

EDITORIAL

Dear readers,



Last year the Ethos foundation demanded for the first time, that companies should submit their political and charitable donations to their annual general meeting. Ethos argues that this should lead to a higher degree of transparency and prevent improper political party donations. Some companies, as for instance large banks, already responded to this demand: For fear of being pushed into a corner or not being politically correct, they offer each party the same amount of money. While some parties accept, others try making political capital from refusing the donations.

What seems reasonable for political donations should not be the way of treating charitable donations. In order for a majority to agree on donations, companies would only support organizations and charitable aims that appear unsuspecting and won't cause criticism based on generally accepted values. It is difficult to imagine that a bank like UBS would still take on the topic of child protection. Tackling such problems asks for a certain degree of independence, willingness to take risks and freedom of definition.

Corporate foundations offer a specific solution to this problem, as they are able to operate independently but remain connected to the company. How this paradox relationship of foundation and corporation can be structured in an impact-oriented way was the aim of a recent research project, about which we report in this issue.

We hope you enjoy reading!

Your Georg von Schnurbein

CONTENTS

Corporat Foundation	01
Opening CEPS	02
Interview Vincent Faber	03
ISTR Conference	04
Calender	04

Philanthropic Models of Corporate Foundations

Corporate foundations are created by companies for the purpose of pursuing charitable activities. They symbolize the corporation's long-term commitment for social or cultural causes. The CEPS conducted a study to identify and compare a number of different philanthropic models of corporate foundations.

Corporate foundations are a popular instrument for companies to focus on their corporate social responsibility (CSR) and give it more visibility. They are often established in the context of special occasions, such as company anniversaries, or in honor of longtime executives, and they are also founded following strategic considerations. Although the number of corporate foundations has continuously increased over the past years, there is hardly any scientific research on this special type of non-profit organization. Most studies try to establish a connection between the social engagement of the corporations and their respective corporate values. Current research hardly ever looks at governance and management models that could help foundations accomplish their mission more effectively.

Research project at the CEPS

In a new research project, the CEPS has adopted the foundations' point of view. The main research question focused on how the foundation's independence from the corporation influences its capacity to act. Thus, the aim was to identify different governance and management models which were described by given pre-defined variables. The research followed the logic of a multiple case study that compared eight different corporate foundations in Switzerland, Germany, and the UK. In order to define the proximity of the foundations to their founding corporations, the dimension of the relation bet-

ween the corporation's core business relatively to the foundation's activities was introduced. A close relationship exists, if the foundation's mission and programs significantly overlap with products or services offered by its corporation. For instance, a mortgage provider could establish a foundation that offers affordable living space, or a pharmaceutical company could offer access to medication for poor people through its foundation. In contrast, a car manufacturer might establish a foundation supporting arts and culture, representing a relationship with no thematic overlap.

While these kinds of relationships can easily be observed, intertwining on governance levels are often not publicly visible. In order to examine this dimension, 19 indicators of the degree of foundational independence were developed in the course of this research project. On the level of the board of trustees, one can for instance raise the question whether executives of the company are also in power in the foundation or, rather, whether it is independent and external experts that are in charge of strategic and programmatic decisions. When focusing on the employees, it is relevant, whether their salaries are paid by the company or by the foundation and to whom they are accountable. Taking a look at ways of funding there are different existing models. Only in rare cases are the foundations endowed with a sufficient amount of capital that enables them to pursue their activities independently. More often it was found that

the foundation's budget depends on the company's annual profit, while in better cases long-term funding-contracts exist that are not tied to further conditions. With regard to the level of the foundation's integration into internal and external communication strategies large differences could be observed.

Four models of philanthropy

When combining these dimensions in a simple grid, four general models of philanthropy for corporate foundations can be identified. On one axis, there is either a high or low relation to the core business. The corporate foundation's independence is shown on the other axis given the above introduced governance dimensions.

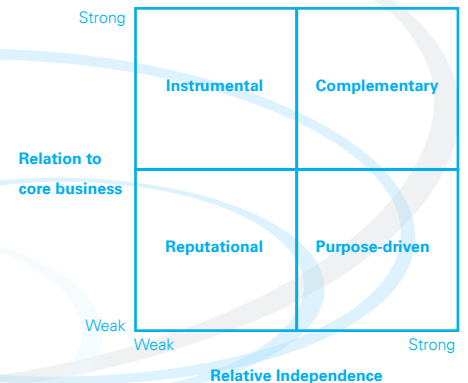
The resulting models can be described as instrumental, reputational, complementary, and purpose-driven philanthropy. Instrumental philanthropy carries the significant danger that the foundation itself is only used to support the company's business instead of focusing on the charitable goal. The foundation can for instance be exploited to follow new business opportunities. Reputational philanthropy's primary goal is to enhance the corporation's public image and reputation, while it focuses on communication aspects. Within the model of complementary philanthropy the foundation can autonomously determine its program policy as long as there is a close relation to the company's core business. Independent experts on the board of trustees assure the focus on mission-achievement. However, the foundation's degree of freedom is highest in the model of purpose-driven philanthropy. While the company supports the foundation with resources and know-how, it has no influence on the governance and implementation of the foundation's mission. Here, the advantages of the foundation as organizational form are fully exploited and supported.

Which model?

Each model has its advantages and disadvantages. From the foundation's point of view, a high degree of independency as well as active support of the founding company is desirable as synergies can be exploited while keeping costs low. Aiming at the

Philanthropic Models

Corporate foundations can be described through their proximity to the founding corporation. Depending on the strength of the relationship, their activities can be classified according to four basic models. The lower the relative dependency of the foundation on the corporation, the better the structural advantages of the organizational type foundation manifest themselves. Foundations are often attributed a special potential to support new solutions for social problems due to their independence.



highest possible degree of independence, however, might not be the most effective approach. Access to knowledge, network and infrastructure through a certain proximity to the company can lead to a more effective mission-achievement. On the other hand, being closely linked to a corporation can give cause to the criticism

of being misused for serving business purposes. Finally, the company can profit the most from its foundation, when it is led professionally and is perceived as being impact-oriented. The company benefits from this positive reputation and is strengthened.

Steffen Bethmann

Independent Institute

Prof. Peter Frumkin was the key note spaker at the celebration for the official nomination of the Center for Philanthropy Studies as independent university institute.

On August 28th, 2014, the CEPS celebrated its official nomination as an institute of the University of Basel. It is therefore no longer part of a faculty, but is able to pursue its interdisciplinary research as an independent institute. Prof. Hoenen, the



University's Deputy Rector, held the opening speech to the inauguration. To highlight the strategic importance of the CEPS, he compared it to a flexible and swiftly acting "task-force". Furthermore, he linked the philanthropic

research to Aristotle's work "de anima" – about the soul – and to the research tradition that followed from this work. The Director of the CEPS, Prof. Georg von Schnurbein, presented the center's success factors – its strategy, team, and good governance – and gave an outlook on future developments. Highlight of the opening ceremony was Prof. Peter Frumkin's presentation on strategic philanthropy which sparked a lively discussion. Participants could learn about Peter's experiences and knowledge drawn from decades of research. Participants dealt with the problem of aligning the five elements of strategy: purpose, theory of change, style, vehicle, and time. The event was followed by an invitation to an apéro riche in the stunning location of the "Wildt'sche Haus", where the sensuous sound of guitar, clarinet, vocals, and cajón accompanied the proceedings.

Sibylle Studer

Global Social Responsibility

The Trafigura Foundation was founded in 2007 by the Trafigura group which is a leading international commodities trading and logistics company. Since starting its operations it has granted more than 32 million USD in 26 countries. The CEPS speaks with Vincent Faber, Executive Director of the foundation.

CEPS: What was the reason for the Trafigura corporation to establish its own foundation?

V.F.: It is obvious today that the size and scope of social issues needing to be addressed in the world – poverty, access to education, access to health, to water, global warming, etc. – are now beyond the sole capacity of states/governments, and even less so of private individuals. Big corporations such as Trafigura, especially those operating transnationally, are undoubtedly social actors in a global society of which they are genuine citizens. As such, they have clear responsibilities on which it is evident – primarily to themselves – they cannot turn a blind eye.

Vincent Faber



The trained geophysicist initially worked for an international corporation in the energy field and in consulting. At the age of 30, Vincent changed his career path and decided to devote his professional life to international humanitarian work. He was called upon in 2008 to lead the newly-created Trafigura Foundation.

It is also obviously a corporate interest to operate in a context of stability, with people enjoying a good education, a dignified life, and a healthy environment. Last but not least, a corporation is also the reflection of its employees' values. We are blessed with an extremely multicultural and diverse staff. As everyday people working in countries with economic and social challenges, they naturally feel compelled to act. The company realised that it was not only a duty, but also objectively sensible to create a structure to give support and guidance to our people, to respond to their appeal to 'give back' to the local communities

CEPS: What are the overarching goals of the foundation?

V.F.: I could answer by just describing our three focus areas as a grant-maker: sustainable development, education &

integration and health, all roads to social and economic development. Basically, our mission is to give to our NGO partners the financial means to carry out and strengthen their programmes around those three pillars. But beyond that particular mission, I believe we have other ones, just as fundamental for a corporate foundation like ours: to raise the company's awareness of social issues hindering the life and dignity of the communities and people 'at our doorstep', to have our employees understand that they can be part of the solution, and ultimately to foster links and create the channels to get them to act concretely, if so they wish.

CEPS: How do you work together with your partners?

V.F.: We literally engage with our partners. We do not just give money; we also provide strategic and managerial support to our partners, sometimes for instance by sitting on their boards. We believe in competence-sharing: we lend our partners the kind of business acumen we have at our fingertips to help them create and implement well-rounded, successful programmes. As a matter of fact, our actions embody the seven principles of Venture Philanthropy, as defined by the European Venture Philanthropy Association, in our collaboration with our grantees: high engagement, organisational capacity-building, multi-year support, non-financial support, involvement of networks, tailored financing, and impact measurement.

CEPS: In which way does the foundation and corporation share the same vision?

V.F.: Although our foundation is statutorily independent from the company in its decisions, we are embedded in the 'daily life' of the Trafigura Group, for the simple reason that a key pillar of our mission is to build bridges between our almost 10,000 colleagues and the communities in which they operate. This vision is of course entirely shared by the company, as the Trafigura Foundation is the instrument which allows it to carry out and to give

structure its responsibility as a social actor in the human society. Moreover, let's not forget that a vision builds upon a culture. The connection between the foundation and the company has enabled us to develop our modus operandi from the latter's corporate values: agility, versatility, responsiveness, and the courage to innovate and take risks. Reciprocally, I believe our work also influences the way the business is being carried out, with more attention being paid to the impact it has on the communities around us, and greater awareness of the social responsibility we bear as a major global economic player.

CEPS: Thank you very much!

CEPS INSIGHT

Publication Working Paper

In the Working Paper Series the essay "Why nonprofit? – Nonprofit support organizations for NPO in mixed industries" was published by Sibylle Studer, Sara Stühlinger and Georg von Schnurbein.

www.ceps.unibas.ch/publikationen/ceps-working-paper-series/

Farewell of team members

Rafael Wyser has left the CEPS on 30 August. Sibylle Studer has started a new challenge with Interface Consulting starting 1 September. She will continue in a part-time position with the CEPS. We wish both them all the best!

Public lecture series

The CEPS together with the law faculty has launched a public lecture series "Societal responsibility of foundations" in the winter semester 2014. The lecture will be given in German. The first will be held by Dr. Christoph Degen with the title "Stifterwille und Gemeinwohl"

www.ius.unibas.ch www.ceps.unibas.ch

NEWS

European Day of foundations

On 1 October 2014 takes place the second European day of foundations. Foundations and associations are invited to use this day to present their work and to organize own events.

www.tag-der-stiftungen.ch

Conference Report ISTR

Over 600 scholars from 85 countries attended this year's ISTR conference in Münster featuring the title „Civil Society & the Citizen“. The conference, held in July, was hosted by the Westfälische Wilhelms University.



The International Society for Third Sector Research (ISTR) is one of the worldwide leading research associations on civil society, philanthropy and the nonprofit sector and it organizes the bi-annual international research conference. This year's conference took place in the university town of Münster, Westfalen. Although a few participants were disappointed to learn that the Münster cheese is produced elsewhere, Münster didn't fall short of attractions. The opening ceremony for instance was held at the beautiful 18th century prince-bishop castle. Keynote speaker was Prof. Dr. Claus Offe of the Hertie School of Governance who addressed the how mutually indispensable state capacity and civil society are. Focus of this year's conference were topics such as "philanthropy and giving", "volunteering", and "the role of protest movements". Amongst many other presenters, Prof. Dr. Georg von Schnurbein and Steffen Bethmann gave insights into one of the CEPS' current research topics "corporate foundations". Further, researchers from Amsterdam presented

first results of a study on the influence of foundations on research in innovation, to which the CEPS also contributed. The presentations were followed by lively discussions about the influence of profit-oriented actions on the nonprofit sector and civil society. Participants also highlighted the fact that companies are starting to acknowledge and assume their social responsibility more. Prior to the conference two of the CEPS' doctoral students participated in the ISTR PhD-seminar. The seminar offered the possibility to exchange thoughts with other doctoral students and professors from around the world to critically discuss each other's projects.

Tizian Fritz

DID YOU KNOW?

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The Novartis Patient Assistant Foundations has spent over 450 mio. USD in 2013 according to data from the Foundation Center. This makes her the biggest Corporate Foundation in the USA.

Source: www.foundationcenter.org

New Course

Global Social Entrepreneurship: Shaping the next generation of non-profit leaders.



The CEPS has launched a new course in cooperation with the BOOKBRIDGE Foundation. The CAS Global Social Entrepreneurship shows how social enterprises can be developed and managed in a global context. The participants will be introduced to theories in fields like global economic relations and innovation but also develop practical strategies for the entrepreneurial solution of social problems. The course covers all phases of creating a social business from design, to development of a business plan, investor pitch, implementation and impact measurement. What is special about this course is that the participants will travel to Mongolia to actually realize their project. During the entire course, participants are accompanied by professional coaches. The course is divided into five modules and is designed to run in sync with a professional schedule. Three on-site modules and one virtual are blended with off-site virtual teamwork to ensure minimal disruption of professional life. The first module starts on 20 April 2015 in Basel, it will be held in English.

<https://ceps.unibas.ch/en/continuing-education/cas-global-social-entrepreneurship/>

KALENDER

CEPS ADVANCED STUDIES

[Enroll now! \(Courses in German\)](#)

Philanthropy in the Morning / European Day of Foundations

How to find new board members
1 October 2014, WWZ, Uni Basel

Intensive-course

Financial Management in NPO

3- 7 November 2014, Kloster Kappel

Intensive-course

Foundation Management

2 - 6 March 2015, Sigriswil

CAS Governance & Leadership in NPO

Module 1: 13 - 16 April 2015

Module 2: 4 - 6 May 2015

Module 3: 1 - 4 June 2015

COMING UP

Civil Society Media

Charity Finance Summit 2014

7 October 2014, Westminster

EBD Group

Global Impact Forum

8 - 9 October 2014, Zurich

European Venture Philanthropy Association

Collaborating for Social Impact: the next 10 years

17 - 18 November 2014, Berlin

ARNOVA Conference

Evolving Sectoral Relationships: Global & Local Views

19 - 22 November 2014, Denver

Legal notice

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