Families, Firms and Philanthropy: A cross-national comparison of responses to competing institutional demands

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Introduction

At the forefront of research on alternative organizational models are studies of family-governed firms (e.g. Deephouse & Jaskiewicz, 2013; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Micelotta & Raynard, 2011; Miller & Le Breton-Miller, 2006). Research in this area challenges the parochial market and corporate perspectives that are at the core of contemporary corporate governance research (Bainbridge, 2002). Instead, there is growing interest in how corporate governance can be more oriented towards stewardship (Miller & Le Breton-Miller, 2006), in other words, a pluralist focus on stakeholder audiences beyond the shareholders and managers. In pursuing longevity, family firm owners, for example, are demonstrated to forge strong and enduring bonds with their employees, customers and suppliers (Deephouse & Jaskiewicz, 2013; Miller, Le Breton-Miller, & Scholnick, 2007). In handling multiple competing - and sometimes conflicting - demands from different audiences, family firms operate in an environment of institutional complexity; in essence, they constitute "hybrid" organizations – i.e. organizations that incorporate elements from different institutional logics (Battilana & Dorado, 2010; Pache & Santos, 2010).

Research on family governed firms remains nascent, given that these organizations are heterogeneous across national contexts, with varying structural arrangements and practices (Gedajlovic et al., 2012; Luo & Chung, 2012). In Europe, there is a prominent yet unusual form of family governed organization that has thus far received surprisingly sparse attention: the "shareholder foundation". Mainly a Germanic and Scandinavian phenomenon, shareholder foundations are formed when the founder of a family business decides to establish a foundation to which he can subsequently – and irreversibly – donate his shares. The newly formed organization is not only a completely independent entity, but also typically exercises a majority/full ownership of shares and voting rights in the focal firm (Kronke, 1988; Thomsen & Rose, 2004; Thomsen, 1999). The foundation disburses dividends towards a philanthropic cause, in accordance with the personal wishes of the founder, as outlined in his charter. Family members (or those with affective ties to the founder) are generally involved either as participants on governance boards or as minority recipients of income. In this manner, the shareholder foundation responds to three sets of institutional logics – family, business and philanthropic (Friedland & Alford, 1991; Thornton & Ocasio, 1999, 2008).

In this paper, we propose that the shareholder foundation constitutes a unique case of a family governed organization, where the third logic of philanthropy complements the dual logics of family and business that have already been identified thus far (Fairclough & Micelotta, 2013). As such, the shareholder foundation becomes an extreme form of hybrid organization (Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2010), providing a suitable exemplar for studying the interactions of more than two logics. Furthermore, given their prevalence across multiple national contexts, these organizations also provide a suitable terrain for understanding how family governed organizations differ across countries. This yields an opportunity to examine the regulatory institutions (Scott, 2014) in each country that influence organizational responses to competing logics, something which has thus far been omitted from the literature on institutional complexity in favor of organization and micro-level explanations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Thus, our research question is: What is the role of national regulative institutions in shaping organizational responses to institutional complexity?

In this paper, we demonstrate that organizational responses are either constrained or incentivized by the domestic institutional framework. Using an inductive case comparison approach of nine shareholder foundations across three countries (Denmark, Germany and France), we find that even in a national context where this new hybrid form is emergent (France), there is a high degree of homogeneity across foundations in terms of responses to institutional complexity. In those countries where the shareholder form is well established and taken-for-granted, there is counter-intuitively a high degree of dissimilarity among the sample of firms. We account for this disparity by linking the patterns of response to the influence of the regulative institutions present in each country.

Organizational Responses to Institutional Complexity

Institutions are defined as supra-organizational symbolic systems and material practices that pattern human behavior (DiMaggio & Powell, 1983; Friedland & Alford, 1991). They are notably comprised of socially constructed sets of rules, norms and expectations that not only create meaning for individuals and prescriptions towards particular goals, but also designate the means to achieve them. In this way, institutions provide interpretations for individuals to function in the social world; those institutions that provide compatible prescriptions aggregate into resilient and stable institutional orders that provide a coherent “logic” for individual sense-making (Friedland & Alford, 1991; Thornton & Ocasio, 2008). For organizations, such institutional orders also assign collectively valued outcomes for organizational actors to pursue, as well as the appropriate structures and practices to achieve them. Organizations that comply with prescriptions of logics are seen as legitimate by referent audiences, and are thus able to gain resources from the external environment (Lounsbury & Glynn, 2001; Suchman, 1995).

