Strategy for financing foundations:

how do they create value?

Abstract: Traditionally, the research on strategy has rather focused on profit-seeking organizations whose primary objective is to generate revenues through the price mechanism. Nevertheless, all organizations benefit from developing a strategic approach (Moore 2000). This paper focuses on financing foundations, non-profit organizations that are private, non-membership based, self-governing and serving a public purpose (Anheier 2001) and that make grants, give loans or hold equity. The core activity of a financing foundation is to finance operating intermediaries, for example non-profit association, NGOs or social enterprises, which will then implement projects and programs directly in line with the mission of the financing foundation. During the last decades, these organizations have made a breakthrough by establishing themselves as private actors that will look after the public interest. For long, strategic thinking has been impeded in foundations because the essence of the philanthropic action was giving without any expectation in terms of social impact. Today, the legitimacy of these organizations is challenged and there is a stronger demand for efficiency reinforced by the emergence of a new philanthropy inspired by corporate management principles (e.g. venture philanthropy considered as the more advocated strategic approach (Gautier et Pache 2014)) and the question of strategy really matters. This paper aims at designing a conceptual strategic framework for financing foundations whose ultimate goal is to create value for society. To justify the development of a specific strategic framework for financing foundations, I first compare financing foundations with other financing organization according to six dimensions: ultimate goal, sources of resources, nature of the contribution, means, logic of action and accountability. Then, I review the academic literature in the field of philanthropy having a strategy focus in order to highlight the current gaps in the literature. Only few authors give a comprehensive view of the strategic question for this type of organization. Existing papers focus only on fragments of strategy and tackle two strategic issues: the mission statement and the evaluation. The decision-making processes by which the initial objectives are achieved are ignored; the strategic choices which philanthropic organizations make to fulfill their mission have not yet been identified. Based on the identification of key strategic commitments (in terms of scope and mechanisms) underlying the implementation of the predefined social mission and two crucial trade-offs (impact expectation and level of mission objectivity), the strategic dimensions of a financing foundations, leading to value creation for the society, are conceptualized. Two processes of value creation are distinguished: direct and indirect value creation. The course of actions chosen by a financing foundation is closely connected to its ultimate goal that is, increase the utility of a target group of beneficiaries (i.e. direct value creation). In addition, even if the very objective of the financing foundation is not to increase the utility of its donors and founders, it is effectively what happens (i.e. indirect value creation). The empirical research that will be conducted based on the strategic conceptual framework is then described and additional research questions are highlighted.

Key words: strategy, financing foundation, value creation, non-profit organization

1 INTRODUCTION

How an organization designs its mission and implement its action to achieve its goals and be sustainable, matters for both for-profit firm and non-profit organizations (Moore 2000). Nevertheless, research in the field of strategy has mainly focused on profit-seeking organizations whose ultimate goal, generating revenue for shareholders, differs significantly from non-profit organizations' objectives of achieving a predefined social mission in the public interest. Moreover, in the case of non-profit organizations, the level of complexity linked to a strategic reflection is higher because of three main reasons. Firstly, the performance of a non-profit organization cannot be measured only in financial terms; secondly, the buyer of the service or good is not the user of it; donors pay for the benefit of people different from themselves and finally there is the non-distribution constraint.

In particular, the financing foundations that are specific non-profit organizations used as vehicle for philanthropy, lacking a membership, through which there is the affectation of a capital to a cause of general interest and that distribute grants, make loans or hold equity, call for the development of a specific strategic framework. Indeed, during the last decades, the number of foundations across the world, as well as their economic weight, has exploded (Anheier et Daly 2007). According to the Foundation Center[1], 86192 foundations are registered in the United States corresponding to a total asset of 715 billion euros at the end of 2012 and a total of 52 billion euros distributed. In Europe, the number of foundations exceeds 129.000 with an estimated 53 billion euros annual total expenditure[2]. These organizations make a breakthrough by establishing themselves as private actors that will look after the public interest. They aim at generating collective utility and benefit from a favorable tax system. It is then even more crucial to identify how they create public benefit and how strategic practices can support this process of value creation. Furthermore, recent evolutions in philanthropy (e.g. venture philanthropy or impact investing) reinforce the advocacy for the development of a strategic framework supporting the achievement of social performance. Philanthropy is then thought as an investment whose social return should be maximized (Frumkin 2006). Originally, foundations were established by religious institutions in order to alleviate poor, disabled or sick people; hospitals, schools, orphanages were amongst the first institutionalized form of philanthropy. Built on religious values such as compassion,

[1] http://foundationcenter.org
[2] http://www.dafne-online.eu

asceticism, sharing, etc., the essence of the foundation action was giving without any expectation in terms of good use of the money or social impact. Today, the meeting of business methods and philanthropy leads to a stronger demand for efficiency and impact; the question of strategy really matters. Moreover, the foundations are characterized by a sustainable vocation that reinforces the pertinence of strategic practices; "*the vast majority of foundations (…) have presumed their existence to be perpetuity without much reflection at all on what might mean for a foundation' work*" (Smith 2004). And, in times of economic downturn, it is still more important for foundations to develop strategic position and identify their unique role (Kreamer et Bradford 2001). Foundations need strategy to deal with changing environment and uncertainty (Chaffee 1985).

This paper aims at presenting an original and conceptual framework specific to financing foundations in order to explain, understand and discuss their strategic practices. This article is organized as follows: I first define what financing foundations are and discuss their particularities compared to similar type of financing organizations. In the section 2, I review the academic papers in the field of philanthropy having a strategic focus or component in order to establish the state of play of strategy in the field philanthropy. The strategic framework itself is then presented in details in the section 3. Finally, I discuss the issues raised by this research and present my research agenda.

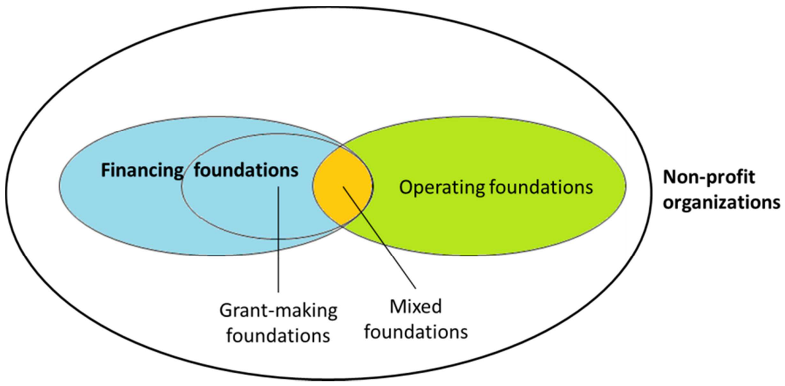
2 FINANCING FOUNDATION: A PECULIAR ORGANISATION

2.1 DEFINITION

A foundation is a non-profit organization that is private, non-membership based, self-governing and serving a public purpose (Anheier 2001). Being a non-profit organization, its primary objective is not to make profits and it cannot provide its founder(s) or donor(s) with material gain (Salamon et Anheier 1992). A foundation is also a non-governmental organization; it is established separately from public bodies. Furthermore, a foundation does not have a general assembly (Rey-Garcia et Alvarez- Gonzalez 2011) and the power of decision is concentrated at the level of the board of directors. A foundation has a sustainable vocation and is considered as the archetypal philanthropic organization (Rey-Garcia et Alvarez- Gonzalez 2011). What is more, a foundation is an autonomous organization with its own internal governance rules and procedures. And finally, a foundation pursues a public purpose whether in educational, health-related, social, research oriented or cultural projects. It also means that the beneficiaries of a foundation action are not the ones who make the decision (Gui 1991) .

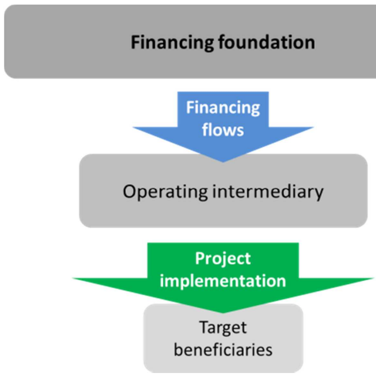
Depending on the founders' profile (enterprise, individuals, family, etc.) or the action mode, there are many types of foundations. A key distinction usually made in the literature is between operating and grant-making foundations (Anheier 2007) . A foundation is said to be operating if it directly operates its own programs and projects, it is an operational organization with a particular vehicle. A grant-making foundation is a foundation that makes grants to operating intermediaries (i.e. recipient organizations) in charge of the implementation of projects, programs; the operating intermediaries are those that are in direct link with the ultimate beneficiaries; the action of the grant-making foundation is hence indirect. A foundation can also combine both aspects and is then qualified as mixed foundations. Nevertheless, with the emergence of new types of philanthropic action and organizations (e.g. venture philanthropy), the term "grant-making foundation" is too restrictive in the sense of it only encompasses the pure grants and does not include the new additional mechanisms available for philanthropic action (e.g. loans, equity). I introduce the term **financing foundation** to fill this gap and define a financing foundation as a foundation supporting third parties by making grants, giving loans or by holding equity (Figure 1).

Figure 1- Financing foundations definition



The core activity of a financing foundation is to finance operating intermediaries, for example non-profit association, NGOs or social enterprises, which will operate projects and programs directly with the target beneficiaries identified by the financing foundation. There is a first flow, which is mainly financial, between the financing foundation and the operating intermediary. This financing flow can take different forms: grants, loans or investment (i.e. equity) or can be combined with not financial support in certain cases (see section 3). Once the operating intermediary has received the financing, it will implement programs and projects directly for the beneficiaries.

