counts is needed in each category).

After exploratory analysis, we finally choose four indicators that are binary variables and five indicators that are categorical variables.

Table 4.1 - Indicators

Dimension	Strategic levers	Survey - Corresponding question	Indicators
SCOPE	Degree of diversification	2.15 In what domain(s) does the foundation deploy activities? (Multiple answers possible) <input type="checkbox"/> Social action <input type="checkbox"/> Sports, Leisure <input type="checkbox"/> Arts and culture <input type="checkbox"/> Education <input type="checkbox"/> Health <input type="checkbox"/> Science <input type="checkbox"/> Environment <input type="checkbox"/> Local development <input type="checkbox"/> Entrepreneurship <input type="checkbox"/> International development <input type="checkbox"/> Civic society <input type="checkbox"/> Spirituality <input type="checkbox"/> Other	<u>Degree of focus:</u> Niche (if the foundation deploys its activity in one single domain) Cross-sectional (if the foundation deploys activity in more than one domain)
SCOPE	Geographical coverage	2.20 The activities executed / supported by the foundation primarily happen (<i>one single answer</i>) <input type="checkbox"/> In Belgium <input type="checkbox"/> In Europe (outside Belgium) <input type="checkbox"/> Outside of Europe	<u>Country coverage:</u> Belgium (if the foundation is active mainly in Belgium) Outside Belgium (if the foundation is active mainly outside of Belgium)

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Dimension	Strategic levers	Survey - Corresponding question	Indicators
		2.21 The foundation mainly operates at a <i>(one single answer)</i> <input type="checkbox"/> local scale (community of persons / village level) <input type="checkbox"/> regional scale <input type="checkbox"/> national scale	<u>Scale of coverage:</u> Local Regional National
SCOPE	Recipient type	3.1 The foundation... ... allocates gifts to individual persons <input type="checkbox"/> Yes <input type="checkbox"/> No ... allocates gifts to organizations (e.g. not-for-profit organizations, universities, museums, etc.) <input type="checkbox"/> Yes <input type="checkbox"/> No ... allocates loans to individual persons <input type="checkbox"/> Yes <input type="checkbox"/> No ... allocates loans to organizations (e.g. not-for-profit organizations, Universities, museums, etc.) <input type="checkbox"/> Yes <input type="checkbox"/> No ... has investments in organizations (shareholder) <input type="checkbox"/> Yes <input type="checkbox"/> No ... directly executes its own programs <input type="checkbox"/> Yes <input type="checkbox"/> No ... maintains a (cultural / artistic /	<u>First line beneficiary:</u> Individuals (if the foundation exclusively supports individuals) Organizations (if the foundation exclusively supports organizations) Both individuals and organizations (if the foundation supports both individuals and organizations)
SUPPORTING VEHICLE	Financing tools		<u>Financing type:</u> Grants (if the foundation supports recipients exclusively with grants) Mixed (if the foundation supports recipients with grants and/or loans and/or

Dimension	Strategic levers	Survey - Corresponding question	Indicators
		environmental / etc.) heritage <input type="checkbox"/> Yes <input type="checkbox"/> No	investment)
SUPPORTING VEHICLE	Additional non-financial support	3.21 In addition to its financial contribution, does the foundation also provide non-financial support ? <input type="checkbox"/> Yes <input type="checkbox"/> No	<u>Additional non-financial support:</u> Yes (if the foundation provides recipient with non-financial support) No (if the foundation provides recipients exclusively with financial support)
SUPPORTING VEHICLE	Time Horizon	3.17 During the past 3 years, the foundation has mainly allocated gifts to organizations of the following nature (<i>one single answer</i>) <input type="checkbox"/> yearly and non-renewable (1 year maximum) <input type="checkbox"/> yearly and renewable (1 year, renewable) <input type="checkbox"/> engagement covering multiple years, please specify the typical number of years : years <input type="checkbox"/> unlimited duration (permanent engagement, no fixed end date)	<u>Time horizon:</u> Short-term (the foundation engages with recipients on a duration less than 3 years) Medium-term (the foundation engages with recipients on a duration between 3 and 5 years) Long-term (the foundation engages with recipients on a duration greater than 5 years)

Dimension	Strategic levers	Survey - Corresponding question	Indicators
		<p>3.8 In the past 3 years, the foundation has primarily allocated loans to organisations at a (<i>one single answer</i>)</p> <ul style="list-style-type: none"> <input type="checkbox"/> very short-term basis (less than 1 year) <input type="checkbox"/> Short-term basis (1 to 3 years) <input type="checkbox"/> medium-term basis (3 to 5 years) <input type="checkbox"/> Long-term basis (more than 5 years) 	
MONITORING PROCESS	Impact requirements	<p>3.29 What are the requirements that an organization or individual supported by the foundation has to fulfil ? (<i>multiple answers possible</i>)</p> <ul style="list-style-type: none"> <input type="checkbox"/> No obligations <input type="checkbox"/> Financial justifications, demonstrating the good use of the obtained funds (invoices, etc.) <input type="checkbox"/> Description of the tangible results of the projects (e.g. number and profile of beneficiaries, hours of training delivery, overview of activities, etc.) 	<p><u>Impact requirements:</u></p> <p>Yes (if the foundation requires the description of the impact of the projects and/or the evaluation of the project's impact through indicators or similar measures)</p> <p>No (if the foundation has no requirements or requires only financial justification and/or description of the tangible results of the projects)</p>

Dimension	Strategic levers	Survey - Corresponding question	Indicators
		<input type="checkbox"/> Description of the impact of the projects on the target public / sector / activity domain, through e.g. surveys or testimonies <input type="checkbox"/> Evaluation of the project's impact, through indicators or similar measures <input type="checkbox"/> Other	
MONITORING PROCESS	Board's composition	6.3 How many of the members of the Board of Directors ... have specific expertise in the operating field of the foundation ? ... have expertise in a specific management field (finance, fiscal, legal, accounting, etc.) ?	<u>Expertise:</u> Regular (if less than 50% of the directors are experts in management and of the field) High in management (if 50% or more of the directors are experts in management) High in field (if 50% or more of the directors are experts of the field) High both management and field (if 50% or more of the directors are experts in management AND 50% or more of the directors are experts in the field)

Sample

136 FFs³⁵ completed the online survey; among them, we use a subsample of 110 FFs for which respondents have provided with the full information needed for clustering (i.e. corresponding to the indicators built). We are not able to compute an answer rate based on the sample of 110 FFs because we do not know which foundations are FFs in the initial population. This underlines the exploratory character of our analysis. The corresponding implicit assumption is that the initial population of foundations adequately represents the initial population of FFs. We test the representativeness of the sample based on the initial population. The sample is representative of the initial population³⁶ according to the **region of establishment** (level 5%), the **period of creation**, and the existence of **paid staff** (level 1%)³⁷. These variables are relevant for the study of strategy. Because venture philanthropy appears in the early 2000s, the strategic choices of FFs may be influenced by the period of creation of the FFs. The existence of paid staff is a proxy for the size of the FF, which may have an impact on the strategic choices adopted. Finally, the region of establishment is important to take into account the specificities of Belgium. Table 4.2 provides a comparison between the initial population of Belgian foundations that serve a public purpose and the final sample of 110 FFs used for clustering.

³⁵ FF refers to foundations that exclusively finance recipients, and also foundations that are mixed (i.e., that combine an operating and a financing activity).

³⁶ The details of the representativeness tests are given in Appendix 3.

³⁷ The foundations under the legal status of private foundations are under-represented in the sample. This bias can be explained by the very private nature of this type of organization who are not likely to make information publicly available (based on telephone reminders which have been conducted).

Table 4.2 - Sample description

	Population (n= 1122)	Sample (n= 110)
Legal status		
PF	55%	35%
PBF	45%	65%
Region of establishment		
Brussels	43%	45%
Flanders	34%	25%
Wallonia	23%	30%
Year of creation		
1922- 1975	8%	10%
1976-2002	16%	25%
2003-2014	76%	65%
Existence of paid staff		
No	88%	80%
Yes	12%	20%

The distribution of the sample according to these 9 indicators is presented in Table 4.3. For two indicators, the sample is well-balanced: degree of diversification (i.e., 55% niche and 45% cross-sectional) and additional non-financial support (i.e., 48% no and 52% yes). FFs in the sample are mostly active in Belgium (81%) and at a national level (50%). One third (i.e., 29%) of FFs exclusively support individuals while 26% and 45% respectively exclusively support organizations and both individuals and organizations. In addition, 73% of FFs support recipients exclusively with grants and 68% on a short-term basis. 63% of FFs do not have any requirements in terms of impact. This does not mean that FFs do not require any reporting but that they do not cover the evaluation of impact. And, finally, 72% of FFs have a board with a high expertise, either in management, field, or both.

Table 4.3 - Sample distribution

	Count (110)	%	
SCOPE	Degree of diversification		
	Niche	61	55%
	Cross-sectional	49	45%
	Country coverage		
	Belgium	89	81%
	Outside Belgium	21	19%
	Scale of coverage		
	Local	26	24%
	Regional	29	26%
	National	55	50%
SUPPORTING VEHICLE	Recipient type		
	Individuals	32	29%
	Organizations	29	26%
	Individuals and organizations	49	45%
	Financing tools		
	Grants	80	73%
	Mixed (Grants, debts and/or equity)	30	27%
MONITORING PROCESS	Time horizon		
	Short-term (< 3 years)	75	68%
	Medium-term (Between 3 and 5 years)	19	17%
	Long-term (> 5 years)	16	15%
	Additional non-financial support		
Yes	57	52%	
No	53	48%	
MONITORING PROCESS	Impact requirement		
	Yes	41	37%
	No	69	63%
	Board expertise		
	Weak	31	28%
	Management	22	20%
	Field	33	30%
Both field and management experts	24	22%	

Cluster analysis: method and findings

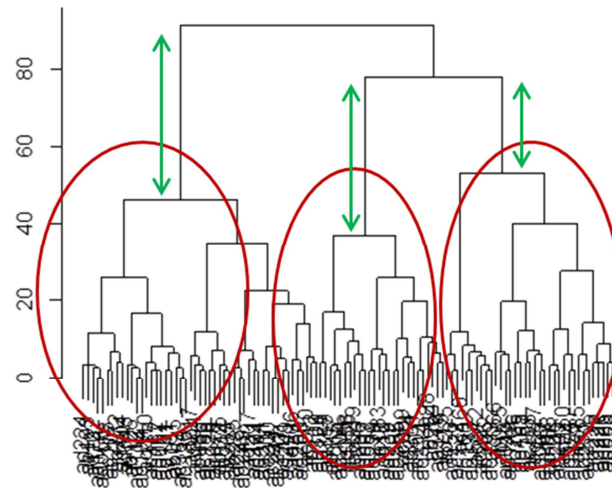
Method

Clustering is a relevant method to identify and delineate groups within an industry (Domanski 2010). While this method has been extensively applied in the for-profit sector, its application in the non-profit sector is rather rare (Domanski 2010). This may be partly due to the difficulty of collecting data in the non-profit sector; in particular, the qualitative nature of the information collected requires an adaptation of the statistical methods in order to take into account the qualitative character. As far as we know, our research is the first attempt to empirically derive strategic groups in the field of philanthropy in Europe.

Strategic groups refer to the grouping of organizations that have similar business models or strategy. Cluster analysis is essentially an exploratory technique and fits our research purpose because we do not know *a priori* the number of clusters. We make the assumption that there are a limited number of strategic patterns among FFs that are more complex than the literature may suggest.

The nine indicators presented in Table 4.1 are qualitative variables. Beside the fact that Squared Euclidian distance is often used in the literature (Domanski 2010), it is easily interpretable in our case: it corresponds to the number of modalities in which the FFs differ from each other. We then compute the distance of the binary variables (i.e., each categorical variable is transformed into binary variables each corresponding to a modality of the categorical variable). We use the Ward technique and the software R.

The choice of the number of clusters is a difficult issue and there are plenty of measures to determine the optimal number of clusters (Charrad et al. 2014). Based on the analysis of the dendrogram (Figure 4.1), the CH criteria (Caliński and Harabasz 1974), and the silhouette criterion (Rousseeuw 1987), we postulate that three clusters emerge (Table 4.4).

Figure 4.1 - Number of clusters: dendrogram

(the red circles represent three clusters for which the distance of aggregation (green arrows) is significant)

Table 4.4 - Number of clusters: CH and silhouette criterion

Number of clusters	CH criterion	Silhouette width
2	10.51	0.13
3	10.54	0.16
4	9.74	0.16

Findings

Three strategic groups emerge with respectively 49, 35, and 26 FFs. The composition of the three clusters according to the nine strategic levers is given in Table 4.5. This table is built based on the contingency tables. Seven out of the nine indicators are significant in relation to the three clusters (chi-squared test with $p\text{-value} < 5\%$). This means that, except for the indicators of scale of coverage and board expertise (that appear in grey in Table 4.5), the indicator belonging to one of the three clusters significantly depends on the modality taken on the strategic levers. Based on this table, we are able to identify common patterns for FFs inside each cluster (the boxes shaded) as well as stronger links between indicators and clusters evidenced in bold (identified based on the component of the chi-squared test).

Table 4.5 - Composition of the clusters according to the strategic indicators

		Ward & Squared Euclidian distance	Cluster 1	Cluster 2	Cluster 3
		Total FFs	49	35	26
PERIMETER	Focus degree				
	<i>Niche</i>	80%	49%	19%	
	<i>Cross-sectional</i>	20%	51%	81%	
	Country coverage				
	<i>Belgium</i>	98%	100%	23%	
	<i>Outside Belgium</i>	2%	0%	77%	
	Recipient type				
	<i>Individuals</i>	53%	3%	19%	
	<i>Organizations</i>	41%	43%	54%	
	<i>Both individuals and organizations</i>	6%	54%	27%	
	Scale of coverage				
<i>Local</i>	24%	23%	23%		
<i>Regional</i>	24%	29%	27%		
<i>National</i>	51%	49%	50%		
SUPPORTING VEHICLE	Financing tools				
	<i>Grants</i>	94%	34%	85%	
	<i>Mixed</i>	6%	66%	15%	
	Time horizon				
	<i>Short-term</i>	90%	29%	81%	
	<i>Medium-term</i>	4%	37%	15%	
	<i>Long-term</i>	6%	34%	4%	
	Additional non-financial support				
<i>Yes</i>	35%	60%	58%		
<i>No</i>	65%	40%	42%		
MONITORING PROCESS	Impact requirements				
	<i>Yes</i>	29%	31%	62%	
	<i>No</i>	71%	69%	38%	
	Board expertise				
	<i>Weak</i>	41%	14%	23%	
	<i>Field</i>	22%	31%	42%	
<i>Management</i>	22%	23%	12%		
<i>Field and Management</i>	14%	31%	23%		

Scope is a strategic dimension on which different strategic patterns emerge among FFs. The strategic lever degree of diversification is a discriminating strategic choice especially for clusters 1 and 3. While FFs in cluster 1 are highly focused

and active in a niche, in cluster 3 FFs have a cross-sectional action. Clusters 1 and 2 contain FFs that are (almost) exclusively active in Belgium while cluster 3 includes FFs with an international scope. FFs in cluster 1 support more individuals while FFs in cluster 3 rather choose organizations as recipients. The strategic lever scale of coverage is not a discriminating factor for belonging to one specific cluster.

FFs also differ across the three clusters on the characteristics of the support they provide to their recipients (i.e., strategic dimension supporting vehicle). Clusters 1 and 3 support recipients mainly with grants while cluster 2 includes FFs that use mixed tools; FFs in cluster 2 employ not only grants but also debt or equity to support their recipients. FFs belonging to cluster 2 are also engaged for a longer period of time with their beneficiaries (contrary to clusters 1 and 3 for which FFs support recipients on a short-term basis). Furthermore, in addition to the financial means, FFs in clusters 2 and 3 give non-financial support.

Finally, the third strategic dimension (i.e., monitoring process) reveals distinctive characteristics between the three clusters. FFs in cluster 3 require their recipient to provide them with reports in terms of impact while FFs in clusters 1 and 2 do not. While the link between belonging to clusters and the expertise of the board is not statistically significant, we observe that the expertise of the board of FFs in cluster 1 seems lower than in clusters 2 and 3. FFs in cluster 2 appear to have higher expertise in management and in the field. FFs in cluster 3, in turn, evidence a higher field expertise.

Identity card of the clusters

In addition, beside the characterization of the three clusters in terms of the strategic levers, a detailed “identity card” of the clusters can be drawn up based on the additional data gathered with the survey (the detailed results are given in Appendix 4). By using this information, we can derive more details on the profile of the foundations in each cluster. In terms of the region of establishment, cluster 3 includes rather FFs located in Flanders. The proportion of FFs in terms of legal status and type of foundations (i.e. mixed or pure financing foundation) is similar between the three clusters. In clusters 2 and 3, there are more young foundations (created after 2003). In addition, in cluster 1, there is the smaller proportion of FFs that belong to a network. Cluster 3 has the higher proportion of FFs that rely on paid staff and on volunteers.

Furthermore, the financial profile of FFs between the clusters also differs. The total of assets of FFs in cluster 2 is bigger compared to clusters 1 and 3 as well as

the initial endowment and the total amount of equity as of the end of 2013. The initial endowment of FFs in cluster 1 and 3 are lower. Despite the fact that FFs in cluster 1, compared to cluster 3, had a higher endowment, at the end of 2013, the total of equity is lower. In cluster 1, more FFs use their available financial resources to finance their recipient. Nevertheless, FFs in cluster 1 also use the proceeds of their investment to support their recipient as well as FFs in cluster 2.

Three strategic groups among FFs in Belgium

To be able to characterize the strategy inside each of the three clusters presented in Table 4.5, we accentuate the corresponding features (i.e., for each strategic lever there is not a perfect match (100%) for a specific modality). The results obtained by clustering give directions and tendencies but do not have to be considered in absolute terms, they are exploratory. The key patterns of the three strategic groups are given in Table 4.6.

FFs in cluster 1 make grants; they are active in their own country in a single field of intervention. In addition, they mainly support individuals. We label the strategy of FFs in cluster 1 “**proximate charitable philanthropy**”. FFs in cluster 2, in turn, adopt a strategy that we qualify as more engaged. Their relationship with their recipient is rather longer term, they tailor their support by diversifying their financial tools and they provide their recipients with additional non-financial support. We label the strategy of FFs in cluster 2 “**high-engagement philanthropy**”. Finally, in cluster 3 we find FFs that are mainly active outside Belgium in more than one field of activity; they use classical grants but they have impact requirements. We label the strategy “**international impact-driven philanthropy**” for FFs in this cluster.

Table 4.6 - Cluster characterization

	Proximate charitable philanthropy	High-engagement philanthropy	International impact-driven philanthropy
SCOPE	Niche	Niche & cross-sectional	Cross-sectional
	Belgium	Belgium	Outside Belgium
	Individuals	Both individuals and organizations	Organizations
SUPPORTING VEHICLE	Grants	Grants/Loans/Equity	Grants
	Short-term	Medium/long-term	Short-term
	No additional non-financial support	Additional non-financial support	Additional non-financial support
MONITORING PROCESS	No impact requirement	No impact requirement	Impact requirement
	Weak expertise	High expertise (Field and management)	High Field expertise

Group 1 - Proximate charitable philanthropy

This group has the largest number of FFs (44% of the sample). The strategy “**proximate charitable philanthropy**” rather corresponds to the idea of charity but it also nuances it.

The strategic choices that mainly refer to this model of charity are those of the supporting vehicle and monitoring process. The approach is rather traditional: the foundations make grants without additional non-financial support and on a short-term basis. In this sense, FFs are not highly implicated with their recipient. In addition, the board has a low expertise and the strategy of FFs in this cluster does not include impact requirements. What appears to be at the heart of their strategy is the act of giving. Nevertheless, the apparent absence of an impact requirement can be mitigated. It does not necessary mean that FFs are not interested in the achievement of their objectives but that they do not require reporting that covers impact.

The fact that FFs mainly support individuals directly (this could be a specific feature of the Belgian sector) causes different issues. Because there is no intermediary as such, the issue of impact differs. On the one hand, by supporting individuals the action is more concrete, FFs “see” what they contribute. On the other hand, the nature of the impact created differs. FFs cannot ask their grantees to provide them with impact reporting in the sense that their support is mainly assistance (e.g. scholarships). Additionally, the individuals have a vision that is rather limited to them. Furthermore, the strategy of FFs in cluster 1 may be not driven by the realization of something *ex-post* but rather by the recognition of something already done (e.g. a prize). This cluster encompasses FFs for which the vision of strategy is not investment. This type of strategy leaves space for something other than investment, for example give recognition by awarding someone.

The label “proximate” makes sense not only because FFs in this cluster are active in Belgium. The choice of this term is also motivated by the fact that FFs support individuals. This means that there is a personalization of the relationship with the grantee. This thus creates a kind of proximity to them. Because they support individuals, even if formally FFs in cluster 1 do not provide their recipient with additional non-financial support, we could think that the grantees have access informally to additional support because of this proximity.

Finally, what challenges the idea of charity in group 1 is the very narrow perimeter. FFs in cluster 1 move away from the idea of spreading their support; they distance themselves from the idea of the unthinking “coup de cœur”. While authors such as Porter and Kramer (1999) deplore that foundations parcel out their support, FFs in cluster 1 make clear choices in terms of scope. The strategy of FFs can thus be focused and charitable, these are not necessarily opposites. This could also be explained by the fact that we can find in this cluster smaller organizations that do not have the financial means to intervene in several fields.

If we refer to the concept of warm solidarity and cold solidarity introduced by Pierre Rosanvallon (1981), the strategy of FFs in this first group can be assimilated to warm solidarity. The warm solidarity is anchored in the family, friendly, or associative relationship of proximity. It is made of interest, solicitude, and attention (Savidan 2015). On the contrary cold solidarity relies on more impersonal mechanisms, it is more institutionalized. For example, the principle of the Welfare State is mainly cold solidarity. People pay taxes and through this mechanism there is redistribution. Nevertheless, people may not feel that they are in solidarity. According to Rosanvallon (1981), the more the contributor is away from the effects of his gift, the less he takes on solidarity. FFs’ strategy in cluster 1 is hence a close solidarity with real people. The founders of FFs that adopt this type of strategy may need to be proximate in order to feel that they are doing the right thing.

Group 2 - High-engagement philanthropy

The strategy “**high-engagement philanthropy**” appears to be closest to the approach of venture philanthropy (the emblematic approach of the “new” philanthropy). However, it does not fall into the stereotypes in the sense that not all the prescriptions of venture philanthropy are fulfilled.

Strategy of FFs in cluster 2 is close to that advocated by venture philanthropy for three main reasons. First, it encompasses an enlargement of the financing tools used; they not only use grants but also loans and/or equity. The idea is to support the recipient with tailor-made financing. Second, they make strategic choices that outline their high engagement with their recipient: they commit to multi-year support (not only for the loans and equity but also for the grants) and they provide their recipient with additional non-financial support (Grenier 2006). In addition to this, the rather high internal expertise (in particular in management) reinforces the idea of FFs that are being more professional (Boverini 2006); this is in line with “new” philanthropy. Finally, the fact that FFs in this group are exclusively active in Belgium is in line with what is observed in the European Venture Philanthropy

sector (Hehenberger, Boiardi, and Gianoncelli 2014). Most venture philanthropists are active in their own country. This is not a prerequisite as such of venture philanthropy but corresponds to what is observed in the field.

However, not all the ingredients of venture philanthropy are present; surprisingly, they do not have impact requirements. This does not mean that the FFs in this cluster do not require reporting from their recipient but perhaps that they are not yet able to go into the impact itself. Almost 60% of the FFs in this cluster ask their recipients to provide them with a description of the tangible results of the projects (e.g. number and profile of beneficiaries, hours of training delivered, overview of activities, etc.). This is not properly impact but it comes close. In the literature, there is a shift toward what is called “informed output” (Commission Européenne GECES 2014). These are milestones derived from an understanding of the process by which social impact is delivered, which show a high likelihood that the service or product is on track to produce the targeted outcomes and impacts. In addition, FFs in cluster 2 do not distinguish themselves according to the degree of diversification of their actions. We would have expected FFs to be working at a niche level in order to have more impact (Porter and Kramer 1999) but this is not the case. In Belgium, the innovative forms of philanthropy are still at an embryonic stage and do not represent the core activity of the foundations. This could explain why these FFs do not present all the characteristics of venture philanthropy.

Group 3- International impact-driven philanthropy

FFs that adopt an **“international impact-driven philanthropy”** strategy are active outside Belgium. This could suggest a link/comparison with international cooperation. FFs’ strategy in this cluster incorporates some of the characteristics of international cooperation but also challenges the stereotypes we may have in mind. There are some assumptions related to the geographical distances between FFs and their recipients and how to act in this case.

What FFs in cluster 3 share with international cooperation is their choice of scope, and the decisions they make in terms of monitoring process. FFs in this third group are active outside their national borders and they mainly support organizations. This corresponds to how international cooperation acts. Foundations are no longer only concerned with the redistribution of wealth between the North and the South, but refine and adapt to the globalization of society (Edwards 2009). FFs in cluster 3 are not all active in the southern countries, and not all address the classical themes of development cooperation, such as health or social action, but also extend their field of intervention. While

only few foundations are active outside their borders (Edwards 2009) and support from foundations constitutes a very small part of foreign aid (Edwards 2011), foundations are inevitably confronted with worldwide issues in a globalized society (Develtere and De Bruyn 2009); their scope and their modes of action are led to evolve.

The strategy of these FFs is to intervene in several fields, they have a diversified approach. This is in line with the fourth pillar in development aid which encompasses actors, including foundations, that are non-domain specific aid organizations (Develtere and De Bruyn 2009). Furthermore, FFs' strategy in cluster 3 evidences an expertise in their board of directors that is mainly field-related. This is also the type of expertise that prevails in international aid (Kothari 2005).

Finally, FFs in group 3 have requirements in terms of impact. This is not surprising given that the “wave of impact” takes its source in development cooperation (Alnoor Ebrahim and Rangan 2014). The idea of impact is not something new initiated by venture philanthropy. The roots of impact can be found in international development programs, where a logical framework is introduced in the year 2000 (Ebrahim and Rangan 2014).

With regard to the supporting vehicle, the strategic positioning of FFs in cluster 3 is less marked. FFs in group 3 mainly use grants to support their recipients on a short-term basis; this challenges the recent tendencies of philanthrocapitalism (i.e., the use of business methods and the market to transform philanthropy) in international aid (Edwards 2009) but corresponds to a more traditional approach of international cooperation. Regarding the provision of additional non-financial support, the strategy of FFs is mitigated in cluster 3.

Discussion

By using objective statistical methods, we underline the diversity among the strategies of FFs in Belgium. We highlight the fact that there are different paths to achieve a public purpose. In particular, in Belgium, three distinct strategic models emerge: “proximate charitable philanthropy”, “high-engagement philanthropy”, and “international impact-driven philanthropy”. Geographical coverage, the degree of diversification, and the financing tools are strategic levers on which the choices of FFs are very discriminant.

This article demonstrates that the strategy of FFs is a rich phenomenon. Strategy for FFs is more complex than the literature has suggested. If we had to make

hypothesis *a priori* regarding the strategies of FFs, we would probably have thought of two types of strategy corresponding to charity and to venture philanthropy. We would not have assumed the existence of a third type of strategy specific to FFs that are active outside their borders. However, today, the picture of strategies of FFs in Belgium evidences a hybrid character. Our results outline that there is not only the “old” and the “new” FFs, but that an international strategy also emerges. The charitable model and the venture philanthropy model tend to hybridize; they mix their specificities.

Our results thus contribute to the Manichean debate that often takes place in the academic field of philanthropy, where the discussion is framed in a way that polarizes the “old” as “dated” philanthropy and the “new” philanthropy as necessarily more effective. Based on our results, we nuance the existing strategic models dichotomized between an old and a new philanthropy which would be more strategic. We evidence that there is no apparent distinction between charitable philanthropy and strategic philanthropy, the reality is more nuanced and combines elements of both approaches. This article demonstrates that it would be wrong to polarize the issue of FFs’ strategy in terms of strategic philanthropy versus old charitable approaches. Our results are in line with those of Mair and Hehenberger (2014: 1189) who see venture philanthropy “*as a “tool in the toolbox” of organizational philanthropy*”. The recent evolutions in the field of philanthropy offer FFs an enlargement of the strategic options that are at their disposal. Today, FFs can rely on distinct tools to carry out their objectives, among which are the specificities of venture philanthropy. The arrival of venture philanthropy to the field has effectively influenced it. Nevertheless, in Belgium we do not yet see a complete change of paradigm but rather a hybridization of the different philanthropic models.

Conclusion

With this paper, we participate in the building of a better knowledge and understanding of the practices of Belgian foundations and to some extent of the European foundations sector. Our results illuminate the strategic choices made by foundations and outline the existence of hybrid strategic models among FFs in Belgium. This paper contributes towards the practices of foundations to no longer be considered to be “black boxes”. As far as we know, it is the first time that strategic models for foundations have been empirically tested. Furthermore, our results give valuable insights for the field of philanthropy itself. FFs can rely on our results to better figure out the environment in which they evolve, to consider their positioning, and to reflect on their practices.

Our results suggest three main research avenues. First, there is a need to extend the study to other European countries in order to enlarge our understanding of the practices of other European FFs. If similar analysis is conducted in other European countries, we will be able to have a transversal view and a better idea of the level of attraction of the foundations sector to the practices of the “new” philanthropy.

This leads us to the second research avenue. It would be very valuable to generate a vision of FFs practices over time. In Belgium, the emergence of venture philanthropy is still embryonic. In five or ten years, this may change. It is possible that we will observe a more pronounced type of strategy, in line with the requirements of venture philanthropy, if we repeat the same analysis in the future.

Third, the descriptive aim of the present article is a necessary first step to investigate the practices of FFs. However, it does not have an explanatory aim. How can we explain why a FF adopts a specific type of strategy? What do these strategic patterns allow? To which logics do these clusters answer? We still have few explanations at this stage. We suspect, for example, that the size of the FFs as well as their field(s) of investigation may influence their choice of strategy. Furthermore, the profile of the founder(s) or the influence of a leading player may also explain the strategic choices made. In most European countries, the fact that the Welfare State is still considered as the key player in the public interest may also drive specific strategic choices. Finally, because the geographical coverage appears discriminant among the practices of FFs in Belgium, this leads us to question the issues underlying the distance between the donor and the recipients.

5 | CONTROL AND LEGITIMACY AT THE HEART OF FFs' STRATEGY: A THEORETICAL PERSPECTIVE

In the previous chapter using cluster analysis we identified three strategic patterns among FFs in Belgium: **proximate charitable philanthropy**, **high-engagement philanthropy**, and **international impact-driven philanthropy**. We discussed the characterization of each of these strategies and provided evidence for the nuances elicited by these results compared to what is expected from the literature. The three strategic groups challenge the traditional Manichean vision of philanthropy, at the heart of which we find the idea of effectiveness; according to this, there would be the old, dated, and ineffective philanthropy, and the new, effective, and strategic philanthropy.

How can we explain the diversity among FFs strategies? This is the research question we aim to contribute to in this chapter. Spontaneously, we are inclined to think that FFs make their strategic choices in terms of effectiveness that is at the heart of strategy. This refers to the instrumental dimension of philanthropy that is the achievement of FFs objectives. However, upstream of the effectiveness issues, it appears that FFs are confronted with two transversal strategic issues anchored in the features of FFs. In chapter 1, we have discussed how the specificities of FFs confront them with control and legitimacy issues. In this chapter, we go a step further and are interested in deepening our understanding of strategy under the perspective of **control** and **legitimacy**. We aim to investigate if FFs put in place conditions in order to manage the control and legitimacy issues they are faced with, in particular regarding the positioning on the eight strategic levers identified in Chapter 2.

To make sense of these two transversal strategic challenges of control and legitimacy, we turn to organizational theory. In particular, we make use of agency theory (AT) that addresses the problem of delegation between two actors. AT helps us to understand the control issue faced by FFs. We complete our analysis with institutional theory (IT) which deals with the legitimacy issue; it studies how organizations behave according rules, norms, and beliefs enacted by their environment. With the combination of these theories, we are able to develop a deeper understanding of the instrumental dimension of FFs' strategy, the achievement of a public purpose. In this chapter, strategy is thus considered as being a rational approach.

The present chapter is structured as follows: we first discuss how control and legitimacy are strategic issues for FFs, by the means of effectiveness. We then study the control challenge by means of AT and the legitimacy challenge by using

IT. Furthermore, we review the eight strategic levers with regard to these issues. Finally, we explore how to some extent the three strategic patterns that emerge among FFs in Belgium can be seen as answers to control and legitimacy issues.

5.1. What drives FFs' strategy?

In this section we take as a starting point the findings of Chapter 2 regarding strategy and effectiveness, and we come back to the issues of control and legitimacy discussed in Chapter 1.

5.1.1. Strategy and effectiveness

As evidenced in Chapter 2, in the literature authors such as Porter and Kramer (1999) deplore the lack of a strategic approach among foundations (including FFs). These authors mainly relate their criticisms to the question of effectiveness. Strategy is an issue that is essentially tackled from the point of view of effectiveness (i.e., the degree to which objectives are achieved and the extent to which targeted problems are solved). In addition, the issue of effectiveness is at the heart of the current pressures in the field of philanthropy brought by venture philanthropy. The meeting between the worlds of business and philanthropy lead to a stronger demand for effectiveness.

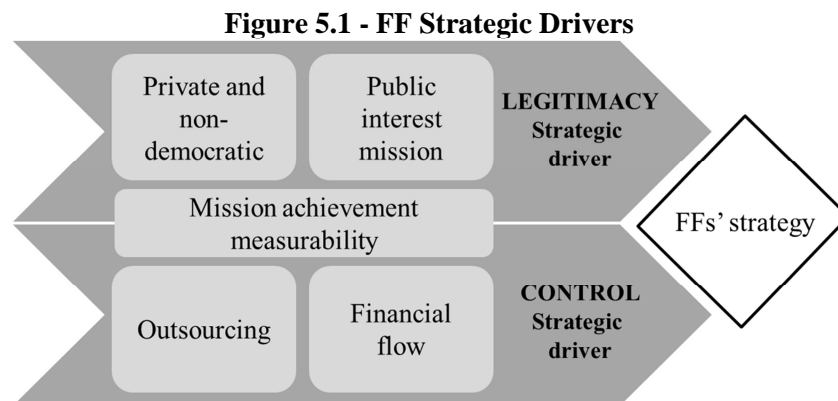
It appears that FFs do not always behave as suggested by the normative statements of the literature. For example, the literature states that it is more strategic for a foundation to be focused (Letts, Ryan, and Grossman 1997); according this vision, niche players are more effective than cross-sectional players. However, we observe that there are FFs that are not focused. Other authors advocate for the development of tailored financing (Buckland, Hehenberger, and Hay 2013); enlarging the financing tools is hence more strategic. Nevertheless, examples of FFs that do not provide their recipient with a large range of financing tools are numerous. Foundations are also asked to have a high focus on impact (Porter and Kramer 1999) but in practice they do not always meet this requirement.

The elements discussed rather suggest that the question of strategy is much more complex than it initially appears. If FFs want to achieve their objectives and hence be effective as public purpose “providers”, it means that other elements are at stake. The following question then arises: what do FFs do that is not in line with the “strategic recommendations”? And, if there is no “strategic recommendation”, how can we explain the choices made between alternatives?

This may mean that there are necessary conditions to the effectiveness that could explain the diversity of strategies.

5.1.2. *If not (directly) for effectiveness, then for what?*

As with any organization, FFs evolve in an environment that influences their behavior. In particular, FFs' strategy and the underlying choices are shaped by the interaction between FFs and their recipients, and by the interaction between FFs and key stakeholders such as civil society, the State etc. In particular, these relations with their recipients and all those who are not their direct beneficiaries raise control and legitimacy challenges (Chapter 1). The search for legitimacy for private and non-democratic actors that address public interest issues in a context of a Welfare State, the management of the delegation relationship through a financial flow at the heart of their action and the evolution and uncertainty of the environment in which they play lead us to enlarge the perspective under which we study strategy (Figure 5.1).



We postulate that in the case of FFs control and legitimacy are two main strategic drivers: we see them as two challenges that FFs have to strategically manage in order to carry out their mission and thus reach effectiveness. In other words, because FFs are confronted with control and legitimacy issues they take strategic positioning on specific controllable variables, which are the eight strategic levers identified in Chapter 2.

The features of FFs' actions raise the question of effectiveness differently. FFs' strategy is to some extent driven by the need for FFs to control what recipients do and the search for legitimacy. Upstream of the question of effectiveness, FFs are thus faced with how to deal with control and legitimacy issues. FFs' strategy is

therefore a consequence of the management of risks in terms of control and legitimacy. Because we are interested in strategy understood as a combination of choices on specific strategic levers, the decisions made on these strategic levers may reflect, to some extent, the need for FFs to manage the questions of control and legitimacy. We suggest that the choices in terms of scope, supporting vehicle, monitoring process, and the eight strategic levers can be explained via these issues of control and legitimacy.

In the literature this link between control and effectiveness is well-established. If recipients do not behave properly, FFs will not be effective in carrying out their mission, the misbehavior of the entrusted entities is recognized as a source of ineffectiveness (Eisenhardt 1989). The literature also shows the link between legitimacy and effectiveness, legitimacy is recognized as increasing the chance of lasting success (Deephouse 1999; Deephouse and Suchman 2008; Dowling and Pfeffer 1975; Suchman 1995). From a strategic point of view FFs need their actions to be recognized as making sense and being appropriate. This guarantees the effectiveness of FFs' action. In order to deal with this legitimacy issue, FFs will be compelled to choose specific strategic positioning.

Finally, the two strategic drivers may also mutually reinforce themselves. By ensuring that the recipients behave correctly and contribute to the realization of the mission set out by FFs, FFs contribute to their own recognition. Conversely, if FFs are considered to be legitimate by stakeholders, recipients may be more likely to behave properly in order to benefit from the approval of FFs. Nevertheless, it does not always go in this direction, these two drivers do not always reinforce themselves. For example, a stronger control can also be perceived as less legitimate by stakeholders.

5.2. Theoretical approaches: Agency Theory and Institutional Theory

To make sense of and advance the understanding of these two main strategic challenges, control and legitimacy, we turn to organizational theory. The term "organizational theory" refers to a set of theories that aim to explain organizations at large. An organization can be defined as a social system created by individuals in order to satisfy needs and objectives through coordinated action (Charreaux and Pitol-Belin 1992). Agency theory (AT) specifically studies the problem of delegation (i.e., the problem of agency) while institutional theory (IT) addresses the issue of legitimacy. In the following two sections, we briefly present the main

lines of these two theories before explaining how they can help us to understand FFs' strategy.

5.2.1. Strategic driver 1: control

Because FFs outsource the operationalization of their mission to recipients, they are confronted with a control issue. They need to be able to control and monitor how their recipients behave. This situation of delegation and the related issues that arise are at the heart of agency theory (AT). This theory therefore appears appropriate to support our analysis.

5.2.1.1. A brief review of Agency Theory

The agency relationship

AT investigates the agency relationship that “*is one of the oldest and commonest codified modes of social interaction*” (Ross 1973:1). AT (Jensen and Meckling 1976) studies the problem of delegation between two actors: the principal and the agent. The principal entrusts the agent to realize a given task on behalf of him and in his interests. At the heart of this delegation therefore there is the search by the principal for maximization of utility. The agent is hired to execute a task that initially serves the objectives of the principal. Management of the agency relationship is complex (Eisenhardt 1989). In the specific case of FFs, a FF is the principal and the recipient is the agent. FFs delegate to the recipients the operationalization of their mission.

Information asymmetry

At the base of AT there is a contract, or the metaphor of a contract, between the principal and the agent (Jensen and Meckling 1976). This contract can be formal or tacit. According to AT the organization is a system of contract nodes; the organization does not have an independent existence and is considered as a set of individuals who have contractual relations (Rouleau 2007). In the case of FFs the recipient is also linked to the FF through a contract. This can be tacit (e.g. based on trust) or formalized (e.g. through conventions, written documents).

It might be difficult to monitor what the agent does because of information asymmetry. This means that the agent may have more information than the principal, and the agents may take advantage of this asymmetry of information. When it is difficult to monitor and control the actions of the agent, he could act according to his interests, instead of those of the principal. The principal not only

delegates the task but also the associated level of power; he puts the means necessary to realize the delegated task at the disposal of the agent. If the interests of the agent are not in line with the interests of the principal, the agent may misbehave and take ineffective action or give inaccurate information. The agency problem specifically refers to delegation in the situation of a conflict of interest between the two parties. The principal and the agent operate in an uncertain environment and the situation is one where the sharing of risk between them is desirable (Grossman and Hart 1983). When a foundation decides to finance recipients (i.e., a FF), according to it, it is desirable to externalize the operationalization of its mission. Different reasons may explain this, for example a lack of internal expertise, a lack of staff to operate, a desire to support organizations already in place, the willingness to directly support individuals in the realization of their projects, etc.

The opportunistic behaviors

In the situation of an agency relationship two problems may occur because of information asymmetry. The first problem is the misalignment between the desire goals of the principal and the agents, and the difficulty for the principal to monitor what the agent does. The second problem is the difference of attitudes towards risk of the two parties (Eisenhardt 1989).

There are two types of opportunism when the individual interests of the agent are not compatible with the interests of the principal: moral hazard and adverse selection. Moral hazard is an *ex-post* opportunism that designates the fact that the agent may be tempted to take ineffective action or provide inaccurate information (i.e., hidden action). This concept is rooted in the insurance sector where the insured can change its behavior knowing that he is covered by an insurance contract (Milgrom and Roberts 1992). Adverse selection is an *ex-ante* opportunism when, because of information asymmetry, the agent knows more than the principal about the task at hand and can use this advantage to make adverse decisions (i.e., hidden characteristics). The canonical example is that of the second hand market. The seller knows the characteristics of the object he wants to sell but the buyer does not. The seller may hide the faults of the object and take advantage of the information asymmetry. In the situation where the behavior of the agent cannot be easily managed adverse selection and moral hazards may appear. We will see that in the case of FFs, despite the fact that both principal and agents work under the umbrella of public interest, opportunistic behaviors may also appear.

The need to monitor and control

In order to avoid an agent's opportunistic behaviors the principal has two main options. He can either monitor the behavior of the agent through an information system (i.e., "behavior-based contract") or the outcomes of the agent (i.e., "outcomes-based contract"). In the second option there is a risk transfer from the principal to the agent (Eisenhardt 1989).

In order to limit or to guard against the potential opportunistic behaviors of the agent the principal will establish an appropriate system of incentives and resource monitoring; this creates a cost, which is part of what is called the agency cost. The agency costs include the control and monitoring expenditures (i.e., costs to ensure that the agent will not act against the principal) and the costs incurred by the remaining loss generated by the agent's misbehavior. The principal will thus be motivated to manage the agency costs in order to minimize them.

To minimize agency costs the principal has various options: for example, he can operate a repartition of the types of decision among the different agents, put in place governance mechanisms, establish financial incentive mechanisms, and reduce his scope, etc. The board of directors, for example, can play a key role in monitoring and controlling the agent's work; it is seen as an information system (Fama and Jensen 1983). In the specific case of FFs, the decisions relative to the eight strategic levers can be seen as a means to reduce the agency costs. In other words, by making specific decisions on the eight strategic levers FFs are able to reduce their agency cost. The principal trade-offs are between the cost of monitoring the behavior of the agent, the costs of measuring the outcome of the agent, and transferring risks to the agent (Eisenhardt 1989). According to AT an organization will be considered efficient if it limits its agency costs.

5.2.1.2. Agency problems for FFs

As explained in Section 1, FFs' actions are characterized by the delegation between a FF (the principal) and the recipient of the financial flow (the agent) and the fact that the good behavior of the recipient is a necessary condition for FFs to achieve their public purpose. According to a strict use of AT and its core concept of utility maximization, agency problems arise only between individuals. Nevertheless, behind the terms FFs and recipients, individuals and collectives of individuals (e.g. board of directors, operational team) are at work. If the board of directors is considered as the organ in charge of the organization and that acts on behalf of it, we are thus interested in understanding the delegation issue between the board of directors of the FF and the board of directors of the recipient organization. In the situation where the recipient is an individual, the agency problem is one between the board of directors of the FF and the individual

himself. For the sake of simplification of our analysis, in this chapter we employ the terms FFs and recipients without any additional specification.

The agency relationship between FFs and the recipient presents specific features: we have identified four main characteristics that we detail below.

External delegation

Compared to the classical delegation issue in organizations (i.e., between shareholders and employees), a FF faces an additional problem: they entrust agents that are outside the FF's organizational structure. The recipient (i.e., either individual or organization) are not part of the FF. The recipient could be seen as an executive team or managers; but they are not formally part of the organizational structure of the FF. This characteristic may make the establishment of monitoring and control mechanisms harder than in the case of managers who are part of the organization. In this situation, the incentive mechanisms are less evident; except for the fact that FFs will potentially not renew their support, the support granted is somewhat already acquired. If the support provided is a single instance (without possible renewal), the recipient does not have a lot to lose if he misbehaves.

Delegation through money

The nature of the delegation based on a direct financial provision creates an unusual agency relationship. FFs do not hire recipients to operationalize specific programs or projects defined by FFs themselves. They provide recipients with financial support and recipients conduct their own projects that are expected to be in line with FFs' mission. When the recipient is an individual, we may think that the action of FFs is direct and that there is no agency problem. Nevertheless, because the financial flow is at the heart of the relationship there still is an agency issue. The individual receives an amount of money that can be used with a certain level of freedom. One understands that giving money to an individual does not present the same challenges as providing the individual with access to specific training, a place to live, psychological support, etc.

Under the umbrella of public interest

Because FFs and their recipients both operate under the umbrella of public interest, we might be tempted to think that there is no agency problem and that there is an alignment of the interests of both parties. In other words, we could think that the fact that FFs and the recipients are linked through public interest prevents opportunistic behaviors of the recipient. If there is the absence of a

conflict of interest the agent will behave as the principal would like, regardless of monitoring and control (Eisenhardt 1989).

The context of public interest in which the relationship between both parties occurs potentially mitigates opportunistic behaviors. Stewardship theory states that agents are not always self-interested and that collective behaviors can take precedence over individualistic conduct (Davis, Schoorman, and Donaldson 1997). The control logic is thus replaced by a more collaborative logic; the agent is intrinsically motivated to behave properly (Sundaramurthy and Lewis 2003). In the specific case of FFs, stewardship theory would lead us to consider that recipients will be more likely to work in line with the interests of FFs because they both want to contribute to the public interest. If the recipient is an individual this argument makes less sense because the individual is not necessarily open to the public interest aims that surround the support granted.

Even in the not-for-profit sector opportunism exists (e.g. Van Puyvelde et al. (2012); Balser and McClusky (2005); Hill and Jones (1992)). The recipient can, for example, fake its mission in order to be in line with the mission of a FF and receive funding (*ex-ante* opportunism). The recipient can also mismanage the financial means put at its disposal (*ex-post* opportunism). What characterizes the relationship between FFs and their recipients is the fact that generally the demands for funds are much higher than the funds available. On the one hand, this competition for funding can reinforce the proper behavior of the recipients. These align their behavior to the expectations of FFs. On the other hand, what often arises is that recipients are struggling for funding and the pressure is such that they may misbehave in the short-term (even if it is contrary to their long-term interest). In the same vein, once the funding is gained recipients may be tempted because of budget pressures to allocate the money to projects in its portfolio that are not the target of the FFs' mission or to use them to finance operating costs.

Programmability

Finally, the nature of the agency relationship between FFs and their recipient is complex because of the difficulties in measuring and evaluating the impact generated. The programmability, defined as "*the degree to which appropriate behavior by the agent can be specified in advance*" (Eisenhardt 1989:62), is an issue for FFs and their recipients. For non-profit organizations and for FFs in particular the impact is not always tangible. Depending on the mission of the organization, impact can take various forms which are difficult to measure and to compare (Frumkin 2006; Ebrahim and Rangan 2014). For FFs it is thus complicated to monitor and control what the recipients do through an "outcome-based contract" that requires their recipient to achieve a certain level of impact. It

appears reasonable to think that FFs will combine the approaches of an “outcome-based contract” and a “behavior-based contract”.

We thus see that these four features (i.e., external delegation, financial flow, public interest umbrella, and programmability) raise some specific questions in terms of control and monitoring. In the section 5.3, we will discuss how the choices on the eight strategic levers can be seen as a way to manage these challenges of control and monitoring.

5.2.2. *Strategic driver 2: legitimacy*

With AT we discussed how control issues faced by FFs influence their strategy. Nevertheless, the nature of the contracts between FFs and their recipients does not provide a comprehensive picture of FFs’ strategic challenges. FFs, like other organizations, do not exist in isolation. The practices of FFs are influenced by their environment (Sandfort 2008; DiMaggio and Powell 1983). In the specific context of a Welfare State, the actions of FFs (being private actors without democratic controls acting in the public sphere) lack recognition and acceptance. In other words, FFs face a significant legitimacy challenge which shapes, to a certain extent, their strategic choices. To address the legitimacy issue of FFs we apply the meaningful insight of institutional theory (IT) that addresses how the pressures of the institutional environment lead the organization to comply in order to appear legitimate (i.e., the institutionalization of organizations).

5.2.2.1. *A brief review of IT*

Legitimacy is defined as “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman 1995:574). In the specific case of FFs, their actions do not appear proper or desirable for various reasons. In the context of a Welfare State, the norm is that the State takes charge of the public interest, or at least an organization based on democratic principles does. The origin of the endowment of FFs is often questioned. The endowment may have been generated to the detriment of social and environmental causes that the FFs will then support. FFs may be challenged on their integrity to act in the public sphere. In this sense, FFs receive pressures from their environment that lead them to conform to certain definitions of doing good in order to be considered as legitimate. IT is recognized to have clear applications for FFs (Frumkin 2006).

Three development phases

IT features in a very large body of literature; we do not aim to review this in its entirety for this research. Nevertheless, the three main steps of the development of this theory deserve attention. These different development phases are successive answers to the criticisms addressed to IT, such as the fact that institutional determinism is too high and the agency too low.

In its seminal works IT takes a rather deterministic approach (Meyer and Rowan 1977; DiMaggio and Powell 1983). IT considers that the environment influences organizational behavior; there are external pressures on organizations that lead them to conform to rules (i.e., rationalized myth (Meyer and Rowan 1977)) even if it produces organizational inefficiencies. If the organization does not respect these rules, it will be considered as illegitimate. Organizations therefore tend to behave in increasingly similar ways (i.e., isomorphism pressures that can be mimetic, coercive, or normative (DiMaggio and Powell 1983)). With this development phase of IT we are able to identify the pressures of the environment on organizations.

In a further development of IT, embedded agency is introduced. This means that the organizations, despite the pressures of their environment, have the power to take action and manage these pressures (Lawrence and Suddaby 2006; Oliver 1991). This second developmental stage returns a certain level of autonomy to the organizations. They do not suffer pressures of their environment without any capabilities of action; they can act to deal with these environmental pressures.

In the most recent evolution of IT, called institutional work, the theory goes even further. Organizations can not only manage the pressures exerted by their environment but they can also, in turn, influence their environment (Battilana, Leca, and Boxenbaum 2009; Quinn, Tompkins-Strange, and Meyerson 2013). According to this view organizations can shape their environment in response to external pressures.

