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Más allá de la Responsabilidad Social Corporativa: Fundaciones y empresas detallistas globales

RESUMEN

Este artículo se centra sobre la filantropía institucional llevada a cabo por empresas de distribución, y utiliza a las fundaciones vinculadas a las 50 mayores empresas detallistas del mundo como caso de estudio. El objetivo de la investigación es triple: 1) Explorar la prevalencia de empresas detallistas globales que cuentan con fundaciones vinculadas; 2) Proponer una tipología para éstas; y 3) Explorar el papel que juegan dichas fundaciones en el contexto de las estrategias de RSC de las empresas de las que dependen. Los resultados confirman, por un lado, la elevada propensión filantrópica de las mayores empresas minoristas y, por otro, que los beneficios potenciales proporcionados por sus fundaciones instrumentales trascienden los atribuidos en la literatura sobre RSC convencional y filantropía corporativa tradicional.

Palabras Clave: Filantropía corporativa; Responsabilidad social corporativa (RSC); Fundaciones; Empresas de distribución; Empresas familiares.

Beyond Corporate Social Responsibility: Foundations and global retailers

ABSTRACT

This paper focuses on institutional philanthropy by retail firms, utilizing foundations connected to the top 50 global retailers as a case study. The purpose of this research is threefold: 1) To explore the philanthropic propensity of global retailers; 2) To define a typology of foundations connected to them; and 3) To explore the role played by those foundations in the context of the CSR strategies of their connected firms. Results confirm, on the one hand, the high philanthropic propensity of top global retailers and, on the other hand, that potential benefits of connected instrumental foundations go beyond those attributed to conventional CSR and traditional corporate giving by previous literature.

Keywords: Corporate philanthropy; Corporate Social Responsibility (CSR); Foundations; Retail firms; Family firms.

JEL classification: M14 (Corporate Culture; Social Responsibility); L81 (Retail and Wholesale Trade; e-Commerce); M30 (General Marketing and Advertising); L22 (Firm organization and market structure)

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Beyond Corporate Social Responsibility:
Foundations and global retailers

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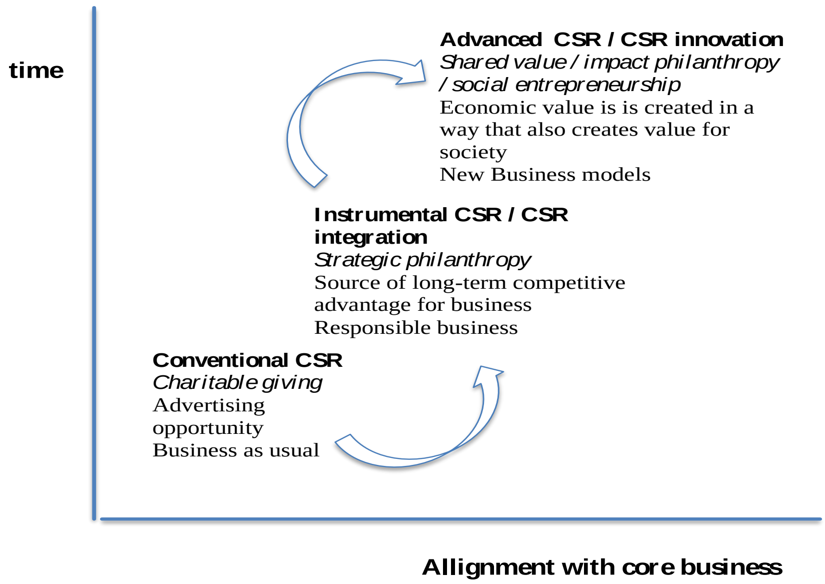
1. INTRODUCTION: (CORPORATE) PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY

"Philanthropy" has historically been an overarching concept for all types of voluntary private initiatives for the common good (Payton, 1988). However, the concept is frequently narrowed nowadays to mean only either charitable giving (money, in-kind and product donations and volunteering), or charitable foundations, as the typical philanthropic organization. In parallel to the increasingly reductionist usage of the term philanthropy, the concept of "corporate social responsibility" (CSR) has expanded in popularity until becoming mainstream in the corporate world, particularly among multinational and national big-size firms around the globe, and also among governmental and non-governmental organizations supporting its adoption (Carroll, 2008). The European Commission has defined it as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EC, 2001). As a result of the two aforementioned processes, philanthropic initiatives by firms (corporate philanthropy) and CSR have tended to merge, the first concept being finally absorbed by the latter.

In this context, corporate philanthropy has been approached as either the most discretionary component of that voluntary commitment, or as a preliminary, low-value added stage of development of the CSR concept. Carroll's classical article utilizing a pyramid as a visual metaphor to depict the four components of CSR, defines philanthropy as "corporate actions that are in response to society's expectation that businesses be good corporate citizens". While economic performance is the basic building block of the pyramid, philanthropy is "icing on the cake". Philanthropy is more discretionary because, although desirable in the eyes of communities, it is not expected in a moral sense. "CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility" (Carroll, 1991, p. 229).

Other scholars consider corporate philanthropy as the conventional or classical paradigm of business-society relations that characterized the late XIXth and early XXth century, based on the paternalistic perspective of tycoons such as Carnegie, Rockefeller or Ford (Wulfson, 2001; Rodríguez Fernández, 2007). This conventional approach would still characterize the primary CSR orientation of firms that currently emphasize using selected corporate resources for charitable actions (i.e. donations or voluntary work by employees) outside the firm's core business and without seeking direct business benefits. Beyond its positive effects on corporate reputation (Brammer and Millington, 2005), the "philanthropic CSR" stage would be different from both "CR Integration" (emphasis on conducting existing business operations more responsibly), and "CR Innovation" (emphasis on developing new business models for solving social and environmental problems) (Halme and Laurila, 2009). The identification of philanthropy with conventional CSR, however, has been revisited under the light of stakeholder theory (Freeman, 1984) and the application of instrumental or utilitarian approaches to corporate giving prevailing since the 1980s and 1990s. Concepts such as cause-related marketing (CRM) or strategic philanthropy are born from the expectation of an economic return from CSR strategies, as they contribute to improve the competitive advantage of the firm over the long-term (Porter and Kramer, 2002). The latest development of the instrumental approach is the shared value concept, consisting of an updated approach to value creation by businesses which involves creating economic value through competitiveness enhancement, while simultaneously creating value for society in the communities where the firm operates (Porter and Kramer, 2011). The same idea underlies new labels such as "impact philanthropy" or "social entrepreneurship". This dynamic or evolutionary approach to CSR is graphically depicted in Fig. 1.

Figure 1. Corporate philanthropy in the context of evolutionary approaches to CSR



Source. Author's own elaboration

Although corporate philanthropy has been researched extensively, it should be noted that the vast majority of studies are limited to a single country and equate corporate philanthropy to direct charitable giving (Amato and Amato, 2007; Brammer and Millington, 2004; Saiia et al., 2003; Seifert et al., 2004). Regarding the determinants of corporate philanthropy, previous studies have hypothesized the association of a number of factors with the level of philanthropic expenditures, including firm size, industry, tax rates, managerial preferences, ownership characteristics of the firm, and the availability of resources in the company. Key findings on strategic motivations relate to links between philanthropic expenditure and tax, CEO discretion, and advertising. According to those studies, higher corporate tax rates would be associated with greater levels of corporate philanthropic expenditure; and corporate philanthropy would perform some of the functions of advertising by increasing the level of demand for a firm's products and reducing its price sensitivity, particularly in consumer-oriented companies (Milgrom and Roberts, 1986; Navarro, 1988; Arulampalam and Stoneman, 1995; Adams and Hardwick, 1998; Buchholtz et al., 1999; Sen and Bhattacharya, 2001; Brammer, Millington and Pavellin, 2006). Previous research on CSR in retail firms mostly focuses on environmental sustainability and supplier relationships, suggesting CSR supports the development of retail brands and is a critical dimension of consumer evaluation (Girod, 2003; Elg and Paavola, 2008; Amaeshi, Osuji, and Nnodim, 2008; Elg and Hultman, 2011).

Beyond direct charitable giving by firms to unrelated nonprofits or individuals, corporate philanthropy can adopt more complex forms, involving stable partnerships with unrelated nonprofits (a typical alternative when CRM strategies are in place), or even organized or institutional philanthropy, i.e. "the set of private initiatives aimed for the public good that are channeled through ad hoc independently governed organizations" (Rey and Puig, 2010). Under the first scenario, foundations adopt a beneficiary role; under the second one, foundations become stable partners of the firm's philanthropic endeavor; under the third one, foundations become corporate tools of a permanent nature and with their own legal personality.

The goals of this research are the following: 1) To verify the extent to which retail firms are utilizing connected foundations as a tool; 2) To propose a basic typology of foundations connected to global retailers; and 3) To explore the potential benefits provided by those foundations to their related firms and/or their owners in the context of the CSR strategies of their connected firms. This paper is innovative for two reasons. First, because it focuses on organized or institutional corporate philanthropy by retail firms, and specifically on foundations connected to them. These foundations, although independently governed from a formal perspective, depend on the founding and/or funding firm to the extent that they are *de facto* tools in the hands of the firm's managers and/or owners. Secondly, because this research utilizes an international comparative perspective, acknowledging the determinant influence of institutional frameworks on the configuration of the relationship between the firm and its connected foundation. The methodology utilized for this exploratory analysis has consisted of a multiple case study approach (Hair et al., 2010). The five cases studied (Carrefour, WalMart, Sainsbury, Ikea and Schwartz) have been selected according to the following criteria: 1) Foundations connected to those retailers are highly representative of the each of the types included in the proposed basic typology (corporate, family, controlling, non-controlling); 2) Firms are representative of a variety of relevant characteristics (family and non-family, private and publicly listed, domestic and multinational, single and multiple commercial format); and 3) National institutional frameworks are not only diverse but also representative of the environment surrounding most global retailers and their foundations, including not only applicable law systems (civil law vs. common law), but also different countries of origin (US, UK, Germany, France and Sweden).

2. FOUNDATIONS AND RETAIL FIRMS: PREVALENCE AND CONCEPTUALIZATION

Foundations, being the typical philanthropic organization, still remain under-researched as economic actors, particularly in comparison with other organizational forms, and even more acutely from an international perspective. Few available comparative studies have mainly adopted legal, fiscal and political perspectives (Anheier and Daly, 2007; Breen, 2008; European Foundation Center 2007a and 2007b; Hopt, Walz, Von Hippel and Then, 2006; Schlüter, Then and Walkenhorst, 2001). Economic data about foundations are overwhelmingly scarce with a few country exceptions (notably US and UK). Furthermore, there exists no standard definition of foundation to be applied internationally (Rey and Alvarez, 2011).

In the US, a foundation is broadly defined as an entity that is established as a nonprofit corporation or a charitable trust, its main goal consisting of making grants to unrelated organizations or individuals for charitable purposes; and it may be called under different names such as "foundation", "trust", "endowment" or "fund" (NYFC, 2008). The situation in

Europe is relatively more complex for multiple reasons. First, because no consensual legal definition exists, as a majority of countries with civil law systems coexist with countries with common law systems (such as UK, Ireland and Cyprus), where different entities under different legal forms can carry out charitable and nonprofit activities. It should be noted that registered charities in the UK, whatever their name or funding source, share the same legal character and regulatory regime as “charitable trusts”, and represent donations in perpetuity for charitable purposes rooted in common law tradition since the XVII century (Pharoah et al., 2011). Secondly, because not all EU member countries require foundations to register and, even if they do, public information in those registries is not accessible in practice. Regarding tax returns filed by foundations with the tax authorities, in countries such as Spain they are covered by the same confidentiality provisions applicable to individuals and are not available to the public, regardless of choice for the favorable fiscal regime. Third and last, because the favorable fiscal treatment available for foundations in every member country is based upon different definitions of what a public benefit purpose is (Rey and Alvarez, 2011). The EFC defines “public benefit foundations” as: “independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programs” (EFC 2007, p. 6). The recent proposal for a Council Regulation on the Statute for a European Foundation does not define foundations, but refers to them as entities without membership for a public benefit purpose, separately constituted in accordance with the law of one of the Member States (EC, 2012).

The scarcity of both economic data and conceptual debates on foundations, contrasts with available evidence on the accelerated growth of that type of organization in Western countries during the past decades, including corporate or firm-connected foundations (Rey and Puig, 2010; Rey and Alvarez, 2011). The first goal of this paper is precisely to explore to which extent retail firms utilize closely held foundations. An exploratory empirical exercise consisting of identifying the foundations connected to the top 50 global retailers (Deloitte, 2012), results in an outstanding philanthropic propensity of 64%, defined as the percentage of retail firms that are connected to related foundations in that sample (Rey and Puig, 2010). 32 out of 50 retailers relate to a total of 43 foundations, as several retailers are connected to two or more foundations under their control. Philanthropic propensity is particularly high among US retailers (75%).

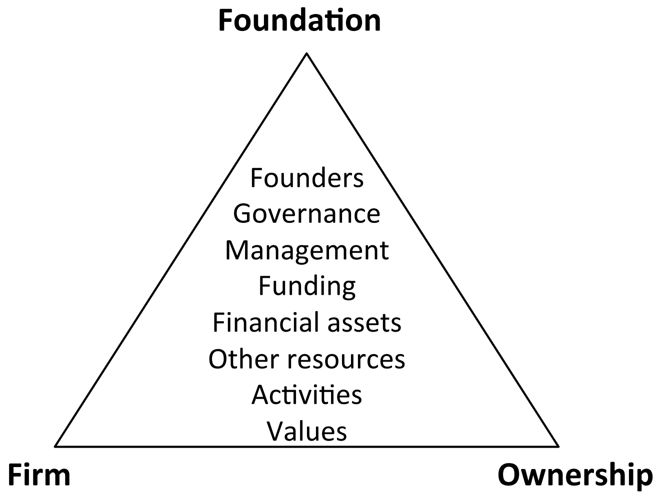
It should be noted that this paper focuses on nonprofit (not-benefit-distributing) and charitable (public-purpose) foundations connected to retail firms. As neither "nonprofitness" nor "charitability" has a single trans-historical or trans-national meaning, specific legal and tax definitions and requirements applied in each of the countries where the foundations are registered have been adopted to identify them. No material judgments on the degree of "nonprofitness" or "charitability", or attempts to draw the line between private and public benefit activities beyond national tax and law specifications have been therefore performed.

Our focus is rather on the intrinsic organizational features of the foundation formula. Whether as the legal formula *par excellence* to endow philanthropic initiatives with their own legal personality (Civil Law), or as an overarching label to characterize entities that are considered to be "nonprofit" from a fiscal perspective (Common Law), the key features underlying foundations in practice are that they are no-member, no-owner, unmarketable organizations. These features clearly differentiate foundations from member organizations such as associations, cooperatives and other organizational formulas typical of the social economy or the third sector; and also from business organizations (Hopt et al., 2006). In the case of foundations connected to firms, a fourth key feature should be added: as closely-held foundations with an undiversified income structure, they keep a relationship of subordinate dependence on the founding firm and/or on its owners that transforms the foundation into a tool.

3. TOWARDS A TYPOLOGY OF FOUNDATIONS CONNECTED TO RETAIL FIRMS: A MULTIPLE CASE STUDY APPROACH

The second goal of this paper is to propose a typology of foundations connected to retail firms. We argue that such typology should be based upon a true understanding of the relationships existing among firms (or groups), their ownership and their connected foundations. It should be noted that owners frequently include entrepreneurial families, given that a significant portion of global retailers are family firms. Foundations in our sample show a high and complex connectedness to their corresponding retail firms and/or controlling ownership across eight dimensions: 1) Founders; 2) Governance; 3) Management; 4) Funding; 5) Financial assets; 6) Other resources; 7) Activities and 8) Values (see figure 2).

Figure 2. Dimensions connecting retail firms, their ownership and their foundations



Source. Author's own elaboration

These relationships are therefore considerably more complex than it may apparently seem from the traditional definition of corporate foundations as company-sponsored ones, born out from the US context, where this specific type of firm-related foundation starts to experience significant growth in the early 1980s (NYFC, 2008). In order to ground a proposal for a typology, the first relevant distinction should be made between corporate and family foundations, although there is neither a consensual nor a legal definition for any of those two types.

In the US both corporate and family foundations belong to the "private foundations" category, i.e. those receiving most of their funds from a single source (an individual, a family, or a corporation); and their tax status is less favorable than public foundations' (typically community foundations), i.e. those with multiple sources of funding (private foundations, individuals, government agencies, or fees for service). The New York Foundation Center defines corporate foundations as separate legal entities that receive their assets and/or annual gifts from a (generally publicly held) company, thus remaining closely tied to the supporting firm (NYFC, 2008). For the purpose of this paper, we define a corporate foundation as one characterized by at least two of the following features: 1) *Founders*. The foundation has been (co) founded by a firm; 2) *Governance*. Its board is controlled by owners, directors and/or top managers from the related firm; 3) *Management*. Its top managers come from the firm or report, formally and/or informally, to one of its functions; 4) *Funding*. It obtains the majority of its non-financial operating income from the firm's gifts (meaning it does not fundraise either regularly or significantly); 5) *Financial assets*. It is endowed with assets that are donated by the firm and may include shareholdings of its equity; and 6) *Other resources*. Its name includes the firm's brand name or the name of the firm's owners.

Given that a significant portion of the retailers in our sample are family firms, the interplay between the firm, the entrepreneurial family controlling it, and the connected foundation(s) becomes key to understand the role played by the latter. Regarding family foundations, Moody et al. (2011) have surveyed the different definitions of family foundation used by key organizations and researchers in the US, and proposed a definitional framework consisting of a set of dimensions associated with specific family-related qualities of a foundation (self-identification, the family's involvement and influence, donor intent and legacy, assets). The same dimensions of connectedness that we used to characterize corporate foundations would be applicable in order to characterize family ones; although the last one, related to ethical, religious or ideological values endorsed by family owners and their foundations, would become particularly relevant. However, we propose instead for the sake of simplicity an operational definition that acknowledges the blurring lines between corporate and family foundations: family foundations would be defined as those that are directly or indirectly controlled, or dominantly influenced, by entrepreneurial families, as these individuals have the capacity to appoint the majority of board members of the foundation (Rey and Puig, 2010).

Therefore, corporate foundations are ultimately controlled by firms, whereas family foundations are ultimately controlled by entrepreneurial families, either directly or indirectly (indirect control would exist if a family firm endows a corporate foundation). The Carrefour International Foundation (FR) provides a good example of "pure" corporate foundation (see Case 1); the Wal-Mart (US) and Sainsbury (UK) cases illustrate not only the discussion on family foundations connected to global retailers, but also their interplay with corporate foundations and corporate social responsibility strategies of the retail firm (see Cases 2 and 3).