Figure 2- Financing foundations action



2.2 Other Financing organizations

The financing foundations are not the only organizations acting indirectly; subsidizing public bodies or for-profit investment funds have a similar indirect action mode. Nevertheless, there are key differences between these financing organizations and the financing foundations organized in six dimensions as evidenced in Table 1: ultimate goal, sources of resources, nature of the contribution, means, logic of action and accountability.

Table 1 – Financing organizations comparison

	Financing foundations	For-profit investment funds	Subsidizing Public bodies
Ultimate goal	Achievement of predefined public purpose	Achievement of a certain level of return on investment	Achievement of a politically mandated mission
Sources of resources	Endowment & charitable contributions	Revenues earned by sales of products and services	Taxes
Contribution nature	Voluntary basis	Voluntary basis	Coercive basis
Means	Grants, loans & equity	Loans & equity	Grants (subsidies) & loans
Logic of action	Private (control)	Private (control)	Public (democracy)
Accountability	Founders & donors	Shareholders	Citizens

Indeed, financing foundations, as other non-profit organizations, firstly differ from for-profit firms in terms of ultimate goals and revenues sources (Moore 2000). A financing foundation's ultimate goal is the achievement of a predefined public purpose. The ultimate goal of subsidizing public bodies is also the achievement of a predefined social purpose but, compared to the mission of a financing foundation, it differ in terms of scale (universality and fairness) and whom defines the mission (political mandate). Contrary to public bodies, financing foundations have no direct information on the most pressing social needs, founders instead rely more on their desire to act for public purpose or their interpretation of the existing needs. On the contrary, the objective of a for-profit investment funds is the maximization of the wealth of its shareholders (Jensen 1998). "*That does not mean that the interests of all the other stakeholders of the firm (such as customers, employees, or suppliers) are to be sacrificed to the interest of the shareholders*" (Moore 2000). In the case of for-profit organization, the achievement of the organization purpose is measured in terms of financial terms while for non-profit organization, the achievement of the mission is not always quantifiable. Furthermore, contrary to for-profit investment funds that search for expertise to invest their money at the highest rate possible, a financing foundation with no paid staff can intervene in a field where founders and board of directors are not considered as experts.

A financing foundation resources are constituted of an endowment and charitable contribution made on a voluntary basis. In the case of subsidizing public bodies, taxes form the resources of the organization and these contributions are coercive. A for-profit investor, in turn, earns revenues by sales of products and services and its investments are also made on a voluntary basis. Contrary to for-profit organizations, the revenues earned by the non-profit organization and in particular, the financial resources attracted by the financing foundations, are not proportional to the increments of achievement in the mission (Moore 2000).

The three organization types act indirectly, by making grants, loans and equity participations to recipient organizations. A financing foundation can indeed distribute grants, make loans or hold equity while the action means of the two others types of organization are a subset of these tools. Another difference lies in the logic of action. Both financing foundation and for-profit investment funds have a private logic of action based on control while subsidizing public bodies have a public logic of action based on democracy. Finally, the governance structure of a financing foundation by which accountability is concentrated in founders' hands, make the financing foundation accountable to donors and founders. Subsidizing public bodies are accountable to citizens while for for-profit investment funds are accountable to shareholders.

The specificities of the financing foundations compared to other financing organizations reinforce the need to develop a customized strategic framework for the financing foundations.