In this research we are mainly interested in explaining the strategic choices of FFs and how they are shaped by their environment and the pressures it exerts. This means that we mainly work in consideration of development phases 1 and 2 of IT. The strategic choices of FFs would reflect attempts to conform to the environment to address legitimacy pressures (DiMaggio and Powell 1983). Oliver (1991), for example, has identified five generic strategies that may be adopted in response to the environmental pressures: acquiesce, compromise, avoid, defy, and manipulate.

Pragmatic, moral, and cognitive legitimacy

The understanding of what legitimacy is has been advanced by Suchman (1995) who distinguishes three types of legitimacy: pragmatic legitimacy, moral legitimacy, and cognitive legitimacy.

An organization benefits from **cognitive legitimacy** if its existence is considered as taken-for-granted; people would spontaneously think of it either because of their domain of activity, their expertise, their products, etc. *A priori*, people do not doubt the behavior of this organization. The permanency of the organization is not challenged. In the context of a Welfare State, few FFs benefit from this type of legitimacy; these are often the very big foundations that have a strong “national/public” emblem (e.g. King Baudouin Foundation in Belgium, Fondation de France in France, Swiss Foundation in Switzerland).

Moral legitimacy is a second type of legitimacy that is based on normative approvals. There is an “ethical halo” surrounding their activities; moral legitimacy rests on a perception of rightness. When an organization has moral legitimacy, it is considered to be doing good things. *“These judgments, in turn, usually reflect beliefs about whether the activity effectively promotes societal welfare, as defined by the audience’s socially constructed value system”* (Suchman 1995:10). Moral legitimacy is broken down into four subtypes of legitimacy (Suchman 1995): consequential legitimacy (i.e., the judgement is based on the results of the organization), procedural legitimacy (i.e., conformity of the processes of the organization to the norms), structural legitimacy (i.e., legitimacy given by the organizational form), and personal legitimacy (i.e., charismatic legitimacy given by the leader of the organization). The perception of rightness in the case of FFs is challenged, among others, on structure legitimacy (i.e., its non-democratic basis) as well as on procedure legitimacy (i.e., little is known about the practices of foundations). It appears reasonable to think that FFs could gain legitimacy mainly based on their realization or because of the charisma of their founder.

Pragmatic legitimacy in turn is based on the self-interest of the stakeholders of the organization, such as the beneficiaries, workers, funders, civil society, etc. The most immediate audience of the organization would consider it legitimate if they can gain any benefit from the organization (Dart 2004). FFs can thus benefit from pragmatic legitimacy if they are effective in supporting their recipients, if they report the achievement of their mission to funders, if they make efforts to be accountable and transparent, etc.

5.2.2.2. *Legitimacy issues for FFs*

The legitimacy challenge for FFs is evidenced by questions commonly asked about their work: *“What value do foundations contribute to society? How good are the programs they design and support? Are they reaching the people who need them most? How well do they learn from their mistakes? (...) To me, these are the tractable issues of legitimacy or credibility(...)”* (Chelimsky 2001:17).

To advance our understanding of the legitimacy issues faced by FFs we divide our analysis into two parts. In the first part, we identify the main entities that can give legitimacy to FFs. In the second part, we deeply analyze the type of legitimacy which is at stake in the case of FFs based on the distinction operated by Suchman (1995).

Main stakeholders

The stakeholders are entities that can affect or be affected by the achievement of a FF's objectives. There are thus different stakeholders from whom FFs can gain legitimacy: the recipient, civil society, the State, other foundations, workers, volunteers, other non-profit organizations, donors, etc.

FFs can draw legitimacy from their recipients (Frumkin 2006). The existence of individuals or organizations that need FFs' support justifies the presence of FFs in the public arena. The level of legitimacy achieved by supporting individuals or organizations potentially differs. By supporting organizations FFs may access the recognition of the non-profit sector at large. Because this sector addresses the same societal issues they can act as a prescriber to FFs and send them beneficiaries and/or lead FFs to be recognized as useful. The recipients are a key source of legitimacy for FFs, not only to justify their actions but also to contribute to a better recognition of the FF's action. FFs depend on their recipients to effectively achieve their mission because the recipients are in charge of the operationalization of the FF's mission.

By serving a public purpose and benefiting from a favorable tax-system, FFs are accountable to civil society at large. In particular volunteers (including board members) and workers bring legitimacy to FFs. By becoming involved in FFs they increase the visibility of the action of FFs and recognize the value created by FFs. The fact that universities conduct research in the field of philanthropy, such as on social impact, also contributes to the issue of legitimacy. The peers of FFs, either other foundations or key actors in the field of philanthropy, can give legitimacy to FFs (Frumkin 2006). To obtain legitimacy from these actors FFs can collaborate with front players that already benefit from legitimacy. This collaboration can take various forms from the co-financing of projects to the

sharing of expertise. FFs can also create networks to favor the recognition and the visibility of the FF sector

Furthermore, because we study the context of the Welfare State and FFs pursue a public purpose, the State is an unavoidable actor when we reflect on legitimacy (Frumkin 2006). With the existence of an advantageous tax-system for FFs the State indirectly supports FFs (Frumkin 2006). This means that government confers to FFs a certain level of legitimacy. In addition to the legitimacy provided by the legal conditions FFs can gain legitimacy because of the specific role they can take. As evidenced in Chapter 1, FFs can play several roles in connection with the government (e.g. complementarity, substitution). In order to gain legitimacy from the State, FFs can collaborate with public agencies, conduct pilot projects that could be extended in a second stage by government (e.g. social impact bonds), and include public representatives on their board of directors.

Types of legitimacy

Because of the very diverse nature of FFs' key stakeholders, the type of legitimacy FFs can gain from them differs. It appears useful to distinguish the legitimacy of the model of FFs itself and the legitimacy of each FF individually. Nevertheless, the borders between the three types of legitimacy are sometimes blurry.

In a Welfare State context, the State is still considered as the unavoidable actor for the financing of public interest. FFs are not (yet) the organizations that are thought of spontaneously for matters of public interest. FFs lack **cognitive legitimacy**. Today, in the foundation sector in Belgium for example, there are no well-known philanthropists. Except for some exceptions, FFs are not considered as taken-for-granted; the model of FFs is not yet fully accepted in Welfare State European countries. These exceptions encompass the case of very emblematic FFs with a long history and a national emblem (that to some extent are linked to the State) or FFs that have a mission that we could qualify as "universally accepted" such as the *Fondation contre le Cancer* and *Child Focus* in Belgium. Nevertheless, this is changing; philanthropy is starting to be more automatically identified as provider of funding resources.

FFs have little control of their cognitive legitimacy. In a country such as Belgium the figure of foundations is not yet well known; FFs are faced with a visibility challenge. There are still vast numbers of FFs that are active discreetly and that do not systematically communicate their actions. It is at this stage that networks and federations can play a role (e.g. Belgium Network of Foundations, European

Foundation Center, DAFNE³⁸, Pefondes³⁹). The process that leads foundations to be considered as taken-for-granted is a process that takes time.

FFs are also faced with a **moral legitimacy** challenge. Rare exceptions apart, FFs are not surrounded by an ethical halo. Because FFs are non-democratic organizations acting in the sphere of public interest they raise suspicions. In comparison to other non-profit organizations the absence of a general assembly in FFs tarnishes their reputation. Furthermore, the financial means at their disposal may increase the lack of moral legitimacy; there might be mistrust regarding the origin of their endowment. FFs can be criticized for generating money to the detriment of the public interest. People may also doubt the altruist intentions of FFs and think that they are (only) driven by tax evasion. The lack of transparency existing in the foundation sector (Bekkers 2003) also contributes to a deficit of moral legitimacy.

By definition, a FF is a tool that gives a high degree of freedom to its founder(s). A FF is a type of organization that is embodied by its founder's will. This may create a tension between the very-private nature of FFs and the public mission they pursue; moral legitimacy may be doubted. Furthermore, even if FFs are non-profit organizations recognized by a specific legal status, this does not mean that the State fully warrants the existence and the actions of FFs. The fact that there is a specific legal status ensures a certain level of ethics regarding the actions of FFs but does not necessarily correspond to a full acceptance of the figure of FFs by the State.

In order to deal with this moral legitimacy concern FFs may adopt different behaviors. To generate trust FFs can make all information regarding the origin of their endowment available, and how and on what basis they give the money away. FFs can also hire paid staff from the non-profit sector in order to benefit from their previous recognition in the non-profit area. FFs can also ask people who benefit from an ethical halo to be part of their board. With regard to the position of the foundation with respect to the State, FFs may decide to mimic the State's practices, to conform to what is usually expected from a player in the public sphere. Or the reverse, FFs may choose to distance their actions from what the State does. This refers to the roles foundations can play such as the complementary role, the substitution role, or the change and innovation role (Anheier 2001).

Finally, FFs gain **pragmatic legitimacy** if they are able to demonstrate to their stakeholders the benefits they can gain from them. There is thus an issue of

³⁸ www.dafne-online.eu

³⁹ www.pefondes.eu

demonstration for FFS: to demonstrate that they have a positive global effect, demonstrate that they have a coherent action, etc. The most obvious stakeholder that appears to provide FFs with pragmatic legitimacy is the recipient. The recipients of FFs get direct benefits from the support granted by FFs and thus contribute to the pragmatic legitimacy of FFs. By the nature of their action (i.e., the financing of recipients), FFs are a good alternative to the State, especially in periods of austerity. There is a gap of funding resources that creates a space for FFs; this observation can thus lead to increased pragmatic legitimacy. Non-profit organizations and individuals may gain an advantage from the existence and the work of FFs.

With regard to other stakeholders FFs have to demonstrate that they are effective. FFs can gain pragmatic legitimacy by evidencing to their stakeholders that they produce good or better results than other actors such as the State. FFs will be considered to be legitimate if they provide better solutions, innovative answers, if they take care of populations that are not in the direct scope of public aid, and if they are active where the State is not focused (Sandfort 2008). In the eyes of civil society, pragmatic legitimacy seems close to moral legitimacy with a higher focus on effectiveness.

Pragmatic legitimacy is the easiest legitimacy on which organizations and in particular FFs can act (Suchman 1995). By essence, pragmatic legitimacy is the most strategic. In contrast, cognitive legitimacy is the most difficult to act on and to manipulate. Building cognitive legitimacy takes time and is not really in the hands of FFs. Moral legitimacy lies in between; FFs have a certain level of power over their gain of moral legitimacy.

To our understanding, rare exceptions apart, if a FF gains pragmatic legitimacy this may give it access to moral legitimacy and, at a further stage, to cognitive legitimacy. Of course, it is always possible for an organization to have, for example, cognitive or moral legitimacy without pragmatic legitimacy, or to have moral legitimacy without pragmatic legitimacy. The process of legitimation is not a linear process that flows from pragmatic legitimacy to cognitive legitimacy.

From a strategic point of view, pragmatic legitimacy and moral legitimacy are the most important types for FFs. Pragmatic legitimacy and moral legitimacy are the types of legitimacy on which FFs can strategically act. In the next section, we are going to explore if positioning on the eight strategic levers identified in Chapter 2 can be understood in the light of this theoretical grid.

5.3. Strategic conceptual framework under control and legitimacy issues

In this section, we discuss the positioning on the eight strategic levers of the strategic conceptual framework developed in Chapter 2. At this point of our reasoning, we aim to investigate how, with regard to the control and legitimacy issues, the positioning on the strategic levers is precisely strategic. The levers are strategic because they allow (in part) the challenges of control and legitimacy to be met, and thus ultimately contribute to the instrumental dimension of the action of FFs. We make the assumption that by choosing specific positioning on the eight levers identified in the strategic framework (to define their strategy), FFs answer control issues and legitimacy issues that are necessary conditions for the achievement of their public purpose.

5.3.1. Theoretical assumptions

Making use of AT and IT requires clarification of the theoretical assumptions behind this multi-paradigm framework: bounded rationality, opportunism, and environment uncertainty. In the next section, we are going to establish propositions within the framework of AT and IT (and thus the corresponding underlying hypotheses).

FFs' decision makers (e.g. founders, managers) are considered to have a bounded rationality; they cannot be fully rational. They are limited by their cognitive capabilities and the available information. The founders, the managers, or the board of directors cannot make fully rational decisions; they cannot take into account all possibilities when they make choices. In addition, the individuals are self-interested; they will attempt to maximize their own utility. However, in the specific case of FFs we have seen that the maximization of the utility is linked to the achievement of a public purpose. Because FFs work under the public umbrella the opportunistic behaviors are mitigated. And finally, the environment is uncertain; its evolution and trends cannot be fully predicted. Under these assumptions, this theoretical multi-paradigm gives us the following insight on our research question:

Despite, and because of, the influence of the environment and contractual relations, FFs act and react strategically to secure and gain legitimacy, and to manage the costs related to the control and monitoring of delegated mission operationalization.

5.3.2. *Strategic conceptual framework under scrutiny*

We are interested in understanding the components of FFs' strategy under the light of AT and IT. In particular, we are going to discuss two propositions:

Proposition 1 - The agency relationship existing between FFs and their recipients, to whom FFs delegate the operationalization of their mission, drives the specific positioning on the strategic levers identified in the strategic conceptual framework (Chapter 2) to a certain extent.

Proposition 2 - The search for legitimacy of FFs in the context of a Welfare State drives the specific positioning on strategic levers identified in the strategic conceptual framework (Chapter 2) to a certain extent.

As we will discuss, the control and legitimacy issues do not both act at the same level for each of the strategic levers. The positioning on some strategic levers is more anchored in legitimacy and others in control. Some strategic levers, in turn, are driven by both control and legitimacy challenges. In the following analysis, we do not aim to review all the mechanisms in detail, but rather attempt to outline the major trends as we understand them. We investigate the control and legitimacy challenges for each of the eight strategic levers identified in Chapter 2.

SCOPE - Degree of diversification

Our analysis leads us to observe that the choice of the degree of diversification of FFs' activities (i.e., the choice between being active in one field or in several fields) is driven by both control and legitimacy issues.

A narrow scope will effectively help FFs to better prevent opportunistic behaviors and more easily manage the associated costs. If a FF is active in a single field, it can develop deep expertise in the area and thus easily manage the potential misbehaviors upstream and downstream. It is easier for FFs to monitor what recipients do if they can rely on a deep knowledge of the field. This reduces the information asymmetry and the costs associated. It is recognized that FFs shape better strategies if they have developed very detailed and sophisticated knowledge in their program areas (Culwell, Berkowitz, and Christen 2004).

Additionally, if FFs reduce their scope they will also contribute to building their legitimacy. If FFs are niche players they can be considered legitimate because of the expertise they have acquired. They can become a front-line player in this specific area. FFs have a unique position to deeply study a field (Porter and Kramer 1999). Their pragmatic legitimacy is hence reinforced. In addition, if FFs focus on one specific field they have a positioning that differs from that of the

Welfare State, and this works in several domains. In that sense, FFs act more at the margin of the work done by the State. This contributes to increase their moral legitimacy. Nevertheless, these elements deserve nuance. In the case of FFs that are niche-active with a big financial weight (e.g. the Gates Foundation), their actions can create an imbalance in the public interest and thus entail the legitimacy.

SCOPE - Geographical coverage

Our analysis suggests that strategic positioning with regard to the geographical coverage is primarily driven by control. If FFs are active in their own country the information asymmetry between FFs and the recipient is reduced and the control of the recipients' work is easier. International giving magnifies the power of asymmetry because of the distance and the cultural differences (Frumkin 2006). If FFs intervene inside their own borders they have at their disposal more information to monitor the work of the recipient. FFs can rely on their knowledge of their own country and the lack of cultural gap, as well as their own network. Also, the cost generated by monitoring and control are potentially lower if the perimeter of action is closer to the headquarters of FFs. In this situation, FFs can realize field visits and have a more exact view of what has been effectively done. Regarding the scale of intervention a local scope facilitates the control and the monitoring, while a broader perimeter increases the cost of agency.

With regard to the legitimacy the choice is not unequivocal, it is more complex. On one hand, if FFs are active abroad (i.e., if they finance projects outside their country), and especially in developing countries, the action of FFs is more taken-for-granted. It is commonly accepted that it is the right thing to help poor and needy people, to be charitable even if international cooperation is also challenged. Moreover, to act abroad challenges the role of the Welfare State less. On the other hand, FFs may appear to be more legitimate if they work in their own country, because in their own country they have more expertise, more knowledge. In that sense, pragmatic legitimacy may increase.

SCOPE - Recipient type

For this strategic lever, to our understanding, both control and legitimacy drivers come into play. Supporting individuals can be considered to be more or less risky than supporting organizations, and more or less perceived as legitimate. On the one hand, if the recipient is an individual, it can be easier to monitor and control because the funding received is often very targeted (e.g. scholarship, specific individual project). On the other hand, the existence of an organization can be the guarantor of a certain level of professionalism and expertise. In this situation the asymmetry of information is mitigated by the existence of an organizational

structure. Nevertheless, in the case of FFs that support individuals the control issues are weaker. The target of the money granted is more easily identifiable, contrary to the support of organizations that could channel a part of the funding to other ends (e.g. other projects, operational costs). It thus appears that the choice of supporting individuals or organizations has different control issues. It is difficult to determine which choice FFs will make in terms of recipient type based only on control issues.

In terms of legitimacy, supporting individuals may increase the moral legitimacy. By supporting individuals FFs choose to differentiate themselves from the actions of the State. The actions of FFs become more personal and people may more easily identify themselves with FFs' beneficiaries. However, the financing of individuals can also be perceived as paternalistic and thus hinder moral legitimacy. Pragmatic legitimacy in turn can be acquired mainly by supporting organizations. This ensures a larger scale intervention and thus the creation of value for society that is potentially higher. Supporting isolated individuals in turn makes the evaluation of the impact created more difficult, even if the effect of the support may be more visible. There are legitimacy issues in the strategic choices of the type of recipient. However, we are not able to precisely define from a legitimacy perspective if FFs will chose to support individuals or organizations.

To sum up, based on these elements it appears that the strategic dimension scope is thus effectively connected to the management of control and legitimacy issues. Regarding the degree of diversification, the choice to be active in a niche is one that seems to emerge. The geographical coverage has in turn unequivocal answers in terms of control, to be active in its own country, but not in terms of legitimacy. Finally, the choice in terms of recipient type is not easily explained by control and legitimacy issues (Table 5.1).

SUPPORTING VEHICLE - Financing tool

Both control and legitimacy issues seem to drive the choice in terms of financing tools. If FFs support recipients through loans and equity, the asymmetry information problem is partially dispelled because recipients have to give the money back. The opportunistic behaviors are mitigated by this means. Recipients are more constrained; they have to properly use the means put at their disposal in order to be able to honor their "pay-back" engagement. With this type of support, there is an *a priori* selection that may lighten the control and monitoring downstream; it to some extent manages the *ex-ante* opportunism. If FFs support their recipients with grants there are perhaps fewer incentives for the recipients to behave properly. This could be mitigated by split support conditional on the achievement of intermediate results.

From a legitimacy perspective if FFs support recipients (mainly organizations) through loans or equity their pragmatic legitimacy can increase. With this type of financial means they demonstrate that they are effective (i.e., they create impact). However, moral legitimacy may suffer from choosing new financing tools. In the eyes of civil society if FFs have a rather business-like behavior this may raise suspicions and misunderstanding. Moral legitimacy rather goes hand in hand with grants; altruist behavior is more associated with the idea of giving freely.

SUPPORTING VEHICLE - Timeframe

To our understanding, control is the primary driver to determine the time horizon of the support provided. FFs can be engaged with the recipient in a short-term relationship or in a long-term perspective (e.g. renewable support, multi-year support). In a short-term relationship the information asymmetry between the FF and the recipient is likely to be greater. In the delegation relationship between FFs and their recipients the opportunistic behaviors of the recipients is potentially higher. If FFs provide recipients with one-shot support the recipients do not have incentives to behave properly, and both types of opportunism are potentially high. The recipient can provide FFs with erroneous information in order to receive support and/or misuse the funding received. In a long-term relationship, FFs can develop a better knowledge of the recipient and its behavior (Eisenhardt 1989). A long term contract between a FF and their recipient is also an incitement to the recipient to have good behavior. If FFs already support the recipient the information asymmetry is reduced. Trust is built between FFs and individuals or operating organizations supported over time. If FFs are engaged on a longer-term perspective, monitoring and control is facilitated and associated costs are mitigated.

From a legitimacy perspective a longer time horizon globally reinforces the recognition of FFs' action. If FFs support recipients on a longer term perspective they potentially increase their pragmatic legitimacy because they have the opportunity to create more impact (for the beneficiaries but also for civil society at large). However, a long term support could also lead to less effectiveness by making the recipients dependent on the support provided. By working on a longer term perspective FFs may also win moral legitimacy. They may appear highly invested with their beneficiaries and thus more recognized as doing good.

SUPPORTING VEHICLE - Level of engagement

The level of engagement is mainly understood as the provision of additional non-financial support. If FFs are more engaged with their recipient this contributes to both moral and pragmatic legitimacy. The provision of expertise, access to networks, etc. may help recipients to strengthen their action; it contributes to

building the capacity of the recipients. It drives recipients towards professionalism and impact. The moral legitimacy of FFs is also reinforced if FFs have a higher level of engagement. By providing their recipients with additional non-monetary support they demonstrate a higher degree of involvement that may contribute to the perception of good and ethical behavior.

From a control point of view the relationship between the recipients and the network of FFs, the provision of experts or materials, may facilitate the monitoring of recipients' action. By putting additional means at the disposal of their recipients FFs encourage their recipients to work well, in line with FFs' mission statement. The FFs' network as well as the experts at their disposal may act as supervisors, the monitoring is continuous.

The interpretation of the strategic dimension supporting vehicle through control and legitimacy issues is rather straightforward. Both legitimacy and control challenges would lead FFs to provide their recipients with longer term support and additional non-financial support. Mixed financing tools including loans and/or equity appear to be the choice in line with the control challenge and pragmatic legitimacy (but not moral legitimacy).

MONITORING PROCESS - Impact requirements

If FFs require recipients to provide them with impact reporting then they monitor *ex-post* the work of the recipients and mitigate the risk of misbehavior. This expresses *ex-post* control. The level of reporting FFs require from their recipients varies. Impact requirements refer to the description of the impact of the projects on the target public, sector, and/or activity domain (e.g. surveys or testimonies), and/or evaluation of the project's impact through indicators or similar measures. Nevertheless reporting may be less demanding. Recipients can have no obligations, they can also be asked to demonstrate good use of the obtained funds. The description of tangible results of the projects supported falls between the formal impact requirement and the absence of requirement. The more the reporting requirements are rigorous and high, the more downstream misbehaviors are controlled (impact requirement is the higher requirement, outcome requirements are less demanding, and no requirement is not an incitement for the recipients to behave properly).

From a legitimacy point of view both pragmatic and moral legitimacy are reinforced by the existence of impact requirements. If recipients have to demonstrate the impact they create, this indirectly highlights the impact created by FFs. The pragmatic legitimacy of the FF itself is thus higher. Furthermore, on the one hand, the existence of impact requirements may improve the moral legitimacy because it can reassure stakeholders on what FFs do. On the other

hand, it can also weaken the moral legitimacy because impact reporting is time consuming and can present biases.

MONITORING PROCESS - Board composition

One of the recognized missions of the board is control (de Andrès-Alonso and Azofra-Palenzuela 2009). *A priori*, the board of directors is mandated to control what FFs do. Also, because the nature of the action of FFs is to finance others, the board of directors contributes to the control of the recipient (mostly when there is no operational team inside a FF). The expertise of the board of directors plays an important role in the management of *ex-ante* opportunism. Based on the management and field expertise of their board FFs are more likely to select the best grantees. The board of directors may rely on its expertise to identify adverse selection mechanisms.

Beside control, the board of directors is also recognized to bring legitimacy to the organization (Hillman and Dalziel 2003). If a FF's board is composed of experts they evidence a certain level of professionalism that may potentially lead to better effectiveness (e.g. for the selection of the grantees, the assessment of the recipient's work), and also reassures the stakeholders. Moral and pragmatic legitimacy are hence improved by a higher expertise of the board. Additionally, the presence of directors with an intrinsic moral legitimacy may also contribute to the moral legitimacy of FFs.

The strategic dimension monitoring process is rather unequivocal in terms of control and legitimacy. To answer control and legitimacy issues FFs will be more likely to have impact requirements and to constitute a board of directors with a high expertise.

The key elements discussed above for the three strategic dimensions are summarized in Table 5.1.

Table 5.1 - Strategic conceptual framework with regard to IT and AT

DIMENSION	STRATEGIC LEVER	Strategy to reduce agency cost	Strategy to gain legitimacy
<i>Scope</i>	Degree of diversification	Niche	Niche
	Geographical coverage	Own country	Not unequivocal Own country (pragmatic legitimacy) and foreign countries (moral legitimacy)
	Recipient type	Not unequivocal	Not unequivocal Organizations (pragmatic legitimacy)
<i>Supporting vehicle</i>	Financing tool	Debt and/or equity	Not unequivocal Debt and/or equity (pragmatic legitimacy) and grants (moral legitimacy)
	Timeframe	Longer-term	Longer-term
	Level of engagement (Additional non-financial support)	Yes	Yes
<i>Monitoring process</i>	Impact requirement	Yes	Yes
	Board composition	High expertise	High expertise

5.3.3. Discussion

In the previous section, we discussed how the positioning on the eight strategic levers can be seen as an answer to the challenges of control and/or legitimacy. On the basis of these elements, four main findings emerge.

First, control and legitimacy issues essentially go in the same direction. In terms of scope, the degree of diversification that appear to be the more adequate to manage control and legitimacy is the choice of being active in one specific field (i.e., niche). Regarding the supporting vehicle, a long-term time horizon and the provision of additional support appear strategic in terms of control and legitimacy. Monitoring process is a strategic dimension that is unequivocal with regard to control and legitimacy: requiring impact reporting and having a certain level of expertise on the board optimizes control and improves legitimacy. If the strategic choice in response to legitimacy issues is equivocal then the strategic

answer for control issues seems to go in the same direction as those corresponding to the pragmatic legitimacy challenge.

Second, to address the control issue the corresponding strategic choice is rather equivocal. Because the choice in terms of control represents a cost, there is easily a better option to consider. On the contrary, the elements discussed evidence that inside legitimacy there may be tensions between moral legitimacy and pragmatic legitimacy. The positioning on some strategic levers does not allow the gain of both pragmatic and moral legitimacy. For the geographical coverage, the recipient type, and the financing tool, FFs have to select a strategy that will increase either its pragmatic legitimacy or its moral legitimacy. It cannot make a strategic decision that contributes to both types of legitimacy. It is not easy to explain this insight. In the context of a Welfare State, this may be linked to the role FFs can fill: it can either complement the action of the State or substitute the action of the State. Because the Welfare State is itself under tension and the role of the Welfare State is questioned, there is no unequivocal strategic direction for FFs in terms of legitimacy. For example, regarding the financing tools, if FFs provide their recipients with grants they substitute the action of the State and hence acquire moral legitimacy (because the State is still considered as the front line player in terms of public interest). However, if FFs provide their recipient with debts and/or equity they complement the action of the State and achieve pragmatic legitimacy. Additionally, because the effectiveness of the Welfare State is challenged, FFs are considered to be legitimate because they can do better than the State. In the case of the strategic levers of geographical coverage or recipient type the reasoning is opposite. By being active in foreign countries or directly supporting individuals, FFs complement the role of the State and as a result gain moral legitimacy. In other words, because the Welfare State is still considered as the key actor, FFs can acquire moral legitimacy either by substituting or by complementing the State. In this context, the absence of an unequivocal way to deal with the legitimacy challenge may also be explained by the fact that the field of philanthropy is not yet institutionalized. There are not yet precise rules and norms that need to be followed in order to be considered legitimate. This means that there are potentially different strategic paths that contribute to the legitimacy of FFs.

Third, there is not always an unequivocal answer to the control and legitimacy issues. The discussion highlights the complexity of FFs' strategy. For the strategic levers that are relevant to FFs' action (i.e., recipient type and financing tool), the analysis underlines the difficulty in giving a unique answer. This may be explained by the fact that to study FFs' strategy from the perspective of effectiveness and the upstream challenges of control and legitimacy is not sufficient. We could for example hypothesize that FFs created by a self-made man would be more likely to support individuals rather than organizations. This choice

will hence be anchored not (only) in the issues of control and legitimacy but also related to the profile of the founder. This finding highlights the need to complement the understanding of FFs strategy, for which we focused mainly on the instrumental dimension so far, with the expressive dimension of philanthropy (see Chapter 6).

Finally, FFs are probably not able to deal with control and legitimacy issues simultaneously on the eight strategic levers. This is also what we observe in the field: some FFs have a cross-sectional scope; some FFs do not give additional non-financial support, engage with their recipient on a short-term basis, etc. This may mean that FFs do not optimize their control and legitimacy management issues on all strategic levers. FFs are forced to make trade-offs in terms of control and legitimacy issues. In particular, the cost dimension can intervene where the control and the monitoring of the recipients' work has a cost. FFs thus face an optimization problem in which they have to maximize control and legitimacy under the constraints of cost. This means that the positioning on strategic levers are potentially substitutive or complementary. If a FF operates in a large scope it may mitigate the monitoring costs and the associated lack of legitimacy with a highly expert board of directors and/or by reinforcing the requirement in terms of impact. FFs can also work with recipients in a short-term relationship without additional control but in a very narrow scope. While the decision on one strategic lever potentially increases the agency costs and weakens their legitimacy, the positioning on other levers mitigates control and legitimacy concerns, and *vice versa*. The strategic levers interplay not only inside the corresponding strategic dimensions; the strategic components themselves are also interconnected: a decision regarding the scope can, for example, be mitigated by a decision taken in terms of supporting vehicle or monitoring process, and *vice versa*.

5.4. Strategic patterns among FFs in Belgium with regard to control and legitimacy drivers

In this section, our objective is to return to the three strategic patterns that emerged among FFs in Belgium (Chapter 4) and to deepen our understanding of these strategies and the underlying combination of strategic choices on the basis of the clarifications proposed by control and legitimacy issues. In the light of what we discussed in the previous section, it appears that each of the three strategic patterns in Belgium do not give a similar answer to the challenges of control and legitimacy.

5.4.1. *Proximate charitable philanthropy*

As a reminder, this type of strategy refers to FFs that intervene in a niche, exclusively in Belgium, and that mainly support individuals. In terms of supporting vehicle, they make grants, on a short term basis, and do not provide their recipient with additional non-financial support. In addition, they do not have impact requirements and have a rather weak expertise on their board.

This strategic group thus presents a strong **control** on the dimension scope. They reduce the information asymmetry by intervening in a single field and they potentially have a deep knowledge of their geographical coverage because they are active inside their borders. By supporting individuals these FFs may simplify the monitoring and control. We could qualify this control as proximate. With a geographical proximity and an individual proximity, FFs that adopt this strategy mitigate the risk of opportunism by their recipients.

Regarding legitimacy, **moral legitimacy** appears to be at stake in terms of supporting vehicle. FFs conform to the traditional vision of philanthropy in which the act of giving is at the heart of the philanthropic action. They gain moral legitimacy by relying to some extent on the notion of *gratis* because they make grants. **Pragmatic legitimacy** seems to be anchored in the strategic dimension scope because FFs narrow their scope and are thus potentially more effective.

Monitoring process, in turn, is a strategic dimension for which control and legitimacy do not seem to significantly come into play.

5.4.2. *High-engagement philanthropy*

As a reminder, FFs that adopt this type of strategy are active exclusively in Belgium but do not have marked positioning in terms of their degree of diversification or recipient type. They support their recipients rather on a longer time basis, with mixed financing tools that include debts and equity, complemented by non-financial support. They do not have impact requirements and have a rather high management expertise on their board.

FFs that adopt a high-engagement philanthropy strategy seem to answer to both control and legitimacy issues in terms of supporting vehicle. The selection of mixed financing tools (including debts and/or equity) is a form of *ex-ante* **control**. In addition, there is another level of control in the monitoring process dimension with a board having a rather high expertise.

The legitimacy mainly at stake in this type of strategy is hence **pragmatic** (contrary to the previous strategy type for which moral legitimacy appears more significant). By using this specific type of supporting vehicle (i.e., mixed financing tool, in the medium and long-term, and additional non-financial support), FFs ensure a certain level of effectiveness.

5.4.3. *International impact-driven philanthropy*

Finally, FFs that choose this strategic approach are active in foreign countries, in several fields, and they mainly support organizations. They provide their recipients with grants, on a short-term basis, but with additional non-financial support. They have impact requirements and a board with a rather high field expertise.

This third type of strategy evidences a high **control** on monitoring process (contrary to the control of scope where a cross-sectional positioning outside Belgium does not advocate for an easy control and monitoring of recipients' work). By having impact requirements FFs that adopt this type of strategy put in place an outcome-based contract with their recipients. In addition, because the board has a high expertise in the field it can control *ex-ante* and *ex-post* misbehaviors of the recipients. The **pragmatic legitimacy** is also mainly at stake on monitoring process.

FFs with this type of strategy acquire **moral legitimacy** by their geographical coverage (even if we have nuanced this statement earlier); helping poor people in developing countries is usually considered to be good.

The elements discussed here are summarized in Table 5.2. It appears that among FFs' strategies in Belgium, the issues of control go hand in hand with the issue of pragmatic legitimacy. In other words, for each of the three strategies FFs seem to answer to the control and pragmatic challenges in one specific strategic dimension (i.e., scope for strategy 1, supporting vehicle for strategy 2, and monitoring process for strategy 3). Adopting one of these three strategies may thus mean that FFs do not answer to the challenges of control and pragmatic legitimacy in the same manner. The challenge of moral legitimacy in turn is less obvious and does not seem to be concentrated in one specific strategic dimension.

Table 5.2 - Strategies among FFs in Belgium: control and legitimacy drivers

	Control	Pragmatic legitimacy	Moral legitimacy
Proximate charitable philanthropy	Scope	Scope	Supporting vehicle
High-engagement philanthropy	Supporting vehicle	Supporting vehicle	<i>Not identified</i>
International impact-driven philanthropy	Monitoring process	Monitoring process	Scope

Additionally, when compared to the first and the second strategy for which the institutionalization of the field is still rather low, strategy 3 potentially corresponds more to the norms and rules expected in international aid. FFs that adopt this strategy operate in a field that is potentially some years in advance of the other forms of philanthropy. The first two types of strategy apply to a field that is still evolving. Today, the field of philanthropy is influenced by business but there is not yet a strong institutionalization of the sector that would enact clear rules and norms. This gives high freedom regarding the choice of the strategic paths.

5.5. Conclusion

In this chapter, we first highlighted how the specific features of FFs lead them to deal with control and legitimacy challenges. Beyond effectiveness, which is considered as the heart of strategy, FFs face these two upstream issues. We then use a multi-paradigm theoretical framework (i.e., AT and IT) to give theoretical support to the development of our understanding of FFs strategy. While AT gives a more internal view of the organization in the sense of considering organizations as a node of contracts, IT steps back and considers the organizations as evolving in an environment that influences them. Both theories complement each other. The combination of these two theories enriches our understanding of the strategic choices made by FFs.

We discussed how control and strategic issues shape the strategy of FFs in the light of these theories. Taken separately, we make sense of each strategic lever

under the control and legitimacy issue. We also evidenced how the three strategies that emerge among FFs in Belgium (Chapter 4) are different answers to the issues of control and legitimacy and that the degree of institutionalization of the field may to some extent explain this.

In addition, we highlighted that the instrumental dimension of FFs' practice may also be insufficient to fully understand the strategy of FFs. There are strategic choices that are not supported unequivocally by these theories. This may mean that FFs' strategy is not all about conscious and rational choices. There could be an additional dimension related to the human side that is at stake in FFs. FFs are very person-led organizations. According to us, beside the questions of control and legitimacy FFs' strategy reflects the preferences, values, and intentions of their founders. This is what we are going to explore in the next chapter. In addition, the strategic choices may depend on whether the field is institutionalized or not. This could mean, for example, that in one or two decades the high-engagement philanthropy could know a process of institutionalization. As a consequence, we could observe a convergence to this type of strategy in the future.

6 | FOUNDER'S PROFILE IN SHAPING STRATEGY: THEORETICAL AND EMPIRICAL PERSPECTIVES

At this stage of our research, based on the strategic conceptual framework developed in Chapter 2, we empirically derived three distinct strategic groups among FFs in Belgium (Chapter 4). We also discussed the existence of two strategic issues that come into play upstream of effectiveness: control and legitimacy. We highlighted how the three strategic patterns in Belgium may be to some extent interpretable as specific answers to these issues (Chapter 5).

Nevertheless, we were not able to fully explain the choice of strategy based only on legitimacy and control issues. If a FF is created tomorrow it is still difficult to predict which strategic choices it will adopt; something is at play at a different level. In particular, the founder may influence the strategic choices of FFs and thereby may mitigate the institutional pressures.

In this chapter, we propose to investigate **the influence of the profile of the founder(s) on FFs' strategic choices in order to contribute to the understanding of the diversity of strategies among FFs**. We are interested in the strategic choices that reflect the practices of new philanthropy. In the field of philanthropy today these can be seen as institutional pressures. The objective of this chapter is to complement the understanding of FFs' strategy that we have developed. If we return to the distinction between the instrumental and the expressive dimensions of philanthropy presented in Chapter 1, we now focus on the **expressive dimension**. We aim to study how the strategic choices are defined or stamped by the characteristics and the background or values of the founder(s).

To support our analysis theoretically, we rely on a third organizational theory: **imprinting theory (ImT)**. This theory investigates the influence of contextual conditions (e.g. institutional, individual) on a focal entity (e.g. organization, organization building block) at the moment of the creation of an organization, or more broadly during a transitional phase in the life of the organization, that create a permanent stamp or impression on the focal entity. We use logit regression to empirically investigate the significant links that may exist between the age, gender, education, and professional background of the founder and the strategic choices of FFs. We follow an inductive approach by starting from the data and attempting to make sense of the results on the basis of the literature.

The structure of this last chapter is as follows: we first discuss the key role played by the founder(s). We then briefly present imprinting theory and we highlight its pertinence for the study of the imprint of a FF's founder on the FF's strategy. In

the next section, we analyze the data and draw out significant links between the strategic choices and the founder's characteristics. We finally discuss and explain the results obtained.

6.1. The role of the founder

6.1.1. Expressive dimensions of philanthropy

As we have already discussed in Chapters 1 and 2, philanthropy can be seen as having two dimensions: the instrumental and the expressive dimension (Frumkin 2006). Until now, we have mainly investigated the instrumental dimension of philanthropy. Through strategy, we have discussed how FFs can achieve their public purpose. By choosing a specific type of strategy FFs, to a certain extent, answer control and legitimacy challenges that are prerequisites to carry out their mission.

Nevertheless, philanthropy is not only the summation of decisions made in order to achieve a public purpose. Philanthropy also allows donors and founders to express their values through their philanthropic actions. This starts with values and passions, and moves to money and/or time transactions enacted in public (Karoff 2005). Philanthropy is the meeting between the self, the private world, and the public arena. In particular, we postulate that through the creation of a FF founders express their commitment and values; these are translated to the strategy chosen to carry out the FFs' public purpose. We thus move away from the very rational mechanisms behind the strategic choices that we have focused on until now. The importance of cognitive factors in explaining human action in organizations is recognized beyond the bounded rationality of individuals that lead them to make rational decisions within the limit of their cognitive ability (Fauchart and Gruber 2011).

6.1.2. The founder: a critical role

The role of the founder is crucial. In the literature the role of the founder is recognized to be essential (e.g. Schein (1983); Chandler and Hanks (1994); Hoang and Gimeno (2010)). A founder is the person who is likely to dominate the decision-making process during the early years of the organization (Hoang and Gimeno 2010). Because they create the organization, founders are the initial

architects of the structure and the strategy (Nelson 2003). According to Nelson, the founders' influence on the features or performance of the organization they create is also recognized. To understand the critical role of the founder, we can rely on what is called social identity. It is established that entrepreneurial activities are the expression of an individual's identity (Fauchart and Gruber, 2011). The social identity of individuals leads them to behave in ways that confirm their identity (Hogg and Terry 2000); this may explain, among others, the differences between the outcomes of organizations. The identity of a person is a cognitive frame and an anchorage for sensitivity and receptivity that guides his actions in a way that is in line with that identity (Hogg, Terry, and White (1995) and Stets and Burke (2000) cited by Fauchart and Gruber (2011)). According to Hogg and Terry (2000) for example, the social identity of a person is in part derived from the organizations to which they belong. In particular, the social identity of the founder affects the initial strategic decisions in organization creation. These are the target, the needs addressed, and the resources and capabilities deployed to achieve the objectives of the organization (Fauchart and Gruber 2011).

In the academic field of philanthropy, to our knowledge, the role of the founder has not yet been specifically addressed. Philanthropy is nonetheless recognized as being about the meeting of intentions and the aspirations of founders and donors (Frumkin 2006). In particular strategy in philanthropy is seen, to some extent, as the expression of founder's needs, desires, and goals (Jenkins 2011). The importance of personal traits and skills of the individual is underlined in the process by which entrepreneurs become philanthropists (Taylor et al. 2008). Furthermore, the circumstances at the founding influence the strategic choices made by foundations (Graddy and Morgan 2006). The organizational form of the foundation leaves the founder with a high degree of freedom to pursue their own goals, dreams, and desires; the founder infuses FFs with his own meaning.

Our exploratory interviews have also enabled us to reinforce this intuition about the role of the founder and in particular his influence on the choices made by FFs. For example, this is the case for the "Fondation Bernheim" created by the will on the death of Emile Bernheim; the CEO of this foundation speaks of the direction laid out by the founder as the "DNA of the foundation". It is also the case for the "Fondation Fournier-Majoie" for which the founder, Bernard Majoie, reserves the right to veto all decisions made. The founder of the "Fondation Josefa" claims that the creation of the foundation and the choices made are anchored in his religious conviction and his field of expertise. The "Fonds de Soutien Marguerite-Marie Delacroix" or the "Fondation Jean-François Peterbroeck" present a familial imprint that persists over time, either in the composition of the board (e.g. familial member independent of their expertise) or in the support choices (e.g. geographical coverage related to the "familial" anchorage), and so forth.

6.2. Theoretical perspective: imprinting theory

In this section, we first briefly present the main lines of imprinting theory⁴⁰. We then focus on a specific type of imprinting, i.e., the imprinting of individuals on organizations. This is what we aim to understand in the specific case of FFs. In particular, our objective is to support the understanding of how the strategy chosen by a FF is imprinted by the FF's founder.

6.2.1. A multidimensional theory

The idea at the heart of imprinting theory is that the conditions and the constraints of history are embodied in individuals, organizations, or organizational collectives (Simsek, Curtis Fox, and Heavey 2015). The concept of imprinting dates from the nineteenth century and has its roots in studies of animal behavior: the early-experience of animals determines consequent social behavior (Lorenz 1937). Thirty years later, Stinchcombe (1965) is the first to introduce the concept of imprinting in organizations. He studies how organizations are persistently influenced by elements of their founding environment. *“Just as for a child the conditions under which an organization is born and the course of its development in infancy have important consequence for its later life”* (Kimberly (1979:438) cited by Simsek, Curtis Fox, and Heavey (2015)).

Imprinting is defined as *“a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods”* (Marquis and Tilcsik 2013:199). Imprinting theory thus encompasses three key components (1) an exposure during a limited time period called the sensitive period, (2) an environment that influences, and (3) a focal entity that is influenced. Imprinting theory studies how during a sensitive period the context (e.g. economic, institutional, individual) creates a permanent stamp on a focal entity (e.g. collective, organizations). According to this definition, different entities can be imprinted and the imprinting sources are diverse. In particular it supports the understanding of the influence of an individual on an organization. Imprinting theory provides us with a useful theoretical framework to study the influence of the founder(s) through the founding period. This theory tells us that the snapshot

⁴⁰ For a complete overview of imprinting theory, we refer to Marquis and Tilcsik (2013) and Simsek, Curtis Fox, and Heavey (2015).

of the strategy at a specific time can be seen as a reflection of the decisions made by the founder(s) at the time of the creation.

Marquis and Tilcsik (2013) proposed an integrated framework of the existing imprinting literature by distinguishing the imprinted entities and the imprinting sources. According to them, four distinct entities can bear imprinting: organizational collectives (e.g. industries, geographical communities, shared organizational forms), organizations, organization building blocks (e.g. jobs, routine), and individuals. The sources of imprinting are of three types: the economic and technological conditions, the institutional factors, and the individuals. The space where organizations and individuals operate is multi-dimensional (Lounsbury and Ventresca 2002); various elements intersect and influence their behavior (e.g. cultural, economic, or technological conditions, founder and manager imprinting). The economic and technological conditions that may imprint the focal entity are diverse; for example, the organizations created during the same period of time can have similar permanent characteristics. Similarly, the characteristics of the direct environment of the organizations (e.g. organization density, country) may have a permanent influence on the focal entity. Institutional conditions include legislation, state authority, or network density, among others. And finally, individuals such as the leader, entrepreneurs, and mentor imprint the focal entity because of their values or mental modes (Marquis and Tilcsik 2013).

Simsek, Curtis Fox, and Heavey (2015) went a step further and developed a theoretical framework that conceptualizes imprinting. They distinguish three processes of imprinting: the *genesis*, during which the imprint is formed, the *metamorphosis* during which imprints evolve, and the *manifestation* of imprints in outcomes. Imprinting is not considered as a one-off phenomenon. Additionally, they detail these imprinting processes according to five elements: the *imprinter* (the one that stamps the focal entity), the *imprinted* (the focal entity that bears an imprint), the imprinting, the imprint dynamics (decay, persistence, amplification, transformation of the imprint), and the impact of imprints (the influence of the imprint).

6.2.2. *Individual's imprint on organizations*

In the body of the multi-dimensional imprinting literature, our research is positioned as shown in Figure 6.1. If we return to the definition of imprinting given by Marquis and Tilcsik (2013), the focal entity we are interested in is the FF and the sensitive period is the founding. According to the terminology used by Simsek, Curtis Fox, and Heavey (2015), the FF is the imprinted, the founder the

imprinter, and the strategy the imprint. In our research, we focus on the genesis part of imprinting process.

Figure 6.1 - Marquis and Tilcsik (2013) framework

Focal entity Source of imprint	Organizational collectives	Organizations	Organizational building blocks	Individuals
Economic and technological conditions				
Institutional factors				
Individuals		Imprint of FF's founder on FF's strategy		

Individuals as the source of imprinting

The lasting effects of individual founders on organizations are some of the most compelling evidence of imprinting theory (Marquis and Tilcsik 2013). According to these authors, the initial organizational features are chosen by the founders based on their background; the mark of these choices is maintained over time. In particular, the founders and/or founding team are considered as potential sources of imprinting (e.g. Boeker (1988); Leung, Foo, and Chaturvedi (2013)). Organizations are permeable to their founding environment through the founder (Marquis and Tilcsik 2013). This is particularly true in the case of foundations (including FFs) that are very person-led organizations. It is at the time of the creation of FFs that founder(s) define the objectives that FFs will pursue, and determine how they will achieve their goals. Because in the majority of cases the founder is the one who supplies the money and the desire to contribute to a public purpose, he almost automatically influences the choices that follow.

Knowledge and experience, social capital, resources, and values are among the characteristics of the individual that are recognized to play a role in the imprinting process (Simsek, Curtis Fox, and Heavey 2015). In particular, these authors identify academic papers with an emphasis on the unique background and vision of the founder (Ainamo 2005), their personality (Gruber 2010) and identity (Fauchart and Gruber 2011), their experience (Gao, Cheng, and Shi 2010), or on their social network (Beckman 2006) or cognition (Bryant 2014).

During our exploratory phase we observed how the founder imprints the choices of FFs. This is the case of the founder of the “Fondation Fournier-Majoie” who has a very entrepreneurial vision of philanthropy due to his own entrepreneurial

background and who supports recipients through debts and/or equity instead of grants. His professional background also explains his choice to establish a foundation that is active in a very narrow field, corresponding to where he was professionally active. Another example is Emile Bernheim, an emblematic Brussels entrepreneur and founder of the “Fondation Bernheim”, who left his visionary prospect for Europe to his foundation. The fact that he succeeded as an autodidact may explain, to some extent, the choice of the foundation to directly support individuals through scholarships in the field of citizenship, and especially in Brussels. We could also think of the “Fondation Laure Nobels” created by the parents of a 17 year old girl who was murdered by her boyfriend. The target beneficiaries of this foundation are young people between 15 and 24 years old; a choice that is definitively related to the age of their deceased only child.

Organizations as imprinted focal entities

When we talk about the organization as the imprinted entity, it may mean different things. Imprinters may influence the strategy, practices, resources, capabilities, systems, structure, etc. (Simsek, Curtis Fox, and Heavey 2015). In particular the imprint on an organization’s strategy has been addressed by scholars such as Kimberly (1979), Harris and Ogbonna (1999), Hannan, Burton, and Baron (1996), and Burton, Sørensen, and Beckman (2002). Kimberly (1979) shows how the strategy and actions of an organization are persistently influenced by the personality of the founder and his initial decisions. Harris and Ogbonna (1999) evidence the influence of the founder’s cognition on their strategic vision. Hannan, Burton, and Baron (1996) demonstrate that the founder’s blueprint affects the decision-making later on. Burton, Sørensen, and Beckman (2002) study the imprint of founders on the type of strategy chosen by their venture. The FFs’ strategy is thus a focal entity recognized in the imprinting literature.

6.2.3. Imprinting theory in the case of FFs’ strategy

If we return to the eight strategic levers identified in Chapter 2, the examples cited above highlight the link that may exist between the strategy of FFs and the profile of the founder. For example, we may establish a link between the degree of diversification of FFs and the professional background of the founder, a relation between the geographical coverage of FFs and the region of origin of the founder, the influence of the history of the founder on the choices in terms of recipient type. For one of the foundations we met, the valorization of personal initiative is at the heart of its strategy. Another foundations active in the field of health is an example of how the composition of the board may reflect, to some extent, the identity of the founder. The fact that the foundation values a high scientific

expertise of the board could be seen as a consequence of the scientific background of its founders.

Regardless of the number of years since the creation of the FF, imprinting theory enables us to posit that the FF's strategy bears the marks of the influence of the FF's individual founder. We make the assumption that something powerful happens through the founder at the time of the creation. A FF's strategy is to some extent a reflection of the identity of the founder.

Based on imprinting theory, we postulate that a FF's current strategy is stamped by the conditions of its creation. In particular, a FF's current strategy bears the influence of the founder's profile at the time of its creation.

In addition to this level of imprinting (i.e., the imprint of the founder on the strategy), there is an additional level that has to be mentioned with regard to the founder. The founder has a vision of the world as a result of his socialization. In a sense, there is an embedded level of imprinting that consists of the imprinting of the environment (organizations, among others) on the individual; they, in turn, transfer this imprinting to their own organization as founder (Marquis and Tilcsik 2013). Nevertheless, in this research, we do not study this level of imprinting as such.