Yet in many arenas, a multiplicity of institutional orders exert their influence over the behavior and sense-making of individuals and organizations, leading to a situation of “institutional complexity” (Greenwood et al., 2011; Scott, 2014). Here, the prescriptions of institutional orders oftentimes prove to be incompatible with one another, leading to competition among logics (Pache & Santos, 2013; Reay & Hinings, 2009; Reay, 2005). Many types of organization experience this tension - whether hospitals, universities, publishing houses or churches (cf. Kodeih & Greenwood, 2013; Praveen Parboteeah, Hoegl, & Cullen, 2009; Reay & Hinings, 2009; Thornton & Ocasio, 1999). The competition between logics also leads to a variety of responses on the part of organizational actors, from acquiescence and compromise to defiance and manipulation (Pache & Santos, 2010). In this manner, the literature on institutional complexity opens a window to explore how actors express agency in reacting to competing institutional demands.

Despite the presence of institutional complexity in various types of organizations, the competition among logics becomes manifest most acutely in hybrid organizations (Battilana & Dorado, 2010; Pache & Santos, 2013). Unlike the other types of organization listed above, hybrids are those that *consciously* incorporate elements from different institutional logics, with the express purpose of pursuing multiple goals (Battilana & Dorado, 2010). Such organizations are thus inherently arenas of contradiction, where the multiple competing and conflicting institutional demands become apparent in various facets, whether relating to governance, operational activities or human resource practices (Billis, 2010). Existing research in this area has mainly focused on social enterprises, investigating the organizational activities, structures and processes by which these hybrids respond to the dual prescriptions derived from business and philanthropy logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Pache & Santos, 2013). Within this field, the existing work on responses to hybridity has been largely confined to exploring the dynamics between two competing sets of institutional demands, and furthermore, has been limited to explanations at the individual or organizational level, with little examination of the macro-level influences on organizational responses (Greenwood et al., 2011; Pache & Santos 2013).

It should be noted that this omission of research on both the multiplicity of logics and on macro-level factors is not only confined to studies on hybridity; rather it is endemic to research on institutional complexity as a whole. In their review of institutional complexity, Greenwood et al. (2011) outline that we lack an understanding of how structures of authority influence the discretion of organizations to respond to institutional complexity. In order to systematically compare fields, the authors call for "more substantive and dynamic accounts of their institutional infrastructures… with a view to understanding how differences between them affect the organizational experience of complexity" (Greenwood et al., 2011, p. 339). However, this call assumes that such enforcement mechanisms are transnational in character; while this may hold true for normative authorities like professional associations or certification agencies (Djelic & Quack, 2011), structures of coercive authority are much more likely to be located at the national level. This distinction is important as coercive authority differs according to country rather than field. Thus, any comprehensive explanation of varying responses to complexity would need to account for idiosyncratic arrangement of domestic institutions - particularly the regulative institutions that produce coercive pressures on organizations (Scott, 2014).

In this paper, we aim to contribute towards a better understanding of how macro-level regulatory factors shape organizational responses to institutional complexity. Using a cross-national case comparison of shareholder foundations in Denmark, Germany and France, we examine how these organizations respond to the competing demands imposed upon them by business, family and philanthropic logics. In accounting for response similarities within - and differences across - countries, we demonstrate that institutional arrangements at the national level play a role by either constraining or incentivizing hybrid organizations to adopt a particular pattern of responses. More specifically, we examine whether these institutions allow for variation in the management of different logics within hybrid organizations, or whether they produce isomorphic pressures (DiMaggio & Powell, 1983) towards a homogenous arrangement.

Shareholder foundations and institutional hybridity

Shareholder foundations offer a markedly different approach to corporate governance in comparison to dispersed ownership. Mainly a Germanic and Scandinavian phenomenon, this type of corporate governance is characterized by a concentration of ownership, with a single entity – a foundation – holding all, a majority, or a blocking minority of shares. The foundation may also hold similar proportions of voting rights of a commercial firm. Often, but not always, the founder's family retains a minority of shares or voting rights. The foundation disburses the dividends that it receives as a shareholder towards one or more philanthropic causes, in accordance with a charter created by the founder. In this sense, a shareholder foundation sports a uniquely amalgamated structure: A not-for-profit organization owning a for-profit firm within a family context.

In the vast majority of cases, this form of corporate governance occurs when an entrepreneur makes the decision to bequeath ownership of his company to a newly-created foundation, as he desires to preserve the long-term stability of his philanthropic and entrepreneurial vision. In many cases, the founder does not have – or lacks confidence in – any apparent heirs; in others, he may wish to avoid inheritance taxes that may diffuse ownership over time. However, in all cases, the establishment of a foundation and the endowment with company shares is an irreversible act: The newly formed organization is thus not only a completely independent entity, but permanently exercises significant influence (if not full control) over the focal firm through the holding of voting rights (Kronke, 1988; Thomsen & Rose, 2004; Thomsen, 1999).