2.3 EXAMPLES

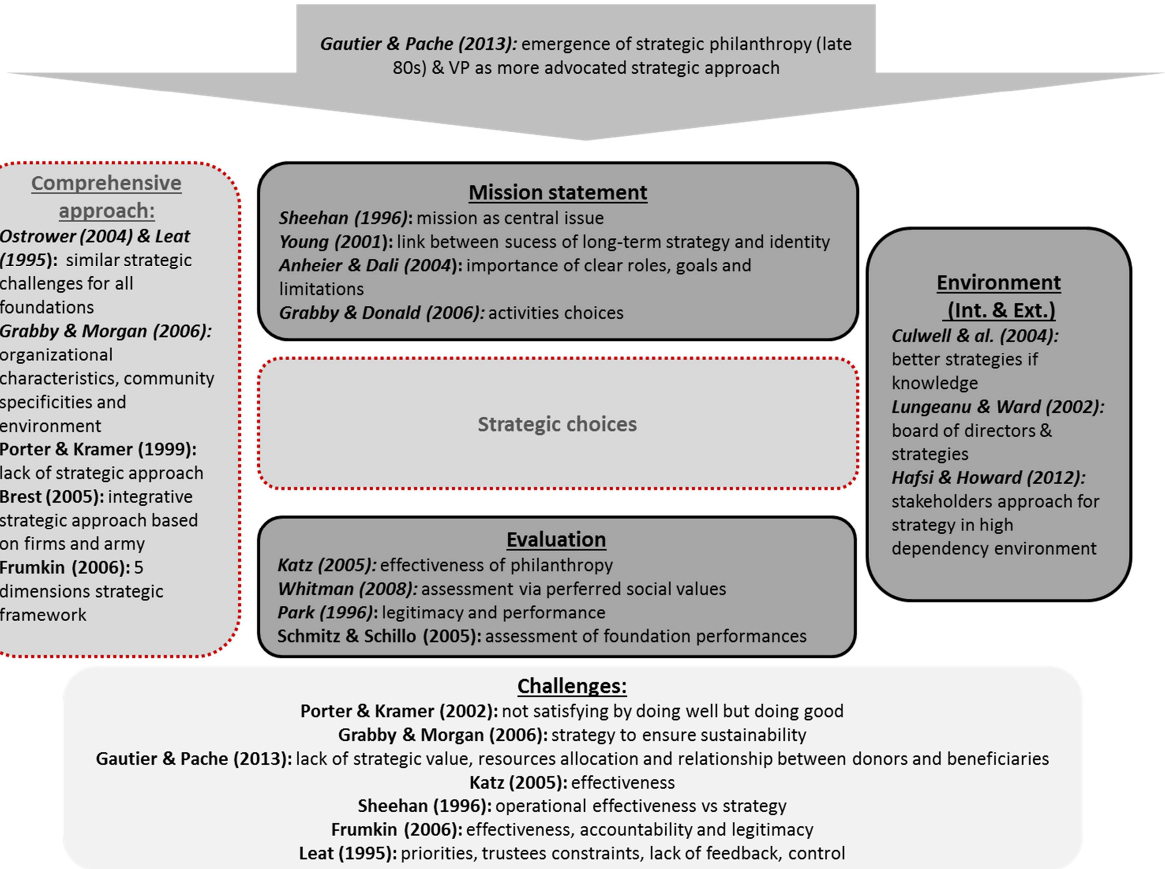
Emblematic examples of financing foundations are the Bill and Melinda Gates foundation in the United States, the Welcome Trust in the United Kingdom and the Bettencourt Schueller Foundation in France. They are also many small structures. The Bill and Melinda Gates foundation created in 2000 and led by Bill and Melinda Gates themselves, works mainly in the fields of education and health, in the United States and in developing countries respectively. With an endowment of 40 billion dollars and annual grants achieving a total of 3, 4 billion dollars, the Bill and Melinda Gates foundation is one of the biggest foundations in the world. Its annual budget exceeds the one of the World Health Organization. Since 2006, Warren Buffet pledged to donate to the foundation. The Welcome Trust, in turn, has been established in 1936 by American-born pharmaceutical magnate Sir Henry Wellcome and aims at funding research to improve human and animal health. Its endowment is approximatively equal to 13 billion pounds. The Bettencourt Foundation is an example of French financing foundation; it has been created in 1987 by the Bettencourt-Schueller family with a cross-acting mission in areas of health, art and social action. In 2011, Liliane Bettencourt made a bequest of 552 million euros to her foundation; it is the largest private donation ever made in France.

3 STATE OF THEORY: STRATEGY AND PHILANTHROPY

The academic literature focused on the strategy of philanthropic organizations is rather scarce and the vast majority of strategy-related documents consist in consultancy reports and best practices defined by key field actors. The strategic issues appeared in the academic field of philanthropy in the late 1980s where a shift occurred to what is called "strategic philanthropy", compared to more traditional forms of giving (Gautier et Pache 2015). Nevertheless, the strategic character of philanthropy is not new (Connolly 2011). Already in the 19th century there was talk of scientific philanthropy (Carnegie 1981).

Three main themes emerged from the reviewed papers: the mission statement, the influence of environment (internal and external) and the evaluation (Figure 2).

Figure 2- Literature review on strategy and foundations



The mission statement of a philanthropic organization is a recurrent theme in the reviewed papers (Sheehan 1996; Young 2001; Anheier et Daly 2004; Graddy et Morgan 2006). It is identified as a central issue for the organization’s operation and in particular in the theory of change chosen by the organization. The identity of the charitable organization (clarity and consensus) also plays a key role in the mission statement. With the wave of the new philanthropy, the issue of efficiency and impact are raised and connected to legitimacy (Katz 2005; Park 1996); operational effectiveness is moreover distinguished from strategy (Kreamer et Bradford 2001). The reliable measures mostly used are more often administrative measures (e.g. amount of dollars raised, number of participants…) than real impact measures linked to the mission statement (Sheehan 1996). Therefore, most of the philanthropic organizations do not know whether or not they accomplish their mission. The fulfillment of the mission could be measured based on preferred social value (Whitman 2008). And finally, the assessment of the foundation encompasses not only the projects or organizations supported but also the measurement of the performances of the organizations themselves (Schmitz et Schillo 2005).

Furthermore, the influence of the environment, internal or external, in the shaping of the strategy of the organization is at the center of several identified academic papers, especially for corporate philanthropy, community foundations and family foundations. For example, according to (Culwell, Berkowitz, et Christen 2004), foundations shape better strategies if the foundation has developed a very detailed and sophisticated knowledge in the programs areas. In high dependency environment, strategic management requires a permanent focus on organizations' relationships and interactions that lead to change a permanent feature of management and to manage the philanthropic organization in terms of process ((Hafsi et Howard 2005; Lungeanu et Ward 2012). The influence of the board in the strategic directions (focus or diversified) of family foundations and non-family foundations is also highlighted (Lungeanu et Ward 2012).

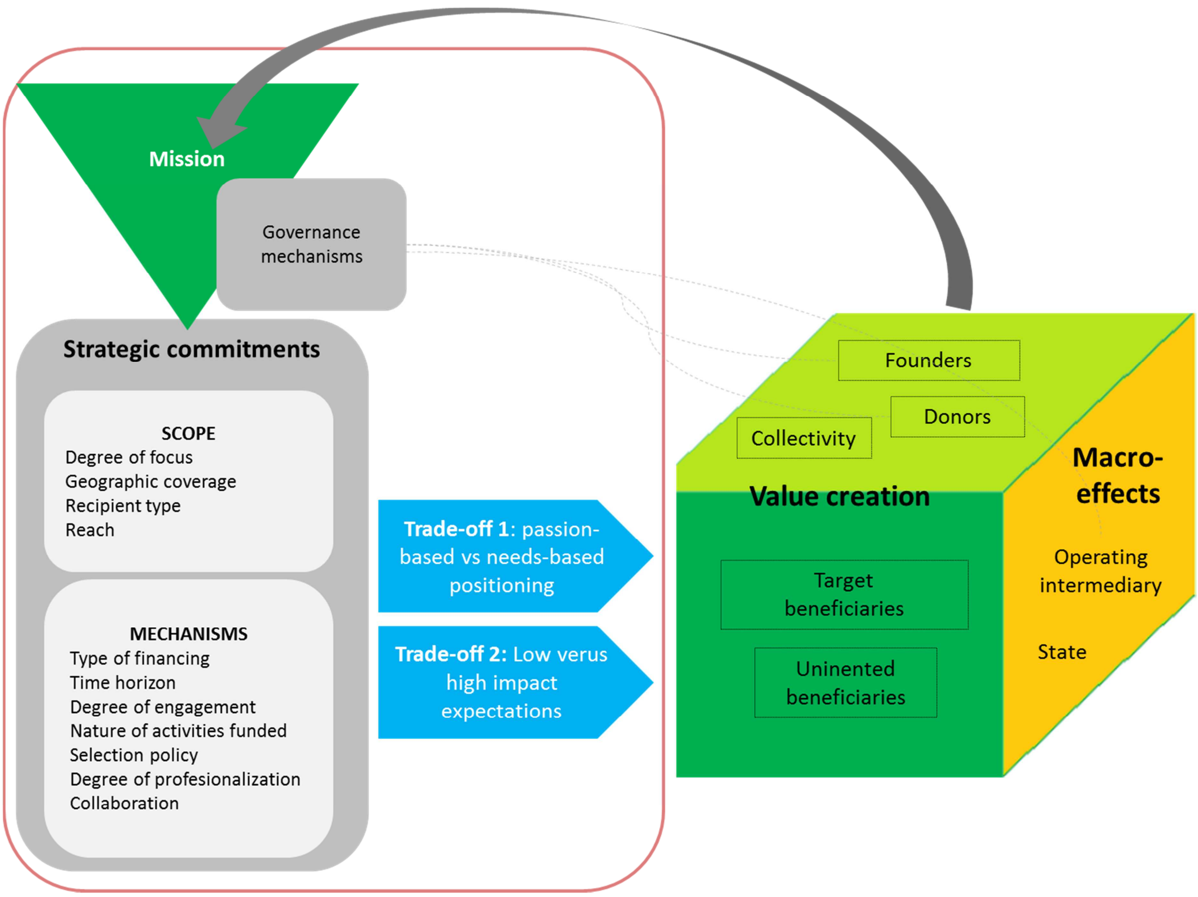
Few scholars have conducted a comprehensive analysis of the strategic practices of philanthropic organizations. Some authors (Ostrower 2004; Leat 1995) advocate for common challenges for philanthropic organizations whatever the type of founders or action modes. As management dilemmas are related to the environment and the organizational structure particular to the foundations, most of the foundation would probably meet the same type of problem. Nevertheless, the lack of strategic approach of the foundations is deplored (M. E. Porter et Kramer 1999). According to them, the core of foundations' strategy should be superior performance in a chosen area as a goal, as well as a limitation, in the issues addressed by the foundation. (Brest 2005), meanwhile, establishes the links between philanthropy and successful projects led by firms and the army and develops a normative strategic approach (setting of clear goals and objectives, development of a plan to achieve these goals, analysis of the costs, risks and opportunities and monitoring and evaluation of the goals achievements). (Frumkin 2006), in turn, states that *"The best and only source of real lasting legitimacy for philanthropy rests in the development of sound strategy"*. He identifies effectiveness, accountability and legitimacy as the three main problems in philanthropy and designs a five-dimension framework as guideline for strategic philanthropy (values, logic model, legal vehicle, donors' involvement and timeframe). To conclude, the challenges raised by scholars are mainly linked to the sustainable vocation of a foundation, its particular structure (only a board of director and no general assembly) and the raise of the new philanthropy closely connected to the business world: long-term approach, effectiveness, legitimacy.

To sum up, the above authors highlight the lack of strategic thinking in the field of philanthropy among others regarding the effectiveness of the philanthropic action. They advocate for the development of a strategic perspective and underline the important strategic challenges faced by this type of organization. Nevertheless, only few authors give a comprehensive view of the strategic question for this type of organization. Existing papers focus only on fragments of strategy and tackle two strategic issues: the mission statement and the evaluation. The decision-making processes by which the initial objectives are achieved are ignored; the strategic choices which philanthropic organizations make to fulfill their mission have not been identified. The existing literature revolves around the strategic leverages without really addressing them specifically. The literature on corporate philanthropy is the more focused on strategy but rather from the firm's point of view. Furthermore, the strategic practices underlying the specific action mode of the financing foundation (i.e. indirect) are not approached while playing a crucial role in the ultimate goal achievement. The term "strategic philanthropy", with rare exceptions, is an emerging concept but not really anchored in a real strategy perspective.

4 STRATEGIC PRACTICES OF FINANCING FOUNDATIONS: A CONCEPTUAL FRAMEWORK

The strategic conceptual framework presented in the Figure 3 aims at identifying the main dimensions of the strategic practices of the financing foundations and the variables of the decision-making processes through which they plan to achieve their predefined social mission. The framework presented here does not have the vocation to be exhaustive but rather to encompass the main components of the strategy of this specific type of organization and highlight the comprehensive strategy for this type of organizations. The structure of the conceptual framework is organized according "*the determination of the basic long term goals and objective (…), and the adoption of course of actions and the allocation of resources needed for carrying out these goals*" (Chandler 1962).

Figure 3- Strategic framework for financing foundations



4.1 THE MISSION

The definition of its basic long-term goals, its mission, is a core component of the strategy of a financing foundation. Being a non-profit organization and an organization with a public purpose, a financing foundation has the objective to create value for the society; the value to be created is defined in terms of goals and mission (Moore 2000). The latters will become the metrics that will be used to evaluate past performance and asses the courses of action for the future (Bryce 1992). The purpose of the financing foundation is hence to invest in the creation of social value and not simply engage in financing social needs. Moreover, the mission statement of the foundation is crucial in terms of legitimacy (Aksartova 2003). The legitimacy, defined as "*the extent that its means and ends appear to conform with social norms, values, and expectations*" (Downling et Pfeffer 1975), is a crucial issue in the field of philanthropy (Frumkin 2006). From a strategic point of view, legitimacy will also ensure the economic survival of the organization through the support of the stakeholders and the attraction of resources (Suchman 1995). To transform the mission statement into a course of actions, a series of choices are taken by the governance bodies of the financing foundation. Governance mechanisms are the ones that control and direct the financing foundations in the reaching of its mission and objectives (Labie et Mersland 2011). In this vision, the corporate governance is not limited to the board of directors but also includes additional committees (e.g. strategic, scientific, financial, investment committees) put in place in the financing foundations. *"Foundations needs to offer an engagement strategy, via their governance, in their local deliberations, as well as a solution strategy, in which foundation decision-makers decide purely in private what they will do, where, how and for how long "*(Harrow 2011).

4.2 THE STRATEGIC COMMITMENTS

To put in place its mission, a financing foundation positions itself on different dimensions that I label strategic commitments. I have identified eleven key strategic variables and organized them in terms of the scope and mechanisms supporting the realization of its objectives.

4.2.1 Scope

A financing foundation, by its mission, identifies social needs that it wants to address; in particular its action aims at increasing the utility of a target group of beneficiaries. By doing that, a financing foundation commits on the **degree of focus** of its mission and defines the **geographic coverage** of its action.

The degree of focus is a theme addressed either in the literature on strategy or in the field of philanthropy (Porter 1996; Chew et Osborne 2009; Moore 2000; Graddy et Morgan 2006). The mission of a financing foundation can be cross-sectorial or concentrated in a niche. A mission can be cross-sectorial at different level: the domain of action such as for example health, culture and sciences or the type of beneficiaries (e.g. children, elderly, women, disabled people, etc.). To the contrary, a mission thought as a niche will focus on a specific domain for a specific type of beneficiaries. Between, these two extremes, there is a continuum of possible definition and positioning in terms of mission. A financing foundation can then chooses the perimeter of its action; it could support projects at a community level, at a regional level, at a national level or else at an international level.

In addition, by the indirect nature of its action, a financing foundation will have to select the **profile of the operating intermediaries** i.e. the recipient organization that will actually implement projects in order to achieve the mission set by the financing foundation itself. The choices that the foundation will make in terms of recipient organizations are key (Aksartova 2003; Gautier et Pache 2014).

Because of the limited character of philanthropic resources, a financing foundation will finally make a choice in terms of **reach** and more precisely, in terms of number of people served (Brest 2005) and amount of financing granted (Aksartova 2003; Grossman, Appleby, et Reimers 2013). Basically, a foundation can privilege the number of beneficiaries (a large number of recipients for which the funding provided is therefore more restricted) or at the extreme, select drastically a very limited number of beneficiaries who therefore will receive significant funding.

4.2.2 Mechanisms

In addition to its commitment on the four strategic variables related to the scope, the strategy of a financing foundation encompasses the choices of the mechanisms through which it will effectively support its philanthropic action. I have identified seven key dimensions related to these mechanisms: type of financing, time horizon, degree of engagement, nature of activities funded, degree of professionalization, collaboration and selection policy.

With the evolution of the field of philanthropy and the meeting with the world of for-profit investors, the type of support granted by the foundation has evolved (Letts, Ryan, et Grossman 1997). The relation between the operating intermediary and the financing foundation is not only anymore a relation between philanthropist and grantees. They are, for example, foundations pioneering in social investment (Bolton 2005). In this new context, a financing foundation can make strategic choices among three **types of financing**: grants, loans and equity or can combine the different funding mechanisms depending, for example, on the type of project, the stage of development or else the domain of activity.

The second key component of the strategy of a financing foundation in terms of mechanisms is the **time horizon** of its supports, *"time is in important part of giving"* (Frumkin 2006). In the case of grants, a financing foundation can support recipient organizations and beneficiaries in a one-shot perspective or have a multi-year engagement, as it is the case in venture philanthropy (Grossman, Appleby, et Reimers 2013). Depending on the type of issue tackled by the financing foundation, its strategic positioning regarding time will vary (Frumkin 2006). In the establishment of its strategy, the financing foundation choices to concentrate its support in the present or spread off over a longer time period.

The foundation's commitment is not measured only in temporal terms but also in terms of resources allocated to the operating intermediary. In addition to the financial funding granted, a financing foundation can also provide the recipient organization with non-financial resources, for example, expertise, network, time… (Buckland, Hehenberger, et Hay 2013). **The level of engagement** of the financing foundations is a component of the strategy of the financing foundations. The relation with the grantees depends on this level of commitment (Connolly 2011). The level of engagement is also linked to the founders’ involvement (Frumkin 2006; Eikenberry et Tech 2006).

The fourth strategic variable on which a financing foundation has to make choice is the **nature of the activities funded**. A financing foundation can allocate the amount granted to projects or instead support the building of capabilities of the recipient organization (Grenier 2006; Grossman, Appleby, et Reimers 2013). Another strategic dimension that underlies the very activity of the financing foundation is the way the grantees (i.e. operating intermediaries) are selected. The **selection policy** of the financing foundation is a strategic choice of the organization. The financing foundation can formalize the selection processes via a call for projects in its website or select grantees based on the discretion of the founder or the managers of the financing foundation (Gautier et Pache 2014).

The two last controllable variables being part of the strategic practice of a financing foundation relates firstly the **degree of professionalization** and secondly, to the type of **collaboration** put in place with external stakeholders. The professionalization of the financing foundation includes the involvement of paid staff but also the integration of professional standard in the organization (Hwang et Powell 2009). In addition to paid staff, a financing foundation may, on ad-hoc or on a regular basis, call for experts, whether in the activity domain of the financing foundations or for managerial or financial issues (e.g. professional fund-raisers (Baber, Roberts, et Visvanathan 2001). And finally, a financing foundation can decide to work with strategic partners (Chelimsky 2001; Graddy et Morgan 2006). For example, a financing foundation can support recipient organizations and the related project as unique funder or in the contrary, request the recipient organization to rely on additional co-funders (e.g. State, other foundation, non-profit organization) in order to, among other, leverage its action. The use of matching partner is a strategic choice faced by the financing foundation.

The eleven strategic commitments described in this section are not isolated dimensions of the strategy of a financing foundation but interact with each other. Moreover, the chronological character of the course of action taken by a financing foundation can vary.