There is an obvious relationship between imprinting theory and institutional theory that studies the influence of the context on the institutions. Imprinting theory in combination with IT illuminates our understanding of the diversity among FFs' strategic choices; imprinting theory explains the diverse strategic paths taken by FFs despite the institutional pressures. We may say that imprinting can be considered as a filter for institutional pressures. The search for legitimacy that is at the heart of institutional theory is thus to some extent mitigated by the values, professional background, cognitive capacities, etc. of the founder. The individual norms and what is considered as sacred for the individual somehow exceeds the rules and norms enacted by the institution.

6.3. Strategy for FFs: key variables under scrutiny

The objective of this section is to present the key elements that we considered in the study of the influence of the founder on the strategic choices of FFs. In particular, we clarify the strategic levers we study; we investigated those that correspond to the practices that can be qualified as "new" philanthropy. We also discuss the variables that may characterize the profile of the founder and we

finally present some additional variables that may also influence the strategy of FFs (i.e., the control variables).

6.3.1. Strategic levers

To study the explanatory dimension of FFs' strategy, we choose to focus on four strategic levers among the eight strategic variables identified in Chapter 2. These are the variables that include the normative choices advocated by the "new" practices in the field of philanthropy: the degree of diversification, the financing tool, the provision or not of additional support, and the existence of impact requirements. These are particularly interesting to study because they correspond to significant current institutional pressures resulting from the meeting between the business and the philanthropy world. Despite the fact that the field of foundations is not yet fully institutionalized, today FFs are under pressure regarding the impact they create. If we refer only to these pressures and the statement of IT, we would expect to observe an alignment of FFs practices to the normative statements of venture philanthropy: FFs that are niche active, that provide their recipient with mixed financing tools including debts and equity, alongside non-financial support, and with impact requirements. The existing diversity of FFs' strategic choices leads us to investigate the filter that the founder's profile may apply.

Furthermore, these strategic variables appear to be the highly discriminant between the three clusters that emerge among FFs in Belgium (Chapter 4); they are variables for which the modalities taken in the three clusters vary significantly. Also, they encompass variables in each of the three strategic dimensions (i.e., scope, supporting vehicle, and monitoring process). The strategic variables we investigated are described in Table 6.1.

Table 6.1 - Strategic variables under scrutiny

	Strategic dimension	Cluster discrimination (Chapter 4)	Venture philanthropy characteristics
Degree of diversification	Scope	Cluster 1: niche Cluster 3: cross-sectional	Niche for more impact (Porter and Kramer, 1999)
Financing tool	Supporting vehicle	Clusters 1 and 3: grants Cluster 2: grants and/or debts and/or equity	Enlargement of the financing tools (Mair and Hehenberger, 2014)
Provision of additional non-financial support	Supporting vehicle	Cluster 1: no additional support Cluster 2: provision of additional support	Higher level of engagement (Gordon, 2014)
Impact requirement	Monitoring process	Clusters 1 and 2: no impact requirement Cluster 3: impact requirement	Focus on the impact created (Gordon, 2014)

6.3.2. Founder characteristics

We used five characteristics to qualify the profile of the founders: professional background, education, gender, age, and beliefs. The first two are the result of a summation of life experiences of the founder, while the last three are intrinsic characteristics. The vision of the world of the founder depends on where and how the founder has been socialized (Berger and Luckmann 1991). In other words, depending on their socialization founders take for granted some rules, assumptions, and meaning (DiMaggio and Powell 1983). In particular, the founder's knowledge and experience have been recognized as individual characteristics that imprint organizations (Simsek, Curtis Fox, and Heavey 2015). We also complement the founder's profile by adding age and belief. Founder's values have also been identified as a characteristic that supports their imprint on the organization (Simsek, Curtis Fox, and Heavey 2015). As far as we know, age and gender are characteristics that have not yet been precisely studied in the theoretical framework of imprinting. Note that the choice of these variables was also conditioned by the availability and the exploitability of the collected data.

We thus wanted to investigate how education and professional background influence how the founder develops his philanthropic activities through the FF. Past research in the field of philanthropy has evidenced that education, and in particular the level of education, is a strong predictor of charitable giving

(Bekkers and Wiepking 2011; James 2011). After their education individuals typically join work environments that also shape their orientations and behavior (Lee and Battilana 2013). The emergence of venture philanthropy itself is due to business men who wanted to apply the principles of the for-profit sector to the field of philanthropy.

We aimed to study how the strategic choices adopted by FFs vary according to the founder's age, gender, and beliefs. In the literature, there is a lot of evidence to support the fact that religion is determinant in giving behavior (Bekkers and Wiepking 2011). The history of philanthropy (Chapter 1) is shaped to some extent by religious beliefs. Age is also recognized to influence charitable giving (Bekkers and Wiepking 2011). Moreover, in the field of philanthropy, we notice today a rejuvenation of the founders (Mernier and Xhaufclair 2017; Fondation de France and CERPhi 2015). Finally, in the field of philanthropy, gender is receiving increasing attention (Wiepking and Bekkers 2012). Gender is also recognized to affect the type of professional activities chosen; such as traditionally female work in the home and in non-commercial activities (Haveman and Beresford 2012). Men and women differ regarding their prosocial behavior (Eagly 2009). According to Eagly, in comparison to men, women are more likely to nurture, help, be unselfish, and show sympathy towards others.

6.3.3. Control variable

Beside the profile of the founder, additional variables can also influence the strategic choices made by FFs. These variables potentially hold a portion of the information on the strategy adopted by FFs. If we do not add these variables, we could face a bias. There are three main contextual variables that may influence FF's strategy: FF's size, FF's period of creation, and the politico-institutional context of FF. These three variables are related, to a certain extent, to the founding period of the FF; they also fall under the framework of imprinting theory (see Figure 6.1). FF's size refers to the economic conditions; the constraint on initial resources shapes initial organizational practices and this influence persists over time (Marquis and Tilcsik 2013). The period of creation and the politico-institutional context are in turn associated with institutional factors. These are also reflected in the practices of organizations (Marquis and Tilcsik 2013).

Size

By size we mainly mean the financial resources of FFs. A wealth indicator is a variable recognized to influence giving (Wiepking and Bekkers 2012). Because FFs are endowed organizations; the total amount bequeathed to FFs during the

creation process is likely to influence the strategic choices of FFs. FFs with higher resources will be more likely to engage paid staff. This means that these FFs potentially have at their disposal the means to professionalize their actions (e.g. by providing tailored support that includes non-financial support), to be connected with the new trends in the field of philanthropy (e.g. to be aware of the enlargement of the financing tools at their disposal), or to exchange with peers. If a FF's size is substantial, the FF has the means to be professionally active in several fields and can be less risk averse (e.g. support more risky projects with a potentially higher impact).

Period of creation

Past research has indicated that “*organizations formed at one time typically have a different social structure from those formed at another time*” (Stinchcombe 1965: 154). FFs created in the same period may have been influenced by the same contextual factors or similarly influenced by their environment. In particular, with the emergence of the new philanthropy in the 2000s; it is reasonable to think that FFs created at this period are more likely than older FFs to make strategic choices in line with these new practices. Alongside the period of creation the age of the FF (the life cycle) may influence the strategy adopted (Anderson and Zeithaml 1984). This variable also completes the independent variable *age* presented above. By a combination of the period of creation and the age of the founder, we have a more detailed level that takes into account the situation in which a FF has been created by a young founder a long time ago. This being said, as far as we know, this situation is rather unlikely because in the past philanthropy was generally the domain of older people.

Politico-institutional context

Finally, the politico-institutional context may also influence FFs' strategy. Depending on the country, the legal and fiscal environment differs (Anheier 2001). The role of the State also varies from one country to another and the sphere of public interest is proper to each country. As a consequence the search for legitimacy and the need for control vary according to the country of a FF. The national cultures and the traditions are recognized to have an enduring influence on constituent actors (Marquis and Tilcsik 2013). It thus appears reasonable to think that the strategic choices of FFs may be, to a certain extent, influenced by the specific features of their country of establishment. In the following analysis, because we study FFs in Belgium, we include a variable that to some extent encompasses the politico-institutional context of Belgium.

6.4. Methodology

In this section, we explain how we empirically tested the existence of links between the profile of the founder and the strategic choices of FFs. We detail the sample of Belgian FFs used, as well as the other variables. We also detail the statistical method we apply (see also Chapter 3).

6.4.1. Sample

As explained in Chapter 3, we have at our disposal a sample of 136 Belgian FFs (see Figure 3.9). Unfortunately, we could not use the whole sample because the full sample includes all types of founders and we wanted to target FFs created by individuals. Among the 136 FFs, 36 have been created by an individual. These are thus automatically in our target sample for the study of imprinting by the founder. However, we did not limit our analysis to these 36. During the exploratory interviews we realized that even if a foundation has been created formally by several individuals, there is a leader of the initiative most of the time. This goes a step further because we noticed that this was also the case for foundations created by a commercial company or a non-profit organization. Based on what we observe in the field, if there is a leader, this leader plays the same role as the founder. This is why in our questionnaire we included a question to determine if there was a leader for the foundations created by several individuals (with or without family links), by a non-profit organization, or by a commercial company. In the online survey, the corresponding questions are the following (Table 6.2):

Table 6.2 - Identification of a potential leader among FFs

Type of founder	Identification of a potential leader
<ul style="list-style-type: none"> • Multiple individuals without family links • Multiple individuals with family links (spouses included) • Non-profit organization 	4.28 Is one particular individual among the founders the clear “leader” who is at the origin of the initiative? <input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> • Commercial company 	4.37 Within the company, is there a clear “leader” who is at the origin of the creation of the foundation? <input type="checkbox"/> Yes <input type="checkbox"/> No

As we observe in Table 6.3, it appears that there is a leader in 72% (= 65/90) of these FFs. By adding these 65 leaders to the 36 founders, we have a sample of 101 FFs for which there is a founder/leader. This is the sample that we work with in this chapter.

Table 6.3 - Sample: founder and leader

Type of founder	Number of FFs	Existence of a leader
An individual	36	36
Multiple individuals from the same family (spouses included)	23	18
Multiple individuals, without family links	38	28
A commercial company	6	4
A not-for-profit organisation	23	15
Public authorities	8	
Other	2	
Total	136	101

} 90 } 65

This sample of 101 FFs is representative of the initial population of 1122 foundations according to the region, the period of creation (level 5%), and the existence of paid staff (almost level 5%, p -value = 4.5%)⁴¹. The details of the representativeness tests are given in Appendix 5. Table 6.4 provides the description of the sample according to the four variables used to establish the representativeness.

Table 6.4 - Sample (101 FFs) description

	Population (n= 1122)	Sample (n= 101)
Legal status		
PF	55%	40%
PBF	45%	60%
Region of establishment		
Brussels	43%	38%
Flanders	34%	31%
Wallonia	23%	32%
Year of creation		
1922- 1975	8%	10%
1976-2002	16%	22%
2003-2014	76%	68%
Existence of paid staff		
No	88%	81%
Yes	12%	19%

⁴¹ The foundations under the legal status of private foundations are underrepresented in our sample. As previously explained, this unavoidable bias is mainly due to the fact that private foundations are less likely to make contact information available. As the telephone and email reminders have been conducted based on available contact information, we have reached a smaller proportion of foundations under the legal status of private foundation.

6.4.2. Variables

Dependent variables

We used four **dependent variables** corresponding to the **four strategic levers** we investigated. These variables are the ones we used to conduct the cluster analysis (Chapter 4). The four variables are binary variables (i.e., with two modalities). As a reminder, the modalities of these variables are given in Table 6.5.

Table 6.5 - Modalities of the four dependent variables

Strategic lever- Dependent variables	Modalities
Degree of diversification	Cross-sectional Niche
Financing tool	Grants Mixed
Provision of additional non-financial support	No Yes
Impact requirement	No Yes

Independent variables

These characteristics of the founder correspond to the **independent variables**. Because we asked exactly the same questions in the case of an individual founder or a leader, we have at our disposal several characteristics of the founder/leader. The collection of these elements as well as the corresponding modalities of the independent variables is detailed in Table 6.6⁴². In the field of philanthropy, depending on the research, the age limit that is taken into account differs. Nevertheless, there is a gradient that seems convergent around 65 years old (Bekkers and Wiepking 2011). In addition, 40 is often considered as a lower bound (e.g. Auten and Joulfaian (1996); Randoph (1995)). The variable *age* thus has three modalities (i.e., younger than 40 years old, between 41 and 65, and older than 65). Regarding the level of education, we built an indicator with two modalities distinguishing a level of education lower than or greater than university; this corresponds to the variable *education*. The post-secondary education is a period during which people are highly influenced (Patton et al. 2016). The variable *professional background* makes a distinction between three types of organizations in which founder may have worked (i.e., private non-profit organization, private for-profit organization, and public sector). Finally, the

⁴² The full questionnaire is given in Appendix 2.

variable *belief* has two modalities that make the distinction between atheist and religious individuals.

Table 6.6 - Profile of the founder/leader

Independent variable	Survey - Corresponding questions	Modalities
Gender	4.9/4.37 Is the founder/leader <input type="checkbox"/> male or <input type="checkbox"/> female?	<ul style="list-style-type: none"> • Male • Female
Age	4.10/4.38 How old was the founder/leader at the time the foundation was established? (one single answer) <input type="checkbox"/> Less than 40 years old <input type="checkbox"/> Between 41 and 65 years old <input type="checkbox"/> Older than 65 years	<ul style="list-style-type: none"> • <40 • [41,65] • >65
Education	4.15/4.42 What is the highest level of education the founder/leader has enjoyed? (one single answer) <input type="checkbox"/> Primary school / High School <input type="checkbox"/> Higher education, non-university level <input type="checkbox"/> University-level <input type="checkbox"/> Post-university-level (PhD, etc.) <input type="checkbox"/> Don't know	<ul style="list-style-type: none"> • Primary/High School/Higher education, non-university level • University-level, Post graduated level
Professional background	4.21/4.48 In what type of organization did the founder/leader acquire his/her main professional experience? (one single answer) <input type="checkbox"/> Private sector (for-profit) <input type="checkbox"/> Not-for-profit private sector <input type="checkbox"/> Public sector	<ul style="list-style-type: none"> • Private sector (for-profit) • Not-for-profit private sector • Public sector
Belief	4.22/4.49 Which of the following best describes the founder/leader's religious or spiritual convictions? (one single answer) <input type="checkbox"/> The founder/leader is/was religious <input type="checkbox"/> The founder/leader is/was atheist or agnostic <input type="checkbox"/> Other, please specify : <input type="checkbox"/> Prefer not to answer	<ul style="list-style-type: none"> • Religious • Atheist

Ideally, we wanted to have the characteristics of the founder at the time of the creation because this is the sensitive period we investigated based on imprinting theory. For the age of the founder/leader, we asked the question precisely in this sense (i.e. "at the time of the creation"). For the variable *belief*, we did not specify

that we wanted the information at the time of the creation because it seems reasonable to think that belief is a constant feature. Gender is also considered as a permanent characteristic. Regarding the level of education, we make the assumption that the level of education reported by the respondent in the survey is effectively that at the time of the creation. This seems reasonable in the sense that most of the founder/leaders are already active in business when they create FFs (Mernier and Xhauflair 2017). Additionally, because we only split the variables into two modalities, even if the founder/leader for example has started a higher degree in a later stage it will not have an impact on the two modalities of our variable. Finally, regarding the professional background, we cannot be sure that the answer reported by the respondent is in line with the professional experience at the time of the FF's creation. This is a potential bias that we have to deal with.

Control variables

Size, period of creation, and politico-institutional context are the information we want to **control** for. Regarding the size of the FFs, we have two proxies available: either the existence of paid staff or the total of assets⁴³. We chose the variable paid staff because it has the least missing data (7 vs. 10). Based on the year of creation, we also computed a variable period of creation with three modalities⁴⁴ specific to the Belgian sector of foundations (i.e., before 1975, between 1976 and 2002, and after 2003). Finally, we included a variable region to take into account the politico-institutional context of Belgium. This variable has three modalities (i.e., Brussels, Wallonia, and Flanders). Depending on the region, the foundation sector differs and the partition of foundations between the two legal statuses (i.e., public benefit foundation and private foundation) is also different (see Chapter 3).

6.4.3. Method

We use a logit regression that models the probability of success of each of the four dependent variables (we detail the corresponding “success” in the next section). We adopt a univariate approach; we consider only one dependent variable at a time. Our objective is to find an appropriate model to explain each of the dependent variables, by an appropriate combination of independent variables (i.e., the characteristics of the founder) and control variables that explain each of the dependent variables (i.e., the strategic choices). We thus need to select the variables that give an appropriate model.

⁴³ The contingency table between the existence of paid staff and the total of assets leads us to conclude that there is effectively dependence between both.

⁴⁴ See Chapter 3

The biggest difficulty we confronted was the presence of missing data (Table 6.7). The combination of the independent variables increases the number of missing values. The usual selection model procedures (e.g. AIC-based selection, see Chapter 3) require that the same data be used for the estimation of all compared models. Therefore, for each dependent variable a subsample of the initial sample was constructed, leaving out the FFs that correspond to missing values on some variables. This means that we are forced to work on the basis of a subsample of the initial sample (i.e., 101 FFs). Also, depending on the dependent variable considered and the combination of independent variables taken into account the number of missing data varies. In order to ensure the validity of the final model, we proceeded in two steps:

Step 1: for each strategic variable we study, we compute a reduced database without any missing data (i.e., N/A). On this basis, we run logit regression and then apply the AIC criterion (see Chapter 3) in order to determine an appropriate model.

Step 2: we then re-apply a logit regression with the final model identified in Step 1 on the sample of 101 FFs and compare the parameter obtained in order to be confident with the model selected⁴⁵. In some cases, we also apply ANOVA to confirm the results obtained.

We ran the same procedure for each of the four dependent variables.

Table 6.7 - Regression variables and missing values

Type	Variables	Number of missing data (N/A)
Dependent variables	Degree of diversification (DD)	0
	Country coverage (CC)	0
	Financing type (FT)	0
	Impact requirement (IR)	0
	Additional non-financial support (ANFS)	5
Control variables	Paid staff	7
	Region	0
	Creation	0

⁴⁵ This procedure allows us to derive the representativeness of the sample of 101 FFs. This means that we do not compute the representativeness of each subsample used for the corresponding strategic variable.

Type	Variables	Number of missing data (N/A)
Independent variables	Age	1
	Education	5
	Belief	31
	Professional background	10

As we can see from Table 6.7, religious belief is the variable for which there is the most missing data, in order to mitigate the effect of this absence of data, we test each logit model (corresponding to each strategic lever) with and without belief. The levels of significance we use are the following: “***” for a p-value <0.01, “**” for a p-value <0.05, and “.” for a p-value <0.1.

6.5. Links between founder profile and strategic choices: empirical evidence

In this section, we first present the results of the statistical analysis for each of the four strategic levers. We then attempt to explain the results obtained based on the literature. Our results evidence, to some extent, the influence of the profile of the founder on the strategic choices and the pertinence of considering control variables.

6.5.1. *The influence of the founder’s profile on the strategic choice of the degree of diversification*

Our objective is to explain the probability of being active in a niche (i.e., the probability of success) in terms of the age, education, professional background, and the belief of the founders, as well as in terms of the existence of paid staff, the period of creation, and the region. A literal way to present the model is as follow:

$$\ln\left(\frac{\text{Probability of being active in a niche}}{1 - \text{Probability of being active in a niche}}\right) \sim \beta_0 + \beta_1 \text{Age} \\ + \beta_2 \text{Education} + \beta_3 \text{Professional background} + \beta_4 \text{Belief} \\ + \beta_5 \text{Paid Staff} + \beta_6 \text{Period of creation} + \beta_7 \text{Region}$$

where β_0 to β_7 are the parameters we want to estimate⁴⁶.

Results

We began the analysis by including all the variables; we then applied the AIC procedure in order to obtain an appropriate model. According to the AIC procedure (without the variable *belief*), the model that best explains the independent variable *degree of diversification (DD)* includes the control variable *paid staff* and the independent variable *education*. Paid staff and education are significant, respectively, at the level of 5% and 10%⁴⁷(Table 6.8). The other variables are not significant. The details of the AIC procedure are given in Appendix 6.

Table 6.8 - Final model for the strategic lever *degree of diversification*

Degree of diversification- Niche	Estimate	p-value	Significance level
(Intercept)	-0.083	0.85	
Paid staff [Yes]	-1.388	0.02	*
Education [Univ/Post graduated]	0.96	0.08	.

Based on the results given in Table 6.8, we can thus conclude the following regarding the *degree of diversification* of FFs: all other things being equal, the strategy of FFs created by a founder who graduated from university (and higher) will be more likely (positive sign of the parameter estimate 0.96⁴⁸) to be active in a niche, compared to FFs created by individuals with a lower education level (reference category). More precisely, if we interpret the results in terms of odds ratio, we can better figure out the importance of the effect of the education. The odds ratio of high-educated founder compared to lower educated founder is given by:

⁴⁶ Because the dependent variables are qualitative variables with two or three modalities, the parameters that need to be estimated are not only β_0 to β_7 . Inside each β_i for $i = 2$ to 7 , there are one or two parameters that need to be estimated (based on a reference category).

⁴⁷ If we run the same model on the initial sample (Model 4), it appears that education is not significant. Nevertheless, the application of an ANOVA allows us to keep the variable education (p-value=7%).

⁴⁸ The value of the estimate has to be carefully interpreted. The importance of the effect has to be interpreted in terms of exponential and compared to the initial probability (that corresponds to the one of the reference category).

$$\text{Odds ratio (Education)} = \frac{\text{Exp}(-0.083 + 0.96)}{\text{Exp}(-0.083)} = 2.6$$

Given that 2.6 is greater than 1, we can conclude that the high educated founders, compared to low educated founders, increase their opportunity of three times to be niche active.

Also, all other things being equal, the strategy of FFs with paid staff will be more likely to have several fields of intervention (cross-sectional), compared to FFs without paid staff (reference category). If we compute the odds ratio for paid staff compared to no paid staff, we obtain a result of 0.24 that is lower than 1. It means that FFs with paid staff have four times less opportunity to choose to be active in a niche compared to FFs without paid staff.

Theoretical justification

In most empirical studies the authors demonstrate that there is a positive relationship between the level of education and the propensity to give (Bekkers and Wiepking 2011). This relationship is mainly due to two mechanisms: the first is that people with a higher degree of education have more opportunities to socialize, to meet new people, to be part of a network (Brown 2005; Brown and Ferris 2007). These people have a higher social capital (Wilson and Musick 1997). Therefore, higher educated people are **more solicited** and their propensity to give is higher. The second mechanism is related to **cognitive capabilities**. Cognition encompasses the set of mental abilities or processes (e.g. processes of learning, problem-solving, how people pay attention or remember) that guide human action. Cognition has thus to do with how a person understands the world and acts in it⁴⁹. Higher educated people have higher cognitive capabilities (Ceci and Williams 1997). This means that they have a better capacity to understand the world surrounding them and thus to change it (Bekkers and Wiepking 2011). In the field of entrepreneurship, the prior education of individual also influences entrepreneurial outcomes, among other successes (Davidsson and Honig 2003; Van der Sluis, Van Praag, and Vijverberg 2008). In particular, higher educated people have cognitive abilities that allow them to better evaluate opportunities (Schultz 1959).

To explain the fact that FFs founded by highly educated people will be more likely to be niche-players, we rely mainly on the argument related to **cognitive capabilities**. Because higher educated people are recognized as having higher cognitive capabilities, they better understand world issues, they are better able to

⁴⁹ <http://sharpbrains.com/blog/2006/12/18/what-are-cognitive-abilities/>

figure out how the world works, and they are more likely to want to contribute to it. Given that they are potentially more aware of the opportunities to significantly contribute, it seems reasonable to think that they will not spread their support. People with higher cognitive capabilities will probably reflect on their philanthropic action and will not act based only on the “coup de coeur”. Today, higher education is very specialized; people with higher education are more likely to have been exposed to specialization. This could also support the result.

Regarding the driver **solicitation**, on one hand, we could make the assumption that if people are over-solicited, they may need to take a step back and choose a specific cause to answer the over-solicitation. On another hand, the reverse hypothesis could also be true: if people are over-solicited, they will be more likely to have a more diversified action. By combining the arguments on cognitive capabilities, specialization, and solicitation we are able to explain the links between higher educated people and the strategic choice to be active in a niche. Because of their understanding of the world, their desire to significantly contribute, their specialization, and their ability to identify opportunities to contribute, they will choose a specific field of intervention.

Finally, the link between the existence of paid staff (used as a proxy for the size of FFs) and FFs that are active in several fields is understood rather well. If FFs can rely on paid staff, they have potentially more human and financial resources to be active cross-sectionally. They have at their disposal the means to achieve a certain level of expertise and knowledge in different domains. These FFs may have a higher level of professionalization and visibility that can lead to an extension of their scope (as is the case for the King Baudouin Foundation, for example). On the reverse, there are also big foundations such as the “Fondation contre le Cancer” that are niche-active.

6.5.2. The influence of the founder’s profile on the strategic choice of provision of additional non-financial support

We aim to explain the probability of providing additional non-financial support (i.e., the probability of success) in terms of the age, education, professional background, and the belief of the founders, as well as in terms of the existence of paid staff, the period of creation, and the region. The model is formalized as follows:

$$\ln\left(\frac{\text{Probability of provision of additional support}}{1 - \text{Probability of provision of additional support}}\right) \sim \beta_0 + \beta_1 \text{Age} \\ + \beta_2 \text{Education} + \beta_3 \text{Professional background} + \beta_4 \text{Belief} \\ + \beta_5 \text{Paid Staff} + \beta_6 \text{Period of creation} + \beta_7 \text{Region}$$

where β_0 to β_7 are the parameters we want to estimate.