Case 1. CORPORATE FOUNDATIONS WITH INTERNATIONAL OUTREACH: THE CARREFOUR CASE

In the background of its previous involvement with emergency and humanitarian causes, the Carrefour Group (1959) created the International Carrefour Foundation, headquartered in Paris, in 2000. After some years covering a broad range of public benefit purposes, its Board of Directors redefined the mission and strategy of the foundation in 2005 and 2009 in order to:

- Support "actions that are in line with the Group's areas of expertise and the skills of its partners, and only where the Carrefour Group has a presence"
- Focus on three programs: food (product donations and in-store collection campaigns), professional integration (employment opportunities for socially excluded population) and humanitarian aid (drawing on its logistics expertise).

The Board of Directors of the foundation is presided over by the Chairman and CEO of the Carrefour Group, and includes three representatives of Carrefour Group founders, four guest members, and one Carrefour employees' representative.

This grant-giving corporate foundation works in close collaboration with Carrefour local teams in charge of social commitment (normally CSR or external relations; but also stores and employees) in the 32 countries where the Group is present. Those local initiatives are steered by a regional "Action Solidarity Group". It also collaborates with the French Ministry of Foreign Affairs and with international NGOs. Its annual budget for 2010-2015 amounts to €4.5 million. The geographic breakdown of funding for the 52 projects selected in 2010 for 14 countries was as follows: France 27.3%, Europe 23.8%, Latin America 27.9% and Asia 21.0%. Selection criteria applied by the Board of Directors include "legitimacy in relation to the trades and skills of the Carrefour group". Partner and beneficiary nonprofits are unrelated with the only exception of Spain. Carrefour Spain created its own corporate foundation ("Fundación Solidaridad Carrefour") in 2001 to undertake social commitment at a national scale.

Sources:
http://www.fondation-carrefour.org/fic/accueil
http://www.carrefour.es/grupo-carrefour/fundacion/inicio/
Fondation Carrefour (2011): *Carrefour Foundation Annual Report 2010 Special issue: 10 years of action*
Fundación Solidaridad Carrefour (2010): *Informe 2009*

Cases 2 and 3. THE INTERPLAY BETWEEN GLOBAL RETAILERS WITH SUSTAINABILITY CONCERNS AND (MULTIPLE) PHILANTHROPISTS: WALMART, SAINSBURY'S AND THE ENTREPRENEURIAL FAMILIES BEHIND

As the top global retailer, US-based Wal-Mart (1962) has adopted a corporate sustainability policy covering environmental and social commitments, including direct corporate giving and the creation of a corporate foundation focused on community needs. The Wal-Mart Foundation would be indirectly controlled by the Walton family, therefore representing the corporate-family hybrid type. Around the world, Wal-Mart and the Wal-Mart Foundation gave $958.9 million in cash and in-kind contributions during the fiscal year ending Jan. 31, 2012, leading *The Chronicle of Philanthropy* to label them the biggest cash contributor in the US.

On the other hand, Sam and Helen Walton, Wal-Mart's founders, endowed a pure family foundation which board currently involves their children and grandchildren. According to institutional sources, the philanthropic mission of the Walton Family Foundation –community betterment, mainly through education- is based on the same guiding principles that turned their modest retail business into a global champion: "lack of reverence to the traditional methods", a sense for "opportunity", and a commitment to "the Walton's timeless small-town values". The foundation invested more than $159 million in education reform initiatives in 2011, marking the largest single-year investment in education reform initiatives. The Walton Family Foundation would paradigm the family and non-controlling type. It ranked third among largest family foundations in the US by giving in 2009/10, as shown in the following table:

	Total Giving $*	Assets $	Fiscal Date
Bill & Melinda Gates Foundation	3,055,067,596	33,912,320,600	Dec 09
The Susan Thompson Buffett Foundation	407,931,970	2,241,538,887	Dec 09
Walton Family Foundation, Inc.	60,407,050	2,275,851,898	Dec 09

* Includes grants, scholarships, and employee matching gifts; excludes set-asides, loans, PRIs, and program expenses

Source: Author's elaboration from Pharoah et al. 2011

In the UK the Sainsbury family foundations provide an outstanding but, to some extent, opposing example. The Sainsbury family originated as a retailing saga, and is currently a philanthropic dynasty utilizing a multiple but separate pure family foundation model. Eighteen independent charitable trusts have been set up by family members, many of them sitting on their boards, with wealth from their successful supermarket business. Public benefit purposes pursued by the trusts respond to individual funding preferences of founding family members; from criminal justice to childhood. The largest of all is the Gatsby Charitable Foundation (1967), founded and generously funded by Lord Sainsbury, devoted to grant making in science and research, and the third largest family foundation in the UK by giving for 2009/2010, as shown in the following table:

	Charitable Spending £ Million*	Net Assets	Year end
Wellcome Trust	635.1	12,740.5	Sep 10
The Leverhulme Trust	50.2	1,587.5	Dec 10
The Gatsby Charitable Foundation	35.7	460.8	April 10

* Includes their charitable expenditure on grants to organizations and individuals, as well as any operating programs of their own

Source: Author's elaboration from Pharoah et al. 2011

On the other hand, J Sainsbury plc., owner of Sainsbury's, UK's oldest retailer (1869), has adopted CSR strategies aligned with its core business: sustainable supply chain, kids' nutrition, surplus food donations, healthy lifestyles, support of a local charity by each store, or matching fund initiatives. Such strategies are deployed through stable collaborations with independent nonprofits such as the British Nutrition Foundation or Fareshare. However, Sainsbury has created no corporate foundation.

Sources:
Pharoah 2009
Pharoah et al. 2011
Wal-Mart (2012): *2011 Global Responsibility Report*
J Sainsbury plc. (2012): *Corporate Responsibility Report 2011*
http://www.waltonfamilyfoundation.org/about
http://walmartstores.com/communitygiving/203.aspx
http://walmartstores.com/pressroom/FactSheets/#CharitableGiving
http://www.sfct.org.uk/
http://www.j-sainsbury.co.uk/responsibility/
http://www.j-sainsbury.co.uk/media/171822/cr2011_report.pdf
http://www2.sainsburys.co.uk/aboutus/good_causes/goodcauses.htm?WT.svl=2&WT.seg_1=nav_secondary

The second relevant distinction for our proposed typology relates to the difference between controlling and non-controlling foundations. The controlling foundation is endowed with assets including significant shareholdings of the equity of one or several firms, as to grant control (majority of voting rights) or dominant influence over them. Firm's owners ultimately control the business through the foundation, preventing takeovers. In the case of family firms, entrepreneurial families may additionally use the controlling family foundation to facilitate succession without loosing that control over time (Rey and Puig, 2012). This second typology is highly sensitive to the institutional and legal environment surrounding foundations, ultimately depending on the choice of applicable jurisdiction, as illustrated by the following country examples and Cases 4 and 5 on foundations connected to IKEA (Sweden/The Netherlands) and Schwarz (Germany).

No controlling foundations exist in the US. Dating back to 1969, US foundations had to divest shareholdings that, added up with overall interests of related persons, could total over 20% of voting power in a company; for that reason trusts, instead of foundations, are the main control transfer tool utilized today by entrepreneurial families (Simon, 1995; Villalonga and Amit, 2009). In Germany, by contrast, legislation regulating the relationships between firms and foundations seems to have been tailored to suit the long-term needs of the *Mittlestand*, the label for medium-sized industrial, family-owned firms, but not only, as outstanding examples of large retailers such as Schwarz demonstrate (see Case 5). Those regulations are extremely flexible and allow for the coexistence of not only private benefit family foundations with public benefit company-linked family foundations, but also with family-owned or controlled public benefit limited liability companies connected to the latter; facilitating also dual models and transformations (Rey and Puig, 2012). As a result, most foundations are currently registered as public benefit foundations; and most firm-connected charitable foundations are of the controlling type (Bishop and Green 2008). In Spain the controlling model was a relevant choice for entrepreneurs ("fundaciones a fe y conciencia") until 1978 tax reform and subsequent foundation regulations. The Fundación Ramón Areces, endowed by the founder of the El Corte Inglés group (1935) with significant shareholdings in 1976, would be the most renowned Spanish example of the controlling model among global retailers. Nowadays, although there is no cap on shareholding and/or voting stock ownership by foundations in Spain, and regulations on self-dealing between a business and its related foundation are relatively looser than in the US, most contemporary firm-connected foundations belong to the non-controlling model (for example Fundación Amancio Ortega, endowed by Inditex's founder). The stringent pay-out rate (pay-out referring to the amount that must be distributed for charitable purposes) imposed on all foundations, regardless of their choice for available tax benefits, coupled with a tight and fragmented regulatory regime, have provided strong disincentives for the adoption of the controlling model (Rey and Puig, 2012).

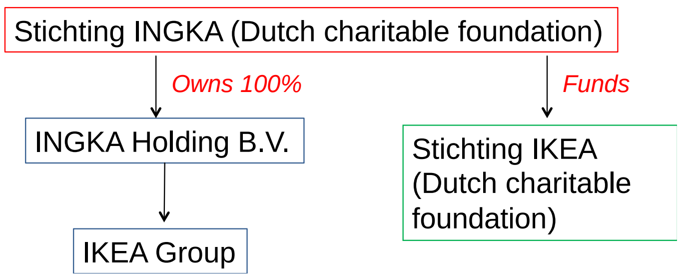
Cases 4 and 5. FOUNDATIONS AS A CONTROL TOOL FOR GLOBAL RETAILERS' OWNERS: THE IKEA AND SCHWARTZ CASES

The paradigm of usage of controlling foundations as part of a financially and tax efficient group structure is the Swedish global retailer IKEA (1943). IKEA Foundation's web site clearly states the goal of such structure: "To create a stable structure, and to preserve and protect IKEA as a company over time, the ownership of IKEA was put into foundations in 1982".

The Stichting Ingka is a Dutch-registered, tax-exempt, non-profit foundation, which received the shares of Ingvar Kamprad in 1982 and entirely owns Ingka Holding, a private Dutch-registered company and the parent of all IKEA retailers around the world. A five-member executive committee runs the foundation, sitting the founder and other members of the Kamprad family, and appointing any vacant not only in the committee itself, but also in the board of Ingka Holding. According to its charter, the assets of Stichting Ingka must be managed as to ensure "the continuity and growth" of the IKEA Group. Its shares can be sold only to another foundation sharing the same goals and executive committee.

The Stichting Ingka funds the Stichting IKEA (IKEA Foundation), another Dutch-registered charitable foundation which purpose was initially to give grants for innovation in the field of architectural and interior design. Its charter was expanded in 2009 to include improving the opportunities of families in the developing world, as IKEA owners decided to entrust it with the responsibility for all social investments and philanthropic initiatives of the Group. The IKEA Foundation "invests long-term in order to build a reserve for securing the IKEA group, in case of any future capital requirements".

Stichting Ingka would belong to the family and controlling type of firm-connected foundation, and the jurisdiction chosen to set it up, the Netherlands, probably incarnates one of the most loosely regulated foundation sectors in the EU, particularly regarding payout and transparency requirements.



In 2006 The Economist valued the Stichting Ingka Foundation as the world's biggest charity worth $36 billion, and critically compared it with the Gates Foundation not only in terms of size (exceeding its $26.9 billion worth), but also in terms of funds actually distributed for public benefit purposes and transparency. "The overall set-up of IKEA minimizes tax and disclosure, handsomely rewards the founding Kamprad family and makes IKEA immune to a takeover. And if that seems too good to be true, it is: these arrangements are extremely hard to undo. The benefits of all this ingenuity come at the price of a huge constraint on the successors to Ingvar Kamprad, the store's founder, to do with IKEA as they see fit".

The Schwarz Group, founded in the 1930s when Dieter Schwarz created the Lidl & Schwarz Grocery Wholesale in central Germany, would provide a good example of the usage of controlling foundations under German jurisdiction, if scarcity of data about its structure were not overwhelming. The Group is world-known for its Lidl brand, starting its activity in the 1970s, and later branching out into discount food stores (Lidl) and supermarkets and hypermarkets under the trading names Kaufland and Handelshof. The Dieter Schwarz Stiftung apparently owns almost 100% of the shares of the Schwarz Beteiligungs GmmH (limited liability holding company), while almost 100% of voting rights remain in the Schwarz Unternehmens Treuhand KG (a trust-like structure). The holding company in its turn controls 100% of the Group through the Kaufland Stiftung and the Lidl Stiftung. The Dieter Schwarz Stiftung, headquartered in Heilbronn, the hometown of the founder, is a charitable foundation devoted to youth education and to university research. Consequent with the aforementioned group structure, the foundation funds its activities from the distributions of the Lidl Stiftung and the Kaufland Stiftung.

Sources:
The Economist 2006
Bishop and Green 2008
http://ikeafoundation.org/
http://de.wikipedia.org/wiki/Schwarz-Gruppe
http://bildungscampus.org/stiftung.html

To conclude, our proposed typology (corporate, family, controlling) should be understood not only in a non-mutually-exclusive, but also in a dynamic sense; therefore including hybrid types and types in transition (as firms tend to progressively lose their family nature over time; and controlling or dominantly influencing stakes may also dilute over time).

4. FOUNDATIONS AND CSR STRATEGIES OF RETAIL FIRMS

The third goal of this paper is to explore the potential benefits of the creation of related foundations for retail firms and/or their owners, in order to understand the role those foundations play in the context of CSR strategies of global retailers. Benefits traditionally suggested by the broader literature on corporate philanthropy are mainly related to opportunities for the firm to improve corporate image and to obtain tax-reliefs on corporate giving. We hypothesize that foundations connected to retail firms provide a broader and more diverse array of benefits that, in most cases, go beyond the traditional tax and advertising drivers. Such broad variety of potential benefits justifies the existence of a not despicable number of global retailers that combine connected foundations of corporate, family or hybrid nature, with social or environmental sustainability strategies under the control of ad hoc corporate departments.

The seventh dimension of connectedness between the firm, firm's owners and the related foundation utilized to ground our typology, i.e. activities deployed by the foundation to achieve its public benefit purpose, is key for the analysis of potential benefits consisting of improved competitive advantage. Most foundations in our sample respond to the benefits included by Porter and Kramer in both their "corporate philanthropy portfolio" and their "strategic philanthropy" guidelines (Porter and Kramer 2006 and 2002), i.e.: 1) Community commitments and corporate citizenship, 2) Building trust relationships with key stakeholders, and 3) Improving the quality of the competitive environment of the firm through improved input factors (qualified workers, scientific and technological institutions, physical infrastructures, natural resources); improved demand conditions (educated and demanding consumers); related and supporting industries (clusters, providers); and institutional context (industrial property policies, local incentives, best practices). These are the reasons why food donations, health-related programs, fair trade and other supplier-related programs, in-store matching fund campaigns, and educational and emergency aid programs in developing countries where the retail company sources, are highly prevalent across foundations in our sample.

Beyond traditional tax- and image-related giving and improved competitiveness, this exploratory analysis suggests further potential benefits of firm-related foundations in the context of CSR strategies of the firm. First, foundations facilitate visualization of CSR processes (such as sustainable supply chain management) by key stakeholders and society in general. Secondly, foundations, given their institutional nature, provide a tangible quality to socially responsible values and norms. Third, their charitable and non-profit character, formally guaranteed by the civil or tax authorities, helps legitimize instrumental CSR strategies in the eyes of media and society. Fourth, foundations allow retail firms not only to institutionalize business-society relationships, but also to gain control over them. Relationships with key stakeholders are formalized and articulated outside the limits of the retail firm, but within an environment that is still firm-controlled; ultimately improving the chances of appropriation of positive externalities generated by the firm's social commitments.

Fifth and last, foundations allow retail entrepreneurial families not only to encapsulate their legacy (family values) and control the family brand, but also, and depending on the applicable jurisdiction, may help them maintain control of the retail firm within the family and facilitate succession. The potential benefits of control apply also to non-family owners.

5. CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

CSR literature has traditionally considered corporate philanthropy as the most discretionary component of businesses' voluntary commitment with society, or as an early development of the CSR concept; and has mostly equated it to direct charitable giving by the firm. The creation of foundations to channel CSR initiatives has remained relatively under-researched from an economic and business perspective, not only because opacity dominating certain country foundation sectors, but also because conceptual complexities derived from largely different legal and tax frameworks obscure the roles and functioning of these organizations.

This paper uses foundations connected to the top 50 global retailers as a multiple case study. The first finding of this research relates to the outstanding prevalence of connected instrumental foundations among retail firms (64%); consistent with previous findings on strategic philanthropy motivations among consumer oriented firms. The second contribution of this paper consists of proposing a typology in terms of relationships between the firm, its owners and the foundation. The third and last contribution consists of demonstrating that the role of those foundations and their potential utility for retail firms or their owners, including entrepreneurial families, goes far beyond: 1) the traditional role assigned to corporate philanthropy within CSR strategies of their connected firms; and 2) image and tax-related benefits mainly attributed to direct charitable giving by the firm, or to its stable partnerships with independent NPOs.

Potential benefits of the creation of related foundations for retail firms and/or their owners exceed those traditionally suggested for conventional corporate philanthropy, i.e. reputational and tax-related, in many aspects. Two deserve special mention: improved competitive advantage, and control of intangible and financial assets. The first set of unconventional benefits relates to the concept of instrumental CSR, emphasizing the potential of corporate philanthropy to support businesses' competitive advantages. Those benefits depend on the degree of alignment of foundation's activities with the core business and strategies of the firm. The second set of unconventional benefits relates to the inherent nature of the foundation formula, which maximizes the potential of control by the board in the absence of members and owners. Connected foundations provide retail firms and their owners, including entrepreneurial families, with a "controlled environment" for their CSR and philanthropic initiatives. Corporate and family foundations act as mediating agents between the retail firm or entrepreneurial family and key stakeholders, third sector organizations, and civil society in general. Furthermore, and depending on the institutional and legal framework under which they operate, connected foundations may also provide opportunities for cost-efficient control over business and/or family assets over the long-term.

As this research is a work-in-progress, we suggest that ongoing studies should analyze in depth the broader motivations of retail firms for (not) setting up a foundation to channel, complement or surpass their CSR strategies; particularly from an international comparative perspective. The eventual relevance of mere emulation mechanisms among retail firms and their owners should not be underestimated, as mimetic isomorphism has proved to be a relevant force behind the proliferation of similar organizational structures in different contexts. A second suggested line for research that we are currently pursuing relates to utilizing a broader sample of retail firms, in order to: 1) Identify related foundations; 2) Characterize them according to the proposed eight dimensions and related typology; 3) Explore the interplay of firm characteristics with the type of connected foundation; and 4) Apply and, if necessary, expand the proposed repertoire of potential benefits of firm-related foundations for the parent business and/or its owners.

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