4.3 TRADE-OFFS

In addition to the strategic commitments that are concretely the translation of the mission into a course of action, two additional trades-offs faced by the financing foundation come into play. By nature, these trade-offs differ from the strategic commitments because they rely more on the logic of the financing organization and less on the choices taken by the financing foundation to achieve its mission. The value created for the society is challenged by two major trade-offs.

The first trade-off is the degree of objectivity of the intervention of the financing foundation and the balance between public need and the private value (Frumkin 2006). The mission of a financing foundation can be primarily driven by rationality or by passion (i.e. passion-based versus needs-based positioning). A passion-based positioning is heart-centered while a needs-based positioning is head-centered (Connolly 2011). In the first case, the mission of the financing foundation will be designed in order to solve whether the most urgent needs, the persistent ones or the social issues that are not tackled by other actors. The financing foundation can play, in that case a complementary role to that of the state for example (Anheier 2001). In the second case, the mission of the financing foundation is defined according to what make sense for the founder; it is an expressive form of giving (Frumkin 2006). The passion-based and needs-based positioning can also coincide.

The second trade-off refers to the level of impact expectations. Two opposite logic can be played: the charity one that is no impact expectation and the business one that is high impact expectation. The positioning of the financing foundation regarding this axis is part of the strategy of the financing foundation. This trade-off is closely related to the development of the venture or new philanthropy (Grossman, Appleby, et Reimers 2013).

4.4 VALUE CREATION

As previously said, the mission of the financing foundation is the achievement of a predefined social purpose. The very objective of a financing foundation is to increase the utility of a target group of beneficiaries. Nevertheless, there are unintended beneficiaries that see their utility increases because of the action of the financing foundation, for example the family of the children grantees of an education program. The increase of the utility of these beneficiaries (target group and unintended) is the direct value creation.

But, in addition to this value created, there is indirect value created. In particular, even if the very objective of the financing foundation is not to increase the utility of its donors and founders, it is effectively what happens (Oster 1995). "*The principal value delivered by the nonprofit sector is the achievement of its social purposes and the satisfaction of the donors' desires to contribute to the cause that the organization embodies* "(Oster 1995). Indeed, the well-being of the founders or donors can rise because of their contribution to a public purpose through the action of the financing foundation. The founders and donors can feel happier to contribute solving a societal problem and also with the social recognition gained by this type of philanthropic action. The founders and donors accept to finance the activities of the financing foundation because of the promise of value creation for a target group of beneficiaries. The financial survival of the financing foundation depends on the perceived value created by potential donors. Furthermore, because the financing foundation pursuits an objective of public interest, the collectivity also benefits for the action of the organization. The financing foundation creates value for the society (Culwell, Berkowitz, et Christen 2004).

The activities of a financing foundation have also effects at a macro-level and in particular for two stakeholders: the State and the recipient organization. The State benefits from the activities of the financing foundation as they can have complementary role. For example, if a financing foundation tackles, by its activity, a minority group of people who are not in the scope of the public budget, the action of the financing foundation indeed saves public money in the solving of this particular societal issue. Nevertheless, this effect has to be mitigated by the favorable tax system enjoyed by the financing foundation. The recipient organization, in turn, can benefit from the prestige of being supported by a well-recognized financing foundation or extend its network because of its collaboration with the financing foundation.

The strategic practices of the financing foundations are imprinted by the value it wants to create. The strategy of the financing foundation is adjusted permanently, depending on the direct and indirect value created.

5 CONCLUSION AND DISCUSSION

In this paper, I have presented an original strategic conceptual framework for financing foundations with the aim of highlight the processes and the controllable variables through which these organizations achieve their mission and create value for society. Based on this conceptual framework, an empirical research will be undertaken in the foundation sector of different European countries. In particular, a survey will be conducted in order to collect data on the positioning of the financing foundations on 13 variables corresponding to the strategic commitments and trade-offs identified. A typology of strategy for financing foundations will be realized by doing a cluster analysis. Once the strategy types have been identified, I will intend to explain why a financing foundation will choose a particular type of strategy. The survey will hence also collect data corresponding to the dependent variables revealed by three theoretical frameworks: agency theory, imprinting and resource dependence theory. And finally, the relation between governance and strategic practices will be studied.

For further research, the use of the notion of value capture will be studied to complete the strategic conceptual framework developed for financing foundation. The distinction between value creation and value capture is an emerging concept in the field of strategy (Lavie 2007). Value creation is also considered as a key notion in the management literature (Lepak, Smith, et Taylor 2007). For for-profit organizations, there is a clear bridge between value creation and value capture processes via the price mechanisms. A for-profit firm will have as primary goal the maximization of value capture constrained by value creation while non-profit organizations will be predominantly driven by value creation and constrained by value capture (Santos 2012). In the case of financing foundations, the value capture dimension is much more complex and could be further explored.

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