Result

The AIC procedure (with and without the variable *belief*) evidences that the dependent variable *provision of additional non-financial support* is well explained by the control variable *period of creation* and the independent variable *professional background*. The conclusion is the same when we use the initial sample of 101 FFs. The details are given in Appendix 6.

Table 6.9⁵⁰ - Final model for the strategic lever *additional non-financial support*

Additional non-financial support Yes	Estimate	p-value	Significance level
Intercept	-0.915	0.127	
Creation (after 2003)	1.893	0.003	**
Creation (before 1976)	-1.050	0.394	
Prof. back. (private not-for-profit)	-1.069	0.068	.
Prof. back. (public)	0.050	0.079	

Based on the results given in Table 6.9 we observe that, all other things being equal, the strategy of FFs created by an individual who has mainly acquired his professional experience in the private and not-for-profit sector will be less likely to provide the recipient with additional non-financial support (negative sign of the estimate), in comparison to a person who has mainly worked in the private for-profit sector (reference category). Based on the odds ratio computation, we can conclude that a founder with a not-for-profit experience will correspond to a decrease of three times of the opportunity to choose to provide recipients with additional non-financial support compared to founders with a for-profit experience (odds ratio= 0.34). Also, all other things being equal, the strategy of FFs created after 2003 will be more likely to include the provision of additional non-financial support than FFs created between 1976 and 2002 (reference

⁵⁰ Prof.back. means professional background

category). The computation of the odds ratio allows us to say that the opportunity for FFs created after 2003 to provide their recipients with additional non-financial support are six times higher compared to FFs created between 1975 and 2002 (odds ratio= 6.6).

Theoretical justification

Depending on the type of organization in which individuals acquire their professional experience, they learn different norms and different ways to be considered as legitimate (DiRenzo 1977). This includes, among others, the managerial style (Higgins 2005) and the appetite for risk (Kacperczyk 2009).

The strategic choices of FFs will thus vary according to the work environment in which the FF's founder has evolved. On the one hand, if a founder has mainly acquired his experience in the non-profit sector, it is conceivable that he does not know that is possible to support third parties other than by making grants, field volunteering, or by being a board member. Because the empowerment of an organization's capabilities is something that is relatively new in the non-profit sector, people who have mainly worked in this context are potentially less aware of the existence of this type of support. Nevertheless, this argument deserves nuances; similarly, we could think that people who have mainly worked in the not-for-profit sector are aware of the needs of recipients.

A FF's founder who has mainly worked in the for-profit sector in turn has integrated a set of norms proper to this sector, such as the notion of profitability that is at the heart of for-profit work. The founder adopts the business practices with which they are familiar and brings these to their philanthropic practices (Hwang and Powell 2009). In the context of philanthropy, the notion of profitability may be translated into effectiveness. It thus seems reasonable to think that for-profit experienced people will have a high interest in the effectiveness of their actions. In the academic and grey literature the idea of effectiveness is closely connected to the provision of non-financial support that empowers third parties. This mainly comes from venture capitalism. The provision of additional non-financial support is part of the "toolkit of logics" (Swidler 1986).

Accordingly, if we combine these elements, we understand that the type of organization in which the founder has acquired his main experience is determinant in the choice of a FF's strategy. A founder who has mainly worked in for-profit organizations will be more likely to incorporate in its philanthropic action the means necessary to achieve effectiveness via the provision of additional non-financial support. As evidenced in our results, a founder who has mainly worked in not-for-profit organizations will be less likely to include alongside non-financial support.

Furthermore, the influence of the period of creation on the provision of additional non-financial support appears to make sense. It is likely that FFs created after 2003 will provide their recipients with additional non-financial support, as this period corresponds to the emergence of venture philanthropy in Europe.

6.5.3. *The influence of the founder's profile on the strategic choice of financing tools*

For the strategic choice in terms of financing tools, the probability of success we model is the choice to use mixed tools (i.e., including debt and/or equity). We want to explain this choice in terms of the age, education, professional background, and the belief of the founders, as well as in terms of the existence of paid staff, the period of creation, and the region. A corresponding formalization is the following:

$$\ln\left(\frac{\text{Probability of use of mixed tools}}{1 - \text{Probability of use of mixed tools}}\right) \sim \beta_0 + \beta_1 \text{Age} + \beta_2 \text{Education} \\ + \beta_3 \text{Professional background} + \beta_4 \text{Belief} + \beta_5 \text{Paid Staff} \\ + \beta_6 \text{Period of creation} + \beta_7 \text{Region}$$

where β_0 to β_7 are the parameters we want to estimate.

Result

The results of the AIC procedure for the strategic variable *financing type* are mitigated. On one hand, if the variable *belief* is included, according to the AIC procedure, the most appropriate model consists in explaining the strategic choices regarding the financing type by the independent variable *belief*. However, when we effectively test this model, either on the corresponding subsample or based on the initial sample (model 2 and model 3), the fact that the founder is religious does not seem to have a significant influence on this strategic choice (Table 6.10). The details of the AIC procedure results are given in Appendix 6.

Table 6.10 - Final model for the strategic lever *Financing tools*

Financing tools- Mixed	Estimate	p-value	Significance level
Intercept	-1.791	0.000908	***
Region (Flanders)	0.904	0.197	
Region (Wallonia)	1.637	0.014	*

If we remove the variable *belief*, the AIC procedure leads us to consider only the control variable *region* to explain the type of financing provided (Table 6.10). Other things being equal, the strategic choice in terms of financing support of FFs established in Wallonia is more likely to be the support through mixed tools that is grants and/or debts and/or equity, compared to FFs located in Brussels (reference category)⁵¹. This result is difficult to understand. *A priori*, we would have thought that FFs established in Wallonia would be more likely to support their recipients with classical grants. Wallonia counts the smallest number of foundations of the three Belgian regions; this may mean that the foundation sector in Wallonia is less dynamic and thus less likely to be aware of the new practices. In addition to this, the vast majority of events, conferences, and workshops on and for foundations are organized in Brussels. This is not always easily accessible for people who live in Wallonia. Wallonia could thus be less exposed to institutional influences. Additionally, in Wallonia people are used to a stronger public sector which works with subsidies. To explain this result would require further investigation.

The fact that the variable *belief* is an output of the AIC procedure (see Appendix 6) deserves attention even if our results do not establish a significant link between the belief of the founder and the strategic choice in terms of financing tools. Through the history of philanthropy, we have been able to appreciate the evolution between charitable philanthropy and strategic philanthropy (Chapter 1). One might have thought that the choice of the financing tool (with or without expected return) could therefore be influenced by the beliefs of the founder.

Theoretical justification

In the literature, despite the fact that religion is recognized as determinant in charitable giving, Bekkers and Wiepking (2011) nevertheless reveal that the propensity to give is not exclusively due to the values enhanced by religion, but also to prosocial behavior (e.g. church attendance). Giving would be a religious obligation that acts as a strong norm avoiding all the questions related to effectiveness and impact and an approach rather in line with a means obligation (Chapter 2).

In Jewish, Christian, and Muslim religious texts⁵² there are many references to gifts and in particular to the principle of free gifts (i.e., without compensation).

⁵¹ FFs located in Flanders do not significantly differ from those established in Brussels.

⁵² In Europe (<https://churchpop.com/2014/10/09/10-maps-religion-europe/>) and in the United States (<http://www.pewresearch.org/>), Christianity (which includes catholic, protestant, and orthodox denominations) is still the most represented religion. Islam is a religion that is increasing

For example, there is the concept of a tithe in the Old Testament. This requires people to give a proportion (10% is recommended) of their resources (“*Let every one of you, on the first day of the week, set aside as much as he can, according to his prosperity*” (1Corinthians 16.2)). The text insists that the tithes and the offerings have to be made with pure motivations (2 Corinthians 9.7). It is very clear that the Bible recommends helping one's neighbor and not burdening him with combined debts in order to be loved by the Lord with the promise of going to heaven. As evidenced in Table 6.11, in the Bible there are various references to the prohibition of interest.

Table 6.11⁵³ - The Bible and the notion of interest: examples

Reference	Text
Ezekiel 18	“ <i>5If a man is righteous and does what is just and right...7 does not oppress anyone, but restores to the debtor his pledge, commits no robbery, gives his bread to the hungry and covers the naked with a garment, 8 does not lend at interest or take any profit, withholds his hand from injustice, executes true justice between man and man, 9 walks in my statutes, and keeps my rules by acting faithfully--he is righteous; he shall surely live, declares the Lord GOD.</i> ”
Exodus 22	“ <i>25 If you lend money to any of my people with you who is poor, you shall not be like a moneylender to him, and you shall not exact interest from him.</i> ”
Leviticus 25	“ <i>36 Take no interest from him or profit, but fear your God, that your brother may live beside you.</i> ”
Deuteronomy 23	“ <i>19 You shall not charge interest on loans to your brother, interest on money, interest on food, interest on anything that is lent for interest.</i> ”
Ezekiel 18	“ <i>13 (if he) lends at interest, and takes profit; shall he then live? He shall not live. He has done all these abominations; he shall surely die; his blood shall be upon himself.</i> ”
Ezekiel 22	“ <i>12 In you they take bribes to shed blood; you take interest and profit and make gain of your neighbors by extortion; but me you have forgotten, declares the Lord GOD.</i> ”

Today, tithing has gone from the status of a legal obligation to that of a moral duty, on a voluntary basis. The New Testament also teaches the importance of giving and the benefit derived from it (e.g. Luke 6, Matthew 5). According to the Christian tradition the gift is free because it reflects the free gifts of God. Nevertheless, there is still a promised reward for the donor (certainly in a non-

in Europe. The Bible that includes the Old and New Testaments is also, in part, the reference text for Judaism (because the Torah includes the Old Testament).

⁵³ <https://sites.google.com/site/decouvriretapprendre/famille/mefaits-et-reprobation-de-l-usure/interdiction-de-l-usure-dans-la-bible>

terrestrial or non-calculable, non-utilitarian perspective: with God). The gift according to the Bible causes people to enter into a perspective of generosity without calculation (the believer who acknowledges having received everything from God without merit, can in turn give free of charge). For Protestants, in particular, there is also the concept of “giving back to society” that is rather compatible with the notion of giving freely.

In the Quran, the sacred text of Islam, the references to gifts and its gratuitousness are also numerous. The usury (*riba*) is forbidden in Islam (Table 6.12). In the tradition of Islam, each offering is given back by God to the one who gives it (“...whatever thing you spend [in His cause] - He will compensate it; and He is the best of providers” (Surah 34, Verse 39)). The charitable nature of the gift is a necessary condition to receive a divine answer back. According to Islamic philosophy, the gift is perceived as the promise of reconciliation between being and having. If there are profits, one is often alienated to the benefit to the other.

Table 6.12⁵⁴ - The Quran and the notion of interest: examples

Reference	Text
Surah Ar-Rum [30:39]	“And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in zakah, desiring the countenance of Allah - those are the multipliers.”
Surah Ali 'Imran [3:130]	“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful.”
Surah Al-Baqarah [2:278]	“O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers.”
Surah Al-Baqarah [2:276]	“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.”
Surah Al-Baqarah [2:275]	“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest.(...)”

Accordingly, we would have argued *a priori* that a religious person will be stamped by the idea of the free gift and then more likely to provide their third parties exclusively with gifts. This means that an atheist or agnostic person, compared to a religious person, would be more likely to adopt the new financing tools such as debt or equity which include the idea of interest. Nevertheless, this link is not strong enough to appear in our data.

⁵⁴ <http://comprendre-islam.com/riba-usure-islam/>

6.5.4. *The influence of the founder's profile on the strategic choice of having impact requirement*

The last strategic choice we investigate is the *impact requirement*. For this analysis, the probability of success we model is the choice to have impact requirements that we attempt to explain in terms of the age, education, professional background, and the belief of the founders, as well as in terms of the existence of paid staff, the period of creation, and the region. A way to formalize the model is the following:

$$\ln\left(\frac{\text{Probability of **the existence of impact requirements**}}{1 - \text{Probability of **the existence of impact requirements**}}\right) \sim \beta_0 + \beta_1 \text{Age} + \beta_2 \text{Education} + \beta_3 \text{Professional background} + \beta_4 \text{Belief} + \beta_5 \text{Paid Staff} + \beta_6 \text{Period of creation} + \beta_7 \text{Region}$$

where β_0 to β_7 are the parameters we want to estimate.

Result

If we run the AIC procedure (with or without the variable *belief*, see Appendix 6), it appears that the independent variable *age* is the variable that better explains the strategic choice in terms of *impact requirement* (Table 6.13).

Table 6.13 - Final model for the strategic lever *Impact requirements*

Impact requirement - Yes	Estimate	p-value	Significance level
Intercept	0.405	0.276	
Age (<40)	2.014	0.08	•
Age (>65)	-0.04	0.9393	

All other things being equal, the strategy of FFs created by a person who is less than 40 years old will be more likely to require their third parties to demonstrate impact, compared to founders between 41 and 65 years (reference category). The corresponding odds ratio is equal to 7,9 this means that the opportunity for younger founders to include impact requirements in their strategy is eight times higher compared to older founders. The behavior of founders older than 65 years does not significantly differ from the reference category.

Theoretical justification

The fact that the age of the founder influences the strategic choice in terms of impact requirements does not surprise us. In the academic literature on philanthropy, a positive relationship is generally established between age and giving (Bekkers and Wiepking 2011). Nevertheless, according to these authors, the mechanism that explains this relationship is not yet well understood. In the grey literature (e.g. reports of private banks, consulting firms, field organizations) age is a parameter that is broadly addressed, mainly because of recent evolutions in the field of philanthropy. The importance of younger people in philanthropy is increasing (Miller et al. 2014). The creation of a FF is no longer the exclusive privilege of elderly people that engage in philanthropy at the time of their retirement, for example. We talk about the next-generation of donors, commonly called the “nextgen⁵⁵”. If we are interested in understanding the influence of the age of the founder on the strategic choices adopted by a FF, the strategic lever that appears dominant is related to impact.

What emerges from these reports is that the young philanthropists are changing the face of philanthropy (Lerner 2011). This next generation of philanthropists want to witness the impact they create (Hamilton 2004). Age is also related to entrepreneurial behavior (Parker 2004). The younger people are attentive to determine if they have achieved their objective (Lerner 2011) and thus develop high interest in developing metrics of their outcomes and impact (Miller et al. 2014). What mainly summarizes the approach adopted by them is “impact first” (Trobe 2013); according to the same author, they also want to see the impact created (and do not look for social recognition as the previous generation have). They want to make a difference. This high focus on impact is somehow linked to the appetite for risk of the younger philanthropist. Based on these elements we understand why if a FF’s founder is younger, it will be more likely to have a high interest in impact.

6.6. Discussion and conclusion

Founder profile and new philanthropic practices

With this last chapter, we have contributed to deepening the understanding of FFs’ strategy that we have built to this point; we investigated the potential links between the profile of the founder and the strategic choices that can be assimilated to the new philanthropic practices. We empirically highlighted that

⁵⁵ The terms generation X and generation Y respectively designate groups of individuals born after 1965 and after 1980. The age limit may vary from one study to another.

the profile of the founder at the time of the creation has an influence on the strategic choices of FFs; in particular his level of education, the type of organization in which he has acquired his main experience, and his age. The gender and the beliefs of the founder did not appear to be significantly related to the strategic choices; any links are not strong enough to appear in our data. FFs created by younger founders are more likely to have a focus on impact while FFs created by highly educated founders will be more likely to intervene in a specific field of intervention. Also, FFs created by founders who have their main professional experience in the for-profit sector are more likely to provide their recipient with additional non-financial support. Because each characteristic of the founder appears only to be significant once after the AIC procedure (i.e. education of degree of diversification, age for impact requirement and professional background for the provision of additional non-financial support), it is not relevant, at this stage, to include interactions between the variables and to complicate the model. Statistically, if a single characteristic of the founder is not significant, it is unlikely that a combination of characteristics be significant. Nevertheless, a multivariate analysis could be interesting in order to attempt to identify a comprehensive and integrated profile of the founders that engage in new philanthropic practices.

Our results also underline that the period of creation, the size of FFs, and the politico-institutional context play a role in the strategic choices of FFs. In particular, FFs created after 2003 are more likely to provide their recipient with additional non-financial support. Our results also show that the size of the FF significantly influences the strategic choices in terms of the degree of diversification. Finally, the strategy of FFs, particularly in terms of financing tools, depends on the region of establishment of FFs in Belgium.

Founder profile and strategies among Belgian FFs

The results of this chapter also support our understanding of the three strategic groups existing among FFs in Belgium (Chapter 4). If we relate the strategic choices investigated in this chapter (i.e., degree of diversification, financing type, additional non-financial support, and impact requirement) to belonging to one of the three clusters (i.e., proximate charitable philanthropy, high-engagement philanthropy, and international impact-driven philanthropy), we are able to guess, to a certain extent, what type of founder is behind each strategy. Highly educated people will be more likely to adopt proximate charitable philanthropy or, to a lesser extent, high-engagement philanthropy. Founders who have mainly acquired their professional experience in the private for-profit sector will be more likely to choose high-engagement philanthropy and, to a lesser extent, international impact-driven philanthropy. Finally, young founders will be more likely to be in line with international impact-driven philanthropy and, to a lesser extent, high-

engagement philanthropy. Nevertheless, these propositions have to be taken carefully because in this chapter we have only studied 4 strategic levers out of the 8 used in the determination of clusters and based on a univariate approach.

Founder profile and legitimacy and control issues

We can also analyze the results of this chapter in the light of the issues of legitimacy and control addressed in Chapter 5. We may then conclude that a younger founder will mainly deal with control issues based on monitoring process (i.e., impact requirement). A highly educated founder will manage control issues based on scope (i.e., degree of diversification) and a private for-profit experienced founder will manage control based on the supporting vehicle (i.e., additional non-financial control). Also, young and for-profit experienced founders seem to mainly rely on pragmatic legitimacy; a young founder does this directly by having impact requirements, and a for-profit experienced founder does so indirectly by providing additional non-financial support that is recognized to improve effectiveness. Highly educated founders gain both control and legitimacy by intervening in a niche. The elements discussed above are summarized in Table 6.14.

Table 6.14 - Founder profile and legitimacy and control issues

	Young founder	Highly educated founder	For-profit experienced founder
Strategic lever imprinted	Impact requirement	Degree of diversification	Provision of additional non-financial support
Means of Control	Monitoring process	Scope	Supporting vehicle
Type of Legitimacy	Pragmatic	Moral and pragmatic	Moral and pragmatic

Future research avenues

Future research avenues are numerous. Exploring the existence of the relationship between the profile of the founder and their strategic choices is a prerequisite to later investigation of the potential mechanisms driving these relationships. We underline three main ideas for future research. First, in Belgium, it would be interesting to improve the understanding of the founder's influence through imprinting by collecting additional detailed data. For example the influence of religion on a FF's strategy deserves attention. Other imprinting sensitive periods could also be investigated such as the impact of the law change in 2002. Finally, it

would be valuable to conduct a longitudinal study in order to understand the dynamics of imprinting.

Second, the reproduction of the same type of analysis in another national context, in particular in Europe, in order to see if there are any differences would contribute to the understanding of the European foundation sector.

Finally, future research is needed in order to understand the mechanisms of filters that the founder could use against institutional pressures. If the current institutional pressures effectively correspond to the new philanthropy, we could thus conclude that younger founders, highly educated founders, or for-profit experienced founders are to some extent more vulnerable to the pressures of their environment. These founders do not have anything to oppose these pressures or they do not have a personal posture that allows them to resist. There is no opposing filter. Other life experiences in turn may produce resistance to these pressures. Depending on the profile of the founder, the foundation could be more or less exposed to environmental pressures. This would be an interesting avenue to explore.

CONCLUSION

In this last section, we aim to conclude our research; it is organized into four parts. We first aim to integrate the findings of the different chapters composing this dissertation and attempt to reach a more comprehensive view on strategy for financing foundations (FFs). **Four main findings** emerge from our research. In addition, this dissertation contributes to the scholarly literature of philanthropy at different levels. We identify **five main contributions** that we detail in the second section. We also review the limitations of this research and propose suggestions for future research. Finally, the managerial contributions that our work brings to the field of philanthropy and to the theme of strategy are detailed.

Findings

First, thanks to the data collected on the Belgian foundations, we drew a very **detailed picture of the foundation sector in Belgium**. At the end of 2015, 1751 foundations are listed (under both the legal status of public benefit foundations and that of private foundations). The Belgian foundation sector is in growth, in particular there is a growth of 10% for 2015 compared to 2014. Furthermore, we observe that foundations in Belgium are not uniformly distributed over the Belgian territory; Brussels and Flanders account for the larger number of foundations. The specific context of regionalization of Belgium may explain this difference. Among the 1751 foundations existing at the end of 2015, 76% serve a public purpose and the remaining 24% are foundations that have rather private objectives (e.g. a legal representative of a vulnerable person, preservation of a familial patrimony). The main areas of intervention for these foundations are in the arts and culture, social action, and health. In addition, the study of the Belgian foundation sector and the review of the literature in the academic field of philanthropy have led us to challenge the conventional terminology existing in the field of philanthropy and the usual term “grantmaking foundations”. Our research also gave a detailed discussion and argument regarding the specificities of foundations that finance others and defined the features of financing foundations (i.e. private and non-democratic actor, public purpose, outsourcing, financing flow and measurability). This has elicited the particular challenges and tensions that they may confront.

A second finding of our research lies in the **development of a strategic conceptual framework** that informs strategy for financing foundations. We conducted a literature review in the academic field of philanthropy with a focus on strategy. We then articulated and made sense of the different elements collected in order to identify the main and transversal strategic choices that

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financing foundations may be confronted with. We ended up with a meaningful strategic conceptual framework with three strategic dimensions: scope, supporting vehicle and monitoring process; inside these dimensions, strategic levers (controllable variables that fall into the realm of management) have been highlighted. In addition, contextual elements (internal and external) surrounding the idea of strategy have been underlined.

Third, while the literature and the history of philanthropy tend to oppose a charitable philanthropy and a strategic philanthropy for which venture philanthropy is emblematic, our results evidence that the reality is more complex. We highlight the fact that having strategy does not only mean to be in line with the normative statements of venture philanthropy. We observe that each financing foundation has a strategy in the sense of making choices in order to fulfill their mission. We **challenge the usual Manichean vision of philanthropy** divided into an old philanthropy and a new and strategic one. Our results confirm the enlargement of the toolkit at the disposal of foundations identified by Mair and Hehenberger (2014). The statistical analysis conducted evidences three strategic patterns among the financing foundations in Belgium that are hybrid: proximate charitable foundation, high-engagement philanthropy, and impact-driven international philanthropy. The group *proximate charitable philanthropy* encompasses financing foundations that are active locally and essentially support individuals; they mainly use grants without additional non-financial support and do not present impact requirements. The second strategic pattern, *high-engagement philanthropy*, is in turn characterized by the use of financing tools in line with the practices of venture philanthropy (i.e. not only grants but also debts and equity, on a longer time horizon, along with non-financial support). Finally, the third strategic group, *international impact-driven philanthropy* includes financing foundations that are active outside borders and that require impact reporting from their recipients. These three groups are a combination of strategic choices that are in line with the normative statements of the “new” philanthropy and strategic choices that are not.

Finally, we attempt to explain the existence of different strategic patterns among financing foundations in Belgium. We support the idea that this diversity may be explained by the quest for legitimacy, the search for a solution to the problem of control, and the influence of the founder. Accordingly, we first develop a theoretical argument around **legitimacy and control which are seen as two upstream strategic issues** that financing foundations are faced with. This goes beyond the usual perspective taken to study strategy in terms (only) of effectiveness. The very specific nature of the financing foundations and the context of the Welfare State, of which they are a part, come into play when the issue of strategy is addressed. This discussion highlights the potential trade-offs that could be made between and within the strategic choices that reduce the

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agency cost and those that lead to gains in legitimacy. Financing foundations are not able to optimize on each strategic lever, in each strategic dimension. And, second, we also evidence that strategy is not only the result of control, legitimacy and efficiency issues but that it is **stamped by the profile of the founder**. We empirically demonstrate that intrinsic characteristics and characteristics that are the result of a summation of life experience of the founder influence the strategic choices of financing foundations. We empirically confirm that the founder effectively has an influence on the strategy adopted by the foundations. In particular, we demonstrate that young and highly educated founders are more likely to make strategic choices in line with the practices associated to the “new” philanthropy. In addition, our results do not allow us to conclude that the beliefs and gender of the founder have an influence on the strategy chosen by the foundation. Further, the imprinting of the founder may act as a filter to the institutional pressures; the profile of the founder may mitigate the effect of the pressures of the environment.

Contributions

Our research brings a real contribution to research on philanthropy, going beyond a prescriptive perspective to develop a descriptive and analytical approach. Overall, our research contributes to the understanding of the practices of FFs, especially in Belgium. By using a strategic conceptual framework, we provide a description and attempt an explanation of the diversity of FF strategies. Our study represents an explicit effort to understand and explain the practices of FFs that have received little theoretical and empirical attention until now. Our contribution to the academic field of philanthropy is major for five main reasons.

First, we contribute to the still emerging field of research on philanthropy by providing **data** based on which the academic research can be developed (Mair and Hehenberger 2014). We made a pioneering effort to realize a census of Belgian foundations. This is the first required step to produce a substantial body of knowledge on foundations. The data collected with our comprehensive survey are novel and very rich and allow the research to go beyond a purely descriptive view of the sector and to attempt to understand and explain it. With these data, we are able to provide not only a deep understanding of the practices of the foundations but also to attempt to explain them. Our data on the foundation sector in Belgium is now available and could be used to conduct further research. Nevertheless, the modalities of access to the data have still to be defined and discussed with the foundation sector. Having data on the sector of foundations allows the understanding of the field to be developed and enriches research, in order to answer the criticism of the lack of transparency in the field (Frumkin 2006).

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Second, the suggestion of the **introduction of the new terminology “financing foundation”** is a first step to better align the literature with the recent evolutions in the field of philanthropy and to question them. We observe a limit regarding the term of grantmaking foundation usually used. The evolution in the field of philanthropy and the associated diversification of support provided by foundations (Mair and Hehenberger 2014) requires an extension to the current terminology. Our research proposes a new terminology to answer, to some extent, the evolution in the sector.

Another major contribution of our research is the development of a **strategic conceptual framework** that supports the understanding of strategy for financing foundations. Our approach is original in the sense that the identification of these strategic levers was not straightforward. We drew them from the evolutions in the field as well as from the existing normative statements of the “new” philanthropy. We attempted to question normative approaches to strategy prevailing in the literature that considers venture philanthropy to be a gold standard for foundations. We realized a significant effort to comprehensively grasp the components of the strategy for financing foundations. We provided a systematic way of analyzing strategy for financing foundations that could be used for future research. This conceptual framework has been designed without any geographical restriction and is therefore potentially applicable in a broader manner, beyond the empirical use we made of it. As far as we know our research is one of the first attempts to provide a comprehensive study of strategy for philanthropy. This occurred ten years after Frumkin's (2006) statement that strategy is one of the most underreported areas in the field of philanthropy.

The multi-paradigm theoretical framework used, **combining the issues of legitimacy and control**, includes a development of institutional theory. It gives an enrichment of the strategic perspective through this theoretical lens. In the specific case of financing foundations, we used empirical results to study the synergies and the conflicts that may appear between the different types of legitimacy as suggested by Suchman (1995). Under similar institutional pressures to those of venture philanthropy, financing foundations adopt different strategic paths. This suggests the relevance of isomorphism in the specific case of financing foundations (Harrow, 2011). The peculiar nature of financing foundations, which are by essence neither dependent on financial resources nor on democracy, may mitigate the institutional pressures. Due to a certain level of independence towards their environment, financing foundations are to some extent able to resist these pressures. The study of these questions and the associated agency in the specific case of financing foundations contributes to institutional theory.

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Finally, we contribute to the organizational perspective by **mixing different levels of analysis**: the organizational level and the individual level through the founder. We address these two levels of analysis and integrate them by studying strategy at one level and then at the other. Our study suggests that these levels are embedded in the issue of strategy and to some extent predict it. Nevertheless, this contribution has to be mitigated by the fact that further integrated research is still needed.

Limitations and future research avenues

The above-mentioned contributions may have to be nuanced due to some limitations of this dissertation, related among others to methodological choices and to the adopted research design. The aim of this section is to present these limitations as well as the paths for future research.

The field of philanthropy and in particular the issue of strategy is an area of research that is still rather under-studied. With our research, we contribute to the understanding of strategy for FFs but we acknowledge that we did not cover all the aspects of strategy. This means that our research has brought a significant contribution to this field and is at the same time a starting point for future research.

In this research, we acknowledge our choice to particularly deepen the programmatic side of strategy: the identification of strategic levers on which FFs make choices in order to fulfill their mission. In addition, we focus on three main central issues of control, legitimacy and founder's influence. There are many other aspects of strategy that can be investigated. Future research could more specifically address the influence of internal characteristics such as the financial profile of FFs. The existence of an initial endowment and the need for additional resources, as well as the choice to be purely financing or mixed are among the elements that would deserve attention from a strategic point of view. In addition, the contextual conditions surrounding FFs could be further investigated. In this research, we have considered some country boundaries such as the Welfare State context and the legal and fiscal environment proper to Belgium. A specific study of the influence of this context on the strategic choices could be interesting, in particular for an international comparison. In addition, we did not specifically investigate the link between strategy and effectiveness. Further developments could be made to link the strategic choices with the issue of performance and impact, in line with the current evolutions observed in the field. Finally, future research could deepen the understanding of the link between FFs' strategy and the issues of control and legitimacy initiated in our dissertation by building, for

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example, indicators of control and legitimacy that could be statistically related to FFs' strategic choices.

From a methodological perspective, our sample of financing foundations presents some limitations. First, it depends on an initial identification of foundations that serve a public purpose (identified based on independent coding of the mission stated in the legal statutes) and then a second identification of financing foundations among foundations that answered the online survey. There was no possibility to *a priori* identify the financing foundations in the population of foundations. The high difficulty in defining the initial population of foundations that serve a public purpose may encompass some imprecision and make it difficult to determine the representativeness of our sample. In addition, in order to have enough data, the sample of financing foundations we worked with does not include only pure financing foundations; it also encompasses the financing activity of mixed foundations. In other words, we made the implicit hypothesis that being a pure financing foundation or being mixed foundation leads to similar behaviors in the financing activity. Nevertheless, this has strategic implications, among others in terms of control if the mixed foundations are more operating than financing. This upstream choice to be mixed or purely financing as well as the relative importance of both types of activities in the case of mixed foundations could be further investigated. Another limitation is the fact that the questionnaire was answered mainly by CEOs or directors of the foundations, the data collected are thus limited to one point of view of the foundation and its reality. Moreover, the respondent might have conceded to the bias of desirability by answering the questionnaire such that their actions will be viewed favorably.

The choices of the indicators used to empirically implement the strategic conceptual framework also present some limitations. The indicators are proxy to grasp a complex reality. The choices of the modalities for each indicator depend to some extent on the data availability and the statistical constraints. For example, through the indicator "impact requirement", we only measure the extent to which financing foundations try to transfer the evaluation load to recipients, and this does not discriminate between financing foundations that use those requirements only for symbolic reasons and those with a true contribution to effectiveness. In addition, the building of the indicator related to the expertise of the board implies that we consider that the directors with a good profile act according to their expertise, in an effective manner. Further, the indicator "financing tool" requires that it is effectively possible, under the legal framework of foundations, to effectively use debt or equity which is not always the case (e.g. in France). We acknowledge the limitations embedded in the choice of the indicators.

In addition, our results are limited to the Belgian foundation sector and to some extent constrained by its politico-institutional context. We evidence that strategies

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among FFs in Belgium are rather hybrid; they mix different logics. Nonetheless, we may hypothesize that Belgian FFs are going to evolve towards more integration of practices in line with the new philanthropy. In addition, because there is rejuvenation among the philanthropists, we may assume that the strategy of FFs in Belgium will become closer to high-engagement philanthropy. The study of the evolutions of the sector could be an interesting research avenue. The fact that we focus on Belgium could be identified as a limitation of the dissertation because of generalizability and transferability. Nevertheless, the questionnaire gave great insights on strategy for foundations and could be used in other countries to allow an internal comparison on strategy for foundations across Europe. This will participate to build a strong European body of knowledge on the foundation sector. The questionnaire would need to be simplified and adapted to the national context.

Our choice to adopt a quantitative approach also bears some limitations. Despite the richness of the results obtained by such an approach, the data collected by a questionnaire gives only partial information on strategy. It does not collect data, for example, on the evolution of strategy inside the foundation, on the view of the world the founder may have, on the institutional pressures identified by the actors etc. These points could have been complemented by a deeper and systematic analysis of the exploratory interviews conducted. Future qualitative research could give very useful information to complement the quantitative approach and could also facilitate international comparison.

Finally, our research suggests interesting future theoretical research avenues. Our study provides the seeds for future theoretical research. The fact that the sector of philanthropy is not yet fully institutionalized gives an interesting perspective in studying strategy for foundations. There may be a link between the level of institutionalization of the sector and the strategic choices given. In addition, we only focused on the agency relationship that exists between the financing foundations and their recipients. Nevertheless, there is a double agency relationship that places a financing foundation as an agent (with funder/donors as principal) and as a principal (with recipients as agent). The multi-level of agency relationships and their potential strategic implications constitute another interesting theoretical research avenue. These are related among others to the existence of an initial endowment or not and the need for additional funding. A specific detailed treatment of the financial data of FFs could support this understanding. Nevertheless, the access to these data is neither easy nor centralized. Specific financial indicators could be developed to grasp the financial reality of foundations and to compare them for example to other non-profit organizations or internationally. This information could also be complemented by meeting people responsible for the investment practices in big foundations. There is still a lot to do in this direction.

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Managerial implications

In addition to the theoretical considerations to the academic field of philanthropy outlined above, several practical implications can be drawn from this dissertation for philanthropists, philanthropic organizations such as financing foundations and for policy-makers. Our research provides valuable implications for practitioners. Any philanthropic organization that starts thinking about its strategy may be confronted by the elements outlined by our research.

First, by realizing a census of foundations in Belgium, we set the basis for the development of a practical tool for the sector of philanthropy in Belgium. The field of intervention (identified based on the legal statutes) as well as geographical information are now available for all the organizations that are under the legal status of foundations. This means that based on these data it is possible to make links between the donors and the grantees; grantees are often looking for new financing sources and could use their geographical proximity as leverage to attract funds. In addition, this information could foster collaboration between foundations that intervene in the same fields. We notice that Belgian foundations are not very highly connected with their peers despite the effort made by the Belgian Federation⁵⁶. One example is that of a foundation that is specialized and that finances very big research projects; it could use the data we collect to find matching partners. We have received various requests from foundations in that sense, which we have not been able to meet until now. This means that this database presents a high interest for practitioners. The exploitation of these data could contribute to support the development of the foundation sector in Belgium and its impact. Nevertheless, the creation of this tool requires being able to maintain and update this database and make it available to practitioners. One option could be to transfer the management of this database to ConcertEs (a dialogue platform for organizations from the Belgian social economic sector, see Chapter 3) so that all the data is public. In addition, there is the data collected by our survey. For this, there is an issue of confidentiality that needs to be discussed with the foundations that responded to the survey. These data cannot be easily transferred to the public domain. Finally, our detailed analysis of the sector, among others of the foundations under the legal status of private foundation, underlines the challenge of transparency faced by these foundations that pursue a public purpose. There is a need to build a stronger identity for the foundation sector which could be achieved with greater transparency and accountability of foundations. This is the work initiated by the Belgian Federation but there is still a lot to do to ensure a trustworthy visibility of the sector in the eyes of civil society.

⁵⁶ www.reseaufondations.be

CONCLUSION

Second, our research highlights the specific nature of philanthropic organizations such as FFs. To be aware of this may help them to better understand the specific strategic challenges they may be confronted with, in particular in the context of a Welfare State. The existing delegation inherent in their actions raises specific strategic issues because the achievement of their mission depends on the work of their recipients. In addition, the hybrid nature of such organizations that are active under the umbrella of public interest but at the same time that are private and non-democratic also confronts them with a particular challenge of being considered to be legitimate. Our research reinforces the idea according to which control and legitimacy are permanent challenges faced by FFs. The choices made by FFs take a strategic connotation around these two issues; the decisions taken are not neutral. There are choices between different strategic alternatives. These questions of control and legitimacy do not arise in the same way for all FFs; FFs are invited to determine their own position. More accountability and transparency may be a means for foundations to mitigate the effect of this characteristic in the eyes of civil society and to create trust. Being conscious of these stakes may support their strategic reflection and may contribute to the development of an appropriate strategy. It may lead practitioners to make a step back and to take into account these elements that are strategic drivers and that come into play upstream of the strategy itself.

Additionally, this research offers philanthropists (donors and founders) a better grasp of the different ways through which strategy can be addressed in the field of philanthropy. It encourages them to systematically think of their strategy and to be aware of the different alternatives they have at their disposal to fulfill their mission. In particular, the strategic conceptual framework developed could lead to the creation of a decision tool for practitioners. The strategic conceptual framework may be used to develop a roadmap to advise donors and philanthropists. It suggests taking into account the distinct dimensions of strategy as well as the potential influence of the internal or external context. It may help them to understand strategy as a multi-dimensional concept and highlight the variables on which they can strategically act, in order to deal with the control and legitimacy issues, among others. It also confronts them with the new strategic alternatives brought about by the evolutions that are taking place in the field.

Furthermore, the identification of three distinct types of strategies in Belgium that do not fit the traditional cleavage that may exist between the “old” and “new” philanthropy enlarge the vision of strategy that practitioners may currently have. The existence of three distinct strategic patterns that bring together strategic choices in line with the normative statement of the “new” philanthropy and elements that refer more to an “old” vision of philanthropy may make practitioners confident of the fact that they can effectively have a strategy even if they do not meet the normative requirements of the “new” philanthropy. It

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provides a nuanced understanding of what strategy is and gives foundations the opportunity to better figure out their positioning in the landscape of the foundation sector in Belgium.

Our results also invite founders to realize that they influence the strategy adopted by the organization they create. They challenge founders regarding the role they play in the organization and may lead them to step back from regarding the influence they may have in order to achieve the goals of the organization. Our findings give the founders a mirror to their practices and their involvement and may lead them to reflect on the “after them”. These results provide founders with an opportunity to discuss the long-term vision of the organization with their stakeholders. In addition, our results are also a means for young and highly educated founders to reflect and to question their strategic choices. In particular, our results suggest that young and highly educated founders may be more likely to adopt the new practices of philanthropy not (only) by choice but also to answer to institutional pressures.

Finally, our research highlights the increasing importance of the Belgian foundation sector. Policy-makers can rely on our findings to reflect on this sector in growth, in particular regarding the role philanthropy can play, either to complement or to substitute the role of the Welfare State. If policy-makers want to support the development of the sector, this dissertation suggests opening a reflection on the distinctive characteristics of FFs and the resulting specific issues. Because of the non-democratic nature of organizations such as foundations, there is a need to reinforce the *ex ante* and *ex post* control regarding their actions and to foster accountability and transparency. In particular, a greater transparency regarding the financial means of foundations could be valuable in order to deal with the mistrust generated by such actors. Especially in Belgium, there is a need to clarify the legal status of private foundations and to support the development of a strong identity for the sector of foundations that pursue a public purpose.

Today, the philanthropic sector, which foundations are only a part of, is in full swing, not only in Belgium but everywhere else. With our research we have made a significant step in the understanding of these actors, in particular their strategy and their associated diversity. With our research, we are now able to go beyond the traditional normative point of view; we now know that strategy for financing foundations answer to upstream issues of effectiveness that are the search for legitimacy and the control and that also depends on the founder's imprint. Our findings contribute to support and frame the development of such organization in order to build a better society; this is our wish.

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Appendices

APPENDIX 1: INTERVIEW GUIDE

L'organisation - données administratives

- Pourriez-vous nous présenter/décrire votre **organisation** en quelques mots ?
- Quelle est la **mission** de votre organisation ?
- Quel est le **statut juridique** de votre organisation ? Pourquoi avoir choisi ce statut ?
- Dans quel **contexte** a-t-elle été créée ? Comment et **pourquoi** a-t-elle été créée ?
- Quels sont, selon vous, les **moments clés** de la vie de votre organisation ?
- Combien de **personnes** sont aujourd'hui impliquées dans l'organisation ? Employés ? Bénévoles ? Autres ?
- Quelles sont les **personnes clés** dans le fonctionnement de votre organisation ?
- Est-ce que votre organisation fait partie d'un réseau ? Pourquoi ?

Profil de la personne interviewée - Fondateur et/ou directeur

- Pourriez-vous nous en dire un peu plus à propos de **vous** ?
- (Quel est votre **parcours scolaire et professionnel**?)
- Quel est votre **rôle actuel** dans l'organisation ?
- Quelles sont vos **motivations** ?

Ressources – de l'organisation et soutien proposé

- Quel **type de soutien** votre organisation octroie-t-elle?
 - Financier/non-financier ? Si financier, de quel type ? si non financier, de quel type (accompagnement, expertise, réseau ?)
- Quelles sont les **ressources** mobilisées pour mener à bien votre mission ?
 - D'où viennent ces ressources ?
 - Est-ce que ces sources de financement ont évolué au cours du temps ?

La stratégie - existence, evolution

- Comment concrétisez-vous votre mission aujourd'hui ?
- Qui sont les **bénéficiaires** de votre organisation ?
- Dans que **secteur** votre organisation est-elle active ?
- Dans quelle **zone géographique** ?

APPENDICES

- Selon **quelles modalités** octroyez-vous votre soutien ?
 - Appel à projets ? démarche proactive de recherche de projets ?
 - Quels sont les critères de sélection ?
 - Visez-vous des projets à un stade spécifique de leur développement ?(lancement, scaling up, etc.)
 - Avez-vous/privilégiez-vous des contacts personnels avec vos bénéficiaires ?

- Comment avez-vous **défini** vos modes d'action ? Les avez-vous formalisés?
- Comment respectez-vous les volontés du/des fondateur(s) de l'organisation ?
- Est-ce que vous avez fait **évoluer** la manière dont vous **réalisez votre mission** ?
 - Si oui, pour quelles raisons ? en lien avec quel constat ? quel événement ?
 - Qu'avez-vous fait évoluer ?

- Faites-vous appel à des partenaires ?

- Selon vous, quels sont les **choix** importants qu'une organisation comme la vôtre doit poser ?
 - A quel moment ?
 - Dans quel contexte ?
 - Pourquoi ?

- Souhaiteriez-vous **améliorer** la façon de faire de votre organisation ?
 - Si oui, à quel(s) niveau(x) ? Pourquoi ? Comment ?

- Évaluez/Mesurez-vous l'**impact** de vos actions ?
 - Si non, pourquoi ?
 - Si oui, comment ? avec quels critères ? avec quels partenaires ? avec quels résultats ? avec quelles réactions de la part de vos bénéficiaires ?

La gouvernance – prise de décisions

- Quels sont les **organes décisionnels** au sein de votre organisation ?
-

APPENDICES

- Outre le CA, avez-vous mis en place des comités consultatifs ? comités de surveillance ? comités d'experts ? comités scientifiques ? comités stratégiques ?
- Comment sont-ils composés ? qui sont les parties prenantes de ces organes ?
- Quel est leur périmètre de décision ? de quoi décident-ils ?
- Est-ce que la façon de prendre les décisions a **évolué** au cours du temps ?
- Est-ce que cette prise de décision est **formalisée** au sein de votre organisation ?
- Faites-vous appel à des **experts** pour appuyer les décisions de l'organisation ? si oui, quels experts ? pour quelles décisions ? Suivez vous toujours l'avis des experts ? Qui a le dernier mot ?
- Si la fondation est d'utilité publique : comment procédez-vous pour garantir que votre action protège l'intérêt général ?

Le secteur - environnement

- Comment voyez-vous le secteur des fondations en Belgique aujourd'hui ?
- Comment/où situez-vous votre organisation dans le paysage belge des organisations philanthropiques ?
- Avez-vous remarqué des évolutions du secteur par rapport aux sujets que l'on vient d'évoquer ? (stratégie et gouvernance)
- Quels sont, selon vous, les challenges auquel est confronté le secteur des fondations en Belgique ? que prévoyez-vous pour l'avenir du secteur ?

...

APPENDICES

If the answer to question 2.9 is Yes

Note : we only refer to volunteers who are not members of the Board or e.g. committees and jury's

2.10 Do these volunteers contribute on a case-by-case basis, regular basis
or a combination of both ?

2.11 What are the roles & tasks these volunteers assume ? (*multiple answers possible*)

- | | |
|--|--|
| <input type="checkbox"/> Executive & management tasks | <input type="checkbox"/> Participation in activities related to the objectives of the foundation |
| <input type="checkbox"/> Administrative tasks (secretarial, accounting, ...) | <input type="checkbox"/> Other, please specify :..... |
| <input type="checkbox"/> Participation in fundraising | ... |

For all

2.12 Is the foundation part of a larger network of foundations? Yes No

If the answer to question 2.12 is Yes

2.13 Which one(s) ?

.....
.....

2.14 Does the foundation regularly participate in events organised by the King Baudouin foundation ? Yes No

APPENDICES

2.15 In what domain(s) does the foundation deploy activities ? (*Multiple answers possible*)

<input type="checkbox"/> Social action	Assistance to disadvantaged people, persons in difficulty
<input type="checkbox"/> Sports, Leisure	Organisation, promotion and diffusion of sporting and leisure activities
<input type="checkbox"/> Arts and culture	Diffusion, protection and promotion of the whole range of arts, including the conservation of (cultural) legacy/estate
<input type="checkbox"/> Education	Education and training, including promotion of the access to education / training
<input type="checkbox"/> Health	Physical and mental health, support for people struck by illness, awareness campaigns, medical research
<input type="checkbox"/> Science	Development, promotion and diffusion of the sciences, including research (other than medical research)
<input type="checkbox"/> Environment	Protection and conservation of the environment/nature and animals. Sustainable development
<input type="checkbox"/> Local development	Promotion of social/economic development initiatives, for a specifically defined territory
<input type="checkbox"/> Entrepreneurship	Support for the creation of companies / venture capital
<input type="checkbox"/> International development	Development co-operation and international relations
<input type="checkbox"/> Civic society	Citizenship and promotion of equal rights and justice. Promotion of professional associations and unions
<input type="checkbox"/> Spirituality	Diffusion of communal and religious values
<input type="checkbox"/> Other	

If the replier has marked at least two domains for question 2.15

2.16 Does the foundation have a primary focus area between these activities ?

- Yes No

If the answer to question 2.16 is Yes

2.17 Which one ? (*one single answer*).....

.....

For all

2.18 Does the foundation have a specific target audience, in view of ...

... Age group ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... Gender ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... Level of revenue ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... Philosophical or religious convictions ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

2.19 The foundation **mainly** operates (*one single answer*)

- In one country In multiple countries

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2.20 The activities executed / supported by the foundation **primarily** happen (*one single answer*)

- In Belgium In Europe (hors Belgium) Outside of Europe

If for question 2.20 the replier has marked « In <Country> »

2.21 The foundation **mainly** operates at a (*one single answer*)

- local scale (community of persons / village level)
 regional scale
 national scale

If for question 2.20 the replier has marked « In Europe (outside Belgium)» or « Outside of Europe »

2.22 The foundation **mainly** operates at a (*one single answer*)

- local scale (community of persons / village level)
 regional
 national

3. PROFILE OF THE ACTIVITIES OF THE FOUNDATION

I. Support mechanisms

3.1 The foundation...

... allocates gifts to individual persons (e.g., in the form of grants)	<input type="checkbox"/> Yes <input type="checkbox"/> No
... allocates gifts to organisations (e.g., non-for-profit organisations, universities, museums, ...)	<input type="checkbox"/> Yes <input type="checkbox"/> No
... allocates loans to individual persons	<input type="checkbox"/> Yes <input type="checkbox"/> No
... allocates loans to organisations (e.g., non-for-profit organisations, universities, museums, ...)	<input type="checkbox"/> Yes <input type="checkbox"/> No
... investment in organisations (shareholder)	<input type="checkbox"/> Yes <input type="checkbox"/> No
... directly executes its own programmes	<input type="checkbox"/> Yes <input type="checkbox"/> No
... maintains a (cultural / artistic / environmental / ...) heritage	<input type="checkbox"/> Yes <input type="checkbox"/> No

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If for question 3.1 the replier has marked « allocates gifts to individual persons», « allocates gifts to organisations », « directly executes its own programmes » or « maintains a (cultural / artistic / environmental / ...) heritage»

3.2 What was the total annual budget for the foundation in 2013 ?

..... Euro

3.3 For the year 2013, what was the breakdown of the total annual budget of the foundation, as per the categories below ? (« No » answers to the previous question correspond to 0%)

	% du Budget
Gifts to individual persons (e.g., in the form of grants)	
Gifts to organisations (e.g., non-for-profit organisations, universities, museums, ...)	
Programmes directly executed by the foundation	
Maintenance of a (cultural / artistic / environmental / ...) heritage	
General costs (operating costs, personnel costs)	
Other	
Total	100%

If for question 3.1 the replier has marked « loans to individual persons »

3.4 For the year 2013, what was the total amount of loans the foundation allocated to individuals ?Euro

3.5 How many individuals has the foundation supported through the allocation of loans in 2013 ? individuals

If for question 3.1 the replier has marked « loans to organisations »

3.6 For the year 2013, what was the total amount of loans the foundation allocated to organisations ?Euro

3.7 How many organisations has the foundation supported through the allocation of loans in 2013 ? organisations

3.8 In the past 3 years, the foundation has primarily allocated loans to organisations at a (*one single answer*)

- | | |
|---|--|
| <input type="checkbox"/> very short-term basis (less than 1 year) | <input type="checkbox"/> medium-term basis (3 to 5 years) |
| <input type="checkbox"/> Short-term basis (1 to 3 years) | <input type="checkbox"/> Long-term basis (more than 5 years) |

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- 3.18 If the foundation provides gifts to organisations, what does it finance ?
(one single answer)
- Mainly specific projects
 - Mainly to strengthen the organisation's internal organisation & capacities (general costs, personnel costs, training costs, ...)
 - Both, to a relatively equivalent degree

If for question 3.1, the replier has marked « gifts to organisations » or « loans to organisations »

- 3.19 Does the foundation participate in the governance of the organisations it supports (e.g., membership of Board of Directors or committees) ?
- Never Sometimes Always

If for question 3.1, the replier has marked « gifts to individual persons », « gifts to organisations », « loans to organisations » or « loans to individual persons »

- 3.20 If an individual or an organisation has already obtained financial support in the past, can he/she/it be considered for a new contribution ? Yes No
- 3.21 In addition to its financial contribution, does the foundation also provide non-financial support ?
- Yes No

If the answer to question 3.21 is Yes

- 3.22 What type of support ? (Multiple answers possible)
- Making available experts in the field of operation of the foundation
 - Making available experts in a specific management field (finance, legal, accounting, fundraising, ...)
 - Opening of the professional network of the foundation
 - Gifts of material nature (IT systems & supplies, real estate / office space, ...)
 - Other, please specify

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If for question 3.1, the replier has marked « gifts to organisations », « loans to organisations », « investment in organisations », « gifts to individual persons » or « loans to individual persons »

3.23 What is the **main** mechanism the foundation uses to find & select the projects it will support ? *(one single answer)*

- | | |
|--|---|
| <input type="checkbox"/> Requests for proposal | <input type="checkbox"/> Recommendations by peers |
| <input type="checkbox"/> Pro-active research by the foundation | <input type="checkbox"/> Inspiring thought of the founder or a leading person of the foundation |
| <input type="checkbox"/> Spontaneous applications | <input type="checkbox"/> Other |

3.24 What are the **two most important criteria** that the foundation uses to select the projects it will support ? *(two answers possible, from below list)*

- the innovative nature
- the repeatable nature
- the expected impact
- the number of final beneficiaries
- other, please specify :.....
.....

If for question 3.1, the replier has marked « gifts to organisations », « loans to organisations » or « investment in organisations »

3.25 Does the foundation choose the organisation(s) to co-operate with for its projects in using following criteria ?

... its activity domain ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... its financial stability ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... its reputation ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... its age ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the quality of its executive team ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

If for question 3.1, the replier has marked « gifts to organisations », « loans to organisations » or « investment in organisations »

3.26 If foundation supports an organisation, is it **generally** the sole supporter of the project(s) (financing 100%)?

- Yes No

If the answer to question 3.36 is No

3.27 Does the foundation assume the responsibility to find and mobilise other co-financers for the projects it supports ? Yes No

If the answer to question 3.27 is Yes

3.28 With what type of co-investor/co-financer does the foundation work primarily ? (*one single answer*)

- | | |
|---|--|
| <input type="checkbox"/> Public authorities | <input type="checkbox"/> Individuals |
| <input type="checkbox"/> Foundations | <input type="checkbox"/> Other, please |
| <input type="checkbox"/> Non-for-profit organisations
(other than foundations) | specify :.....
..... |

If the answer to question 3.1 is « gifts to individual persons », « gifts to organisations », « loans to individual persons », « loans to organisations » or « investment in organisations »

3.29 What are the requirements that an organisation or individual supported by the foundation has to fulfil ? (*multiple answers possible*)

- No obligations
- Financial justifications, demonstrating the good use of the obtained funds (invoices, ...)
- Description of the tangible results of the projects (e.g., number and profile of beneficiaries, hours of training delivery, overview of activities, ...)
- Description of the impact of the projects on the target public / sector / activity domain, through e.g. surveys or testimonies
- Evaluation of the project's impact, through indicators or similar measures
- Other, please specify :
.....
.....

3.30 Is the achievement of these obligations a firm condition for the (continued) allocation of funds ?

- Yes No

If for question 3.28 the replier has marked «Evaluation of the project's impact through indicators»

3.31 For evaluating the projects it executes, the foundation typically uses indicators that are (*one single answer*)

- quantitative ('numbered')
- qualitative
- quantitative and qualitative

3.32 For evaluating the projects it executes, the foundation typically uses indicators that are (*one single answer*)

- specific to each supported individual or organisation
- standardised, for all supported individuals / organisations

If for question 3.1, the replier has marked « directly executes its own programmes »

3.33 What are the two most important criteria the foundation uses to select the projects it will execute (*choose from below list, two choices possible*) ?

- innovative character
- repeatable nature
- expected impact
- the number of ultimate beneficiaries
- other, please specify

.....

3.34 Does the foundation use indicators to measure the impact of the projects it executes ? Yes No

If the answer to question 3.34 is Yes

3.35 For evaluating the projects it executes, the foundation typically uses indicators (one single answer)

- specific to each project
- that are standardised, across projects

3.36 For evaluating the projects it executes, the foundation typically uses indicators that are (one single answer)

- quantitative ('numbered')
- qualitative
- quantitative and qualitative

4. PROFILE OF THE FOUNDER

4.1 Who has established the foundation ? (one single answer)

- | | |
|---|---|
| <input type="checkbox"/> An individual | <input type="checkbox"/> A commercial company |
| <input type="checkbox"/> Multiple individuals from the same family (spouses included) | <input type="checkbox"/> A non-for-profit organisation |
| <input type="checkbox"/> Multiple individuals, without family links | <input type="checkbox"/> Public authorities |
| | <input type="checkbox"/> Other, please specify :
..... |

If the answer to question 4.1 is « multiple individuals from the same family » or « multiple individuals, without family links »

4.2 By how many individuals was the foundation created ?

.....

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If the answer to question 4.1 is « an individual », « multiple individuals from the same family », « multiple individuals, without family links » or « a non-for-profit organisation »

4.3 What are/were the main drivers that have contributed to the creation of the foundation ? (*multiple answers possible*)

- the founder(s) wanted to honour the memory of a dear
- the founder(s) wanted to render to society what society provided to them
- the founder(s) wanted to enter an engagement, in support of a specific cause
- the founder(s) wanted to preserve an (artistic / cultural / ...) heritage
- the founder(s) wanted to express religious or spiritual values
- other, please
specify :.....
.....

4.4 Has the foundation been established following ...

... a difficult experience (death, illness,...) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... a new life phase (pension, change in professional activity,) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... an inspiring encounter ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the availability of new financial resources ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

4.5 Has the foundation been established by testament ? Yes No

If the answer to question 4.1 is « a commercial company »

4.6 What are/were the main drivers that have contributed to the creation of the foundation ? (*multiple answers possible*)

- Develop and enhance the image and reputation of the company towards external stakeholders (clients, investors, general public, ...)
- Incorporate the values of the company
- Empower, mobilise and engage its staff
- Other, please specify :.....

4.7 Has the foundation been created ...

... following a re-organisation (including mergers, acquisitions, restructuring) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... following an event that a leading member of the company has personally experienced ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

If the answer to question 4.1 is « public authorities »

4.8 What was the main driver that led the public authorities to establish the foundation ?

.....
.....
.....

If the answer to question 4.1 is « other »

4.9 Bis. What was the main driver for the establishment of the foundation ?

.....
.....
.....

If the answer to question 4.1 is « an individual »

4.10 Is the founder male or female ?

4.11 How old was the founder at the time the foundation was established ?
(one single answer)

- Less than 40 years old Between 41 and 65 years old Older than 65 years

4.12 What is the main source of the estate that the founder has allocated to the foundation (one single answer)

- The founder has inherited it
 The founder has generated it him/herself
 Other, please specify :.....

4.13 Is the founder still alive ? Yes No

If the answer to question 4.12 is Yes

4.14 Is the founder still actively involved in the foundation ? Yes No

4.15 At the time the foundation was established, did the founder have prior experience in the activity domain of the foundation ? Yes No

4.16 What is the highest level of education the founder has enjoyed ? (one single answer)

- Primary school / High School Post-university-level (PhD, ...)
 Higher education, non-university level Don't know
 University-level

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- 4.17 Did the founder assume a professional activity during his/her life ? Yes
 No

If the answer to question 4.16 is Yes

- 4.18 Does the founder assume / has the founder assumed an executive-level role ?
 Yes No
- 4.19 Does the founder practice / has the founder practised a liberal profession ?
 Yes No
- 4.20 Has the founder created his/her own business / company ?
 Yes No

- 4.21 In what field(s) has the founder developed his/her professional experience ? (*multiple answers possible*)
- | | | |
|---|--|--|
| <input type="checkbox"/> Agriculture, environment | <input type="checkbox"/> Audit, management, banking, insurance | <input type="checkbox"/> on - marketing - advertising, informatics, internet and telecom |
| <input type="checkbox"/> Chemics, pharmaceuticals | <input type="checkbox"/> Commerce, distribution | <input type="checkbox"/> Health |
| <input type="checkbox"/> Army, security | <input type="checkbox"/> Education | <input type="checkbox"/> Social |
| <input type="checkbox"/> Arts, design, culture, handcraft, audio-visual, events | <input type="checkbox"/> Law, justice | <input type="checkbox"/> Research |
| | <input type="checkbox"/> Press, journalism, translation / interpretation | <input type="checkbox"/> Other, please specify :..... |
| | <input type="checkbox"/> Communicati | |

- 4.22 In what type of organisation did the founder acquire his/her **main** professional experience ? (*one single answer*)
- Private sector (for-profit) Public sector
- Non-for-profit private sector
- 4.23 Which of the following best describes the founder's religious or spiritual convictions ? (*one single answer*)
- The founder is/was religious Other, please specify :
.....
- The founder is/was atheist or agnostic Prefer not to answer

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4.32 Is it a family-owned company (i.e., majority part of the capital is held by members of the same family) ? Yes No

4.33 Does the name of the foundation refer to the founding company's name explicitly ?

Yes No

4.34 Did the company deploy charitable or similar activities prior to the creation of the foundation ?

Yes No

4.35 Does the objective of the foundation link in with the activity field of the foundation ?

Yes No

4.36 What are the resources that the company puts at the disposal of the foundation ? (*multiple answers possible*)

Financial resources

Assuming (part of) the salary cost of employees of the foundation

Free-of-charge expertise of employees of the company

Free-of-charge work time of the employees of the company (volunteering through the company)

Other, please

specify :.....

4.37 Within the company, is there a clear « leader » who is at the origin of the creation of the foundation? Yes No

If the answer to question 4.27 is Yes, If the answer to question 4.36 is Yes

4.38 Is this 'leader' male or female ?

4.39 How old was this « leader » at the time the foundation was created ?

Less than 40
years old

Between 41
and 65 years old

Older than 65
years

4.40 Is this «leader» still alive? Yes No

If the answer to question 4.39 is Yes

4.41 Is this « leader » still actively involved in the foundation ?

Yes No

APPENDICES

If the answer to question 4.27 is « Yes », If the answer to question 4.36 is « Yes »

4.42 At the time the foundation was established, did this «leader» have prior experience in the activity domain of the foundation? Yes No

4.43 What is the highest level of education this «leader» has enjoyed ?
(one single answer)

Primary school / High School

Post-university-level (PhD, ...)

Higher education, non-university level

Don't know

University-level

4.44 Did this «leader» assume a professional activity during his/her life ?

Yes No

If the answer to question 4.43 is Yes

4.45 Does the «leader» assume / has the «leader» assumed an executive-level role? Yes No

4.46 Does the «leader» practice / has the «leader» practised a liberal profession ? Yes No

4.47 Has this « leader » created his/her own business / company ?

4.48 In what field(s) has the «leader» developed his/her professional experience ? (multiple answers possible)

Agriculture, environment
 Chemicals, pharmaceuticals

Army, security
 Arts, design, culture, handcraft, audio-visual, events

Audit, management,

banking, insurance
 Commerce, distribution

Education
 Law, justice
 Press, journalism, translation / interpretation

Communication - marketing - advertising, informatics,

internet and telecom

Health

Social

Research

Other,

please specify :.....

.....

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4.49 In what type of organisation did the « leader » acquire his/her main professional experience ? (*one single answer*)

- Private sector (for-profit)
 - Non-for-profit private sector
 - Public sector
- Which of the following best describes the « leader's » religious or spiritual convictions (*one single answer*)
- The « leader » is/was religious
 - The « leader » is/was atheist or agnostic
 - Other, please specify :
 - Prefer not to answer

If the answer to question 4.49 is « this leader was religious»

4.50 What is / was the « leader's » confession ? (*one single answer*)

- Catholic
- Protestant
- Muslim
- Jew
- Other, please specify :
- Prefer not to answer

4.51 Has this « leader » participated in conferences or events with a philanthropic theme during the past 12 months ?

- Yes No

4.52 Is/was the « leader » an active member in other non-for-profit organisations ?

- Yes No

5. FINANCIAL PROFILE OF THE FOUNDATION

5.1 What was the foundation's balance sheet total as of 31 December 2013 ?

- Less than 25.000 Euro
- Between 25.000 and 50.000 Euro

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- Between 50.000 and 100.000 Euro
- Between 100.000 and 1.000.000 Euro
- Between 1.000.000 and 3.125.000 Euro
- Between 3.125.000 and 20.000.000 Euro
- More than 20.000.000 Euro

5.2 What was the total amount of equity as of 31 December 2013 ?.....

5.3 What was the initial equity amount, at the moment of the creation of the foundation ?

5.4 How does the foundation finance the projects it executes or supports ?
(multiple answers possible)

- The foundation uses its available financial resources
- The foundation uses the proceeds of its financial investments
- Other, please

specify :.....
.....

If the replier has selected multiple options for question 5.4

5.5 What is the main financial resource used ?

.....

5.6 What was the breakdown of the foundation's operating income, over the past 3 years ?

	Percentage
Gifts	
Legacies	
Public subsidies	
Fundraising (sales, organisation of events, ...)	
Total of operating revenue	100%

5.7 Does the foundation use professional « fundraisers » ?

- Yes No

6. GOVERNANCE

6.0 How many members does the Board of Directors have ?.....
persons

6.1 How many of the members of the Board of Directors are ...

... less than 40 years old ?	
------------------------------	--

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... between 40 and 65 years old ?	
... more than 65 years old ?	
Total number of Board members

6.2 Is the CEO / General Manager invited to the Board of Directors ? Yes No

6.3 How many of the members of the Board of Directors ...

... are female ?	
... have a parental link with (one of) the founder(s) ?	
... have specific expertise in the operating field of the foundation ?	
... have expertise in a specific management field (finance, fiscal, legal, accounting, ...) ?	

6.4 Is (or was) a member of the King Baudouin foundation represented in the Board of Directors of the foundation ? Yes No

6.5 How many times has the Board of Directors gathered during the past 12 months ?.....Did the Board of Directors actively intervene in one or more of the following activities during the past 12 months ...

... day-to-day management of the foundation ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... direct selection of the projects ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... monitoring / evaluation of the social & economic performance of the foundation ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... definition of the strategy of the foundation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... search for additional resources (subsidies, contracts, requests for project proposals, ...) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

6.6 During the past 12 months, what was the average percentage of the members of the Board who were physically present at Board meetings ?
 Less than 25% Between 25% and 50% Between 51% and 75% Over 75%

6.7 Are there additional governance bodies, whose members are a subset of the Board of Directors ? Yes No

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6.8 Is there a governance body within the foundation (other than Board of Directors) that is specifically tasked with ...

... the strategy definition of the foundation ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the selection of different projects and/or the investment choices ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... monitoring of the work of the foundation, in terms of management of conflicts of interest, adherence to policies & procedures, ... ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... expertise in the activity field of the foundation (expert groups, scientific groups, ...) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the financial and accounting management of the foundation ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

6.9 Apart from the Board of Directors and possible additional bodies, does the foundation rely on external experts (e.g., consultants, ...) ? Yes No

6.10 Does the foundation rely on King Baudouin foundation for advice related to philanthropy ? Yes No

6.11 **Apart from the legal statutes**, is there a document / policy that describes

...

... the wishes of the founder(s) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the strategy of the foundation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the policies & procedures to adhere to regarding ethics & avoidance of conflicts of interest ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the contracts / agreements made by the foundation with individuals or organisations it supports ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the activities of the foundation (e.g., regular activity report) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the financial status of the (beyond normal legal obligations) ?	<input type="checkbox"/> Yes <input type="checkbox"/> No

6.12 Does / did the foundation use tools provided by the King Baudouin foundation (governance, requests for proposals, ...) ? Yes No

7. FUTURE CHALLENGES

7.1 Could the mission of the foundation (objectives / activity field, types of beneficiaries, types of support mechanisms it provides, ...) evolve as a result of ...

... the disappearance of the founder (if he/she is a physical person)	<input type="checkbox"/> Yes <input type="checkbox"/> No
... a change in fiscal or legal environment	<input type="checkbox"/> Yes <input type="checkbox"/> No
... the identification of a new social need	<input type="checkbox"/> Yes <input type="checkbox"/> No
... a new occupation by the founder or a leading member of the foundation	<input type="checkbox"/> Yes <input type="checkbox"/> No
... an exhaustion of the resources of the foundation	<input type="checkbox"/> Yes <input type="checkbox"/> No
... a disengagement of the public authorities in terms of financing	<input type="checkbox"/> Yes <input type="checkbox"/> No

7.2 What are the **three main challenges** the foundation faces ?

- Stabilise and renew the foundation's resources
- Renewal of members of the Board of Directors
- Mobilisation of volunteers
- Co-operation with governmental agencies / public authorities
- Co-operation with other foundations
- Evaluation of the supported projects / programmes
- Ensure visibility and understanding of the objectives of the foundation
- Understanding of (the evolution of) relevant national / European legislation (including but not limited to fiscal considerations)
- Other, please

specify :.....

7.3 Would you like to add any further relevant information on your foundation ?.....

.....

7.4 If you wish, here you can provide the e-mail or postal address on which you prefer to obtain the results of the research project & survey :

.....

APPENDIX 3: SAMPLE REPRESENTATIVENESS- CLUSTERING

Four variables are used to test the representativeness of the sample of 110 FFs used for clustering: the legal status, the region of establishment, the year of creation and the existence of paid staff. Hereby, the detailed tables of the distribution of the sample and the population are provided as well as the results of the tests performed in R.

Legal status

	PF	PBF	Total
Population	620 55%	502 45%	1122
Sample	39 35%	71 65%	110

`> binom.test (39,n=110,p=0.55)`

Exact binomial test

data: 39 and 110

number of successes = 39, number of trials = 110, p-value = 4.701e-05

alternative hypothesis: true probability of success is not equal to 0.55

95 percent confidence interval:

0.2656735 0.4514637

sample estimates:

probability of success

0,3545455

Region of establishment

	Brussels	Flanders	Wallonia	Total
Population	481 43%	378 34%	263 23%	1122
Sample	49 45%	28 25%	33 30%	110

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> multinomial.test(c(49,28,33),c(0.43,0.34,0.23))

Exact Multinomial Test, distance measure: p

Events pObs p.value
6216 7e-04 0.0867

Year of creation

	1922- 1975	1976-2002	2003-2014	Total
Population	88 8%	183 16%	851 76%	1122
Sample	11 10%	27 25%	72 65%	110

>multinomial.test(c(11,27,72),c(0.08,0.16,0.76))

Exact Multinomial Test, distance measure: p

Events pObs p.value
6216 4e-04 0.0281

Existence of paid staff

	No	Yes	Total
Population	984 88%	138 12%	1122
Sample	88 80%	22 20%	110

Exact binomial test

data: 22 and 110

number of successes = 22, number of trials = 110, **p-value = 0.01751**

alternative hypothesis: true probability of success is not equal to 0.12

95 percent confidence interval:

0.1297885 0.2869951

sample estimates:

probability of success

0,2

APPENDIX 4: CLUSTERS IDENTITY CARD

Region of establishment	1	2	3
Brussels	47%	40%	46%
Flanders	20%	20%	42%
Wallonia	33%	40%	12%

Legal status	1	2	3
PF	35%	34%	38%
PBF	65%	66%	62%

Year of creation	1	2	3
Before 1975	12%	6%	12%
1976-2002	31%	23%	15%
2003-2014	57%	71%	73%

Paid staff	1	2	3
No	81%	71%	63%
Yes	19%	29%	38%

Volunteers	1	2	3
No	67%	60%	40%
Yes	33%	40%	60%

Type of founder	1	2	3
Individuals	71%	66%	85%
Public authorities	6%	0%	4%
Commercial company	4%	9%	0%
Non-profit organization	18%	26%	8%

Testament	1	2	3
No	77%	90%	96%
Yes	23%	10%	4%

Total assets	1	2	3
<100.000	33%	26%	54%
[100.000;3.125 m]	56%	35%	25%
[3.125 m;20 m]	11%	19%	13%
>20m	0%	19%	8%

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Equity	1	2	3
Average amount of equity	1.119.894,97	11.037.210,65	1.892.331,70
Average initial endowment	514.697,18	5.621.856,89	155.104,47

Financing through	1	2	3
Available financial resources	71%	57%	50%
Proceeds of investment	39%	40%	23%

Network	1	2	3
No	81%	54%	64%
Yes	19%	46%	36%

Type of foundations	1	2	3
Financing only	37%	34%	38%
Mixed	63%	66%	62%

APPENDIX 5: SAMPLE REPRESENTATIVENESS- REGRESSION ANALYSIS

Four variables are used to test the representativeness of the sample of 101 FFs used for regression analysis: the legal status, the region of establishment, the year of creation and the existence of paid staff. Hereby, the detailed tables of the distribution of the sample and the population are provided as well as the results of the tests performed in R.

Legal status

	PF	PBF	Total
Population	620 55%	502 45%	1122
Sample	40 40%	61 60%	101

Exact binomial test

data: 40 and 101

number of successes = 40, number of trials = 101, **p-value = 0.002522**

alternative hypothesis: true probability of success is not equal to 0.55

95 percent confidence interval:

0.3000870 0.4982559

sample estimates:

probability of success

0,3960396

Region of establishment

	Brussels	Flanders	Wallonia	Total
Population	481 43%	378 34%	263 23%	1122
Sample	38 38%	31 31%	32 32%	101

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>multinomial.test(c(38,31,32),c(0.43,0.34,0.23))

Exact Multinomial Test, distance measure: p

Events pObs p.value
5253 0.0011 0.1268

Year of creation

	1922- 1975	1976-2002	2003-2014	Total
Population	88 8%	183 16%	851 76%	1122
Sample	10 10%	22 22%	69 68%	101

>multinomial.test(c(10,22,69),c(0.08,0.16,0.76))

Exact Multinomial Test, distance measure: p

Events pObs p.value
5253 0.0027 0.1671

Existence of paid staff

	No	Yes	Total
Population	984 88%	138 12%	1122
Sample	82 81%	19 19%	101

> binom.test (19,n=101,p=0.12)

data: 19 and 101

number of successes = 19, number of trials = 101, p-value = 0.04494

alternative hypothesis: true probability of success is not equal to 0.12

95 percent confidence interval:

0.1172276 0.2780779

sample estimates:

probability of success

0,1881188

APPENDIX 6: REGRESSION ANALYSIS RESULTS (AIC PROCEDURE)

Results of the logit regression for the strategic lever *Degree of diversification*

Dependent variable: DD		<i>Step 1</i>		<i>Step 2</i>	
		Model 1	Model 2	Model 3	Model 4
Control variables	Region	X	X		
	Creation	X	X		
	Paid staff	X	X	X	X
Ind. variables	Age	X	X		
	Gender	X	X		
	Education	X	X	X	X
	Professional background	X	X		
	Belief	X			
Database size		54	78	78	89
AIC procedure		DD ~ 1	DD ~ Paid staff + Education		

Degree of diversification- Niche	Model 3			Model 4		
	Estimate	p-value	Significance level	Estimate	p-value	Significance level
(Intercept)	-0.083	0.85		0.19	0.65	
Paid staff [Yes]	-1.388	0.02	*	-1.276	0.019	*
Education [Univ/Post graduated]	0.96	0.08	.	0.748	0.14	

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Results of the logit regression for the strategic lever *Provision of additional non-financial support*

Dependent variable: ANFS		<i>Step 1</i>		<i>Step 2</i>		
		Model 1	Model 2	Model 3	Model 4	Model 5
Control variables	Region	X			X	
	Creation	X	X	X	X	X
	Paid staff	X			X	
Independent variables	Age	X			X	
	Gender	X			X	
	Education	X	X	X	X	X
	Prof. back.	X			X	
	Belief	X				
Data size	54	54	86	74	74	
AIC procedure	ANFS ~ Creation + Prof. Back			ANFS ~ Creation + Prof. back.		

Additional non-financial support Yes	Model 3			Model 5		
	Estimate	p-value	Significance level	Estimate	p-value	Significance level
Intercept	-0.915	0.127		-0.607	0.334	
Creation (after 2003)	1.893	0.003	**	1.555	0.0216	*
Creation (before 1976)	-1.050	0.394		-1.692	0.991	
Prof. back. (private not-for-profit)	-1.069	0.068	.	-1.369	0.0292	*
Prof. back. (public)	0.050	0.079		-0.112	0.8784	

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Results of the logit regression for the strategic lever *Financing tools*

Dependent variable: FT		<i>Step 1</i>		<i>Step 2</i>	<i>Step 1</i>		<i>Step 2</i>
		Model 1	Model 2	Model 3	Model 4	Model 5	
Control variables	Region	X			X		
	Creation	X			X		
	Paid staff	X			X		
Independent variables	Age	X			X		
	Gender	X			X		
	Education	X			X		
	Prof. Back. Belief	X			X		
		X	X	X			X
Data size		54	54	70	78		101
AIC procedure		FT ~Belief			FT ~ Region		

Financing tools- Mixed	Model 2			Model 3		
	Estimate	p-value	Significance level	Estimate	p-value	Significance level
Intercept	-1.674	0.007	**	-12.238	0.0162	*
Belief [religious]	1.023	0.15		0.53	0.37	

Financing tools- Mixed	Model 4			Model 5		
	Estimate	p-value	Significance level	Estimate	p-value	Significance level
Intercept	-1.791	0.000908	***	1.321	0.000895	***
Region (Flanders)	0.904	0.197		0.5798	0.294	
Region (Wallonia)	1.637	0.014	*	0.9423	0.079	.

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Results of the logit regression for the strategic lever *Impact requirements*

		<i>Step 1</i>		<i>Step 2</i>	<i>Step 1</i>		
		Model 1	Model 2	Model 3	Model 4		
Control variables	Region	X				X	
	Creation	X				X	
	Paid staff	X				X	
Independent variables	Age	X	X	X		X	
	Gender	X				X	
	Education	X				X	
	Prof. Back.	X				X	
	Belief	X					
Data size		54	54	100	78		
AIC procedure		IR ~ Age				IR ~ Age	

Impact requirement - Yes	Model 2			Model 3			Model 4		
	Est.	P-value	Sign.level	Est.	P-value	Sign.level	Est.	P-value	Sign.level
Intercept	0.405	0.276		-0.92	0.0023	**	-0.72	0.0252	*
Age (<40)	2.014	0.08	.	2.72	0.0153	*	2.52	0.025	*
Age (>65)	-0.04	0.939		0.082	0.85		-0.018	0.97	