Although firms owned by shareholder foundations are present in Germany, Sweden, Austria, and Switzerland, they are most prominent in Denmark, where they account for $1/6^{th}$ of the market capitalization on the Copenhagen Stock Exchange. However, they are conspicuously absent from Anglo-Saxon nations, owing either to legal constraints or cultural illegitimacy: in the United States, for example, legal statutes constrain the amount of voting stock that a foundation can own in a firm (Hansmann & Thomsen, 2013; Thomsen, 2006), while in the United Kingdom, a few high profile failures of foundation governance (e.g. The Wellcome Trust, The Nuffield Foundation and The Barings Foundation) led to a shift in the 1980s away towards more tax-efficient "deeds of covenant".

Despite this scarcity in the Anglo-Saxon world, firms owned by foundations in continental Europe are observed as performing just as well financially as firms with dispersed ownership – and indeed, are noted as having more stable long-term performance owing to their ownership structure (Thomsen & Rose, 2004; Thomsen, 1999). In addition, they provide considerable charitable donations to (mainly national) art, education and social welfare projects, with an additional and peculiar emphasis on pharmaceutical research and development. Philanthropy causes are generally oriented towards "infrastructure building" which entails support of education, healthcare and economic development.

Even with this prominent status in European economies, organizational theory research on shareholder foundations has been thus far been strikingly scarce - with the exception of historical German and Scandinavian legal literatures (e.g. Kronke, 1988). With respect to corporate governance, the academic literature on shareholder foundations has been almost exclusively developed by Danish scholar Steen Thomsen and his colleagues. Thomsen's research in this area has hitherto focused on Danish issues of corporate governance, finance and law, examining for example whether foundation managers are induced to focus on profitability in the same manner as profit-seeking owners (Hansmann & Thomsen, 2013). Organizational theories - and institutional theory, in particular - have thus far been sparsely explored in this field[1]. Cross-national comparisons are similarly weak, given that the shareholder foundation is a niche form that is rare or non-existent in Anglo-Saxon countries.

Thus far, three broad motivations have been associated with the usage of shareholder foundations as compared to other forms such as diffused ownership. The first regards asset protection, where foundation ownership ensures a stable and predictable pattern of governance decisions for the firm – the so called "patient capitalism". The second motivation is philanthropic, as shareholder foundations are typically found in countries where firms are perceived to have a social contract with their community and society. As such, shareholder foundations are seen as vehicles for "idealized business management [and] custodians for the public interest" (Thomsen & Rose, 2004). The last motivation pertains to personal and national legacy: The establishment of a foundation is a means to avoid inheritance tax levied upon succession; this, by extension, prevents diffusion of ownership. More importantly, it preserves the legacy of the founder as a philanthropist. In a related vein, such ownership maintains the national status of the firm, preventing acquisition by foreign entities and maintaining employment in the region or country.

[1] the exception being a chapter by Thomsen discussing the normative, pragmatic and cognitive legitimacy of foundation ownership, comparing American and European approaches (Thomsen, 2006)

As a result of their unique structure – specifically, the confluence of founder/family heritage, philanthropic mission and commercial viability – shareholder foundations face inherent conflicts in pursuing their goals. For example, given the dual purpose of ensuring firm longevity as well as philanthropy, how do foundation managers make the trade-off between retaining earnings and disbursing philanthropic funds? In addition, given that the third motivation of establishing a foundation is to maintain the founder's vision over time (embodied through the charter), what is the impact of founder and family legacy upon the firm structure and functions? In this paper, we aim to unpack how shareholder foundations are structured in terms of attending to these three highly different logics.

Methodology

Our methodology for this project is a comparative case study of nine foundations spread across three countries. Data collection involved two stages: The first was an exploratory study, where the aim was to identify the main decision-making areas or structural features of these organizations where the competition between logic prescriptions would become manifest. To this end, we used existing reports and studies conducted on foundations (Herrmann & Franke, 2002; Kronke, 1988; Prophil, 2015; Thomsen, 2006, 2012), in additional to press articles on the topic.

In doing so, we uncovered three main dimensions of shareholder foundations where the tensions between the three logics would become salient. Table 1 outlines the different prescriptions of the family, philanthropic and business logics according to three dimensions of board composition, profit allocation and donation targets. In order to compare the influence of the three logics, we used different measures for each dimension: For board composition, we elected to compare the percentage of board members that were either related to the founder (or his close friends), civil society/state representatives (given their role in advising the board about philanthropy/ensuring fulfillment of "public utility") or representatives of the firm. For profit allocation, we opted to compare the percentage of profit that was disbursed to family members (in many cases, as a line item in the cash flow statement), the dividends issued to shareholders - contributing to the philanthropy of the foundation -, and finally the amount reinvested back in the company as retained earnings (business logic)[2].

[2] In some of the cases studied, the drafting of dividend policy occurred at the firm level rather than at the foundation level; nonetheless, in all of those firms, dividend policy had to be approved by the foundation or by its representative body.

For the third dimension of donation targets, we compared expenditures on causes deemed as pet causes of the founder (based on his biographical information), those on causes more directly related to a social/public need, and finally expenditure on causes with a direct link to the core business of the held firm.

.Table 1: Logic prescriptions on three salient dimensions for shareholder foundations

	Family Logic	**Philanthropic Logic**	**Business Logic**
Board Composition	• Family members/ friends appointed to the board	• State representatives • External/Civil society experts	• Firm/business executives
Influence over profit allocation	• Disbursement to family (directly or through dividends)	• Dividends to shareholders (notably foundation)	• Reinvestment of profit/debt relief
Targets for donations	• Passion/pet causes of family/founder	• Social/public needs	• Core business related

In the second stage, we used an Eisenhardt style multiple case comparison approach (Eisenhardt, 1989) to understand how shareholder foundations responded to organizational prescriptions designated by the three institutional logics. The study firstly covered Denmark and Germany, two countries where these types of foundation have a well established history. As a counterpoint, we also explored foundations in France, where the shareholder foundation form was only recently introduced over the last decade. In each country, three representative foundations were selected for examination, and are described in the following section.

Given the considerable variety among foundations with respect to size, age, industry, ownership and governance structure, we considered that the most appropriate strategy was to identify points of congruence among the sample of foundations in each country. In this manner, any similarity in response - despite the inherent heterogeneity in the sample - could then be assigned as a “typical” response of the shareholder foundation form within each country. From there, we proceeded to compare these characteristic responses to those of foundations in other countries.

Our primary source of data was semi-structured interviews, beginning in Copenhagen, Denmark in mid-January 2015 and continuing in Germany and France over the subsequent months. To date we have conducted ten interviews with executive managers of the foundations and the owned firms, but also with representatives of recipient organizations and external experts. Given the early stage of data collection, we also found it necessary to supplement the interviews with secondary documentation, based on reports and texts produced by the foundations, the held firms and the beneficiaries. In addition, given the cross-national approach, we compiled material that outlined the tax and legal codes of each country, supplemented by other sources describing the economic and cultural institutions present in each (Djelic, 1998). These contextual factors are important in explaining the similarities of responses within countries as well as the variation across countries.

Selection of Foundations

Denmark

Although it only has a population of five million inhabitants, shareholder foundations in Denmark have played a prominent role in shaping the social and economic landscape of the country since at least the late nineteenth century. In 2013, 1,350 shareholder foundations accounted for ten percent of the capital in the Danish economy, with iconic firms like Maersk, Lego and Carlsberg featuring foundation ownership (Thomsen, 2006, 2012). Amongst the listing of the largest firms on the Copenhagen Stock Exchange (CSE), 68% of the market capitalization is accounted for by foundation shareholding. Their philanthropic activities are no less prolific: each year, shareholder foundations provide an estimated €800 million towards causes deemed as "general interest".

Within Denmark, we selected three shareholder foundations considered to be leaders within their respective industries. These foundations, although well-recognized, varied along multiple dimensions, specifically pertaining to size, industry, age, and funding structure. Each of them is listed in more detail below:

The Novo Nordisk Foundation

Created in 1989 - although with a history dating back to the 1920s - The Novo Nordisk Foundation is one of the largest foundations in Denmark, with a current endowment of roughly €33.6 billion (€27 billion of which corresponds to shareholding of the pharmaceutical and biotech group Novo Nordisk). Through a holding firm, the foundation holds roughly a quarter of the capital of the group firms Novo Nordisk A/S and Novozymes A/S while exercising almost three-quarters of the voting rights for both. The remaining capital is free-floating shares on the Copenhagen Stock Exchange (CSE). However, the foundation's €6.6 billion in capital outside of firm shareholdings allows it the freedom to pursue philanthropic activities independent of dividend policy. The foundation provides funding for a variety of social causes, although the majority of grants is directed towards incubating projects and start-ups in the biotech and pharmaceutical industry - enterprises which may at some point be purchased by the firm. With respect to corporate governance, the board of the Foundation is comprised of ten members, of which half sit on either the holding company or one of the subsidiary firms. None of the members have any relationship to the founders of the firm.

The Carlsberg Foundation

The Carlsberg Foundation is relatively small compared to that of Novo Nordisk, with a 30% equity holding in the Carlsberg group (amounting to approximately €2.9 billion). The remaining shares are free floating on the CSE; however, through possession of Class “A” shares, the foundation holds 70% of voting rights over the iconic Carlsberg breweries through the holding entity Carlsberg A/S. Founded in 1884 by Jacob Christian (J.C.) Jacobsen, the foundation disburses funds towards the development of natural sciences. However, it also allocates part of its €40 million budget to supporting the activities of the Ny Carlsberg Foundation, which has a mandate to fund Danish art and cultural projects (in particular, the Ny Carlsberg Glyptotek, a museum in Copenhagen housing the extensive art collection of J.C.’s son Carl). The board of the Carlsberg foundation includes five scientists from various disciplines, all of whom serve on the ten-member board of Carlsberg A/S.

The Hempel Foundation

Unlike the other two Danish foundations in our study, the Hempel Group, operating in the marine coating industry, is not listed on the Copenhagen Stock Exchange; the company is unique in the fact that it has been completely owned by a foundation since 1948. With a total equity of €600 million and grants of €24 million in 2013, the Hempel foundation provides support along three major axes: educational initiatives (both in Denmark and abroad), research in environmentally sustainable technologies in coating, support for the J.C. Hempel Glass museum. With respect to the corporate governance structure, the foundation self-elects nine board members, of whom a majority must have had prior experience with the firm. Currently, two members of the foundation hold a position on the holding intermediary Hempel A/S.

<u>Germany</u>

Similar to Denmark, Germany is a country where the shareholder foundation form has a long history, with some foundations being established as early as the mid-nineteenth century. Although there are a number of other very similar models of foundation (*Stiftung* in German), those classified as shareholder foundations (*Unternehmensverbundene Stiftungen*) range between 500 - 1,000 in the country[3], with a third of this number being created since the year 2000.

As in Denmark, the endowment of a shareholder foundation is irreversible, with the charter providing binding guidelines for foundation managers to follow. Unlike their Danish counterparts, however, German shareholder foundations have no obligation to contribute to the public interest, except if they wish to benefit from a favorable tax arrangement. In fact, many smaller shareholder foundations have the sole purpose to protect founder and family interests. Within Germany, we selected three of the most prominent foundations for inclusion in our study with demonstrated philanthropic activities:

The Robert Bosch Foundation

The Bosch Group, as one of the largest technology and service companies in Germany, has been owned 92% by the Robert Bosch Foundation since 1964, corresponding to an equity holding of approximately €27.2 billion. However, despite this majority equity ownership, the foundation holds no voting rights over the firm: the votes corresponding to these shares are exercised by an affiliate body called the Robert Bosch Industrietreuhand KG. The Bosch family holds 7% of the equity and 7% of the voting rights, with two family members sitting on the nine member board. As outlined in the charter, the remaining board members are comprised of two company representatives and five “recognized persons” from civil society with an entrepreneurial background. Despite supporting 800 different philanthropic projects, the majority of funding is devoted towards the personal interests of the founder Robert Bosch (e.g. developing relationships with France and Poland), demonstrating very little connection to the current core business activities of the Bosch Group.

Bertelsmann Fondation

The Bertelsmann foundation was created in 1977, to administer the media conglomerate Bertelsmann SE & Co. KGaA. Reinhard Mohn, the descendant of founder Carl Bertelsmann,

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[3] A precise account of the number of shareholder foundations is difficult, given that many of them are protective about their activities and organization

established the foundation to which he subsequently relinquished most of his shares – comprising 69% of the total ownership of the titular firm, corresponding to roughly €6 billion in equity. Another 19.1% was inherited by family members. Since the death of Mohn in 2009, the foundation has been run by an executive board of four members and an advisory board of thirteen members – both of which include Mohn's wife and daughter. The Bertelsmann foundation has since pursued grant-making in a number of areas, from improving international relations to providing vocational training for teachers, providing €67 million in philanthropic funding in 2013.

Carl Zeiss Foundation

Since 1889, The Carl Zeiss Foundation has been the sole owner of the optical instrument manufacturer Carl Zeiss as well as of the lens manufacturer SCHOTT AG. Controlling the €764 million in equity of the Zeiss Group through the holding company Carl Zeiss AG, the Foundation is represented through a foundation Council, comprised of three individuals appointed by the ministry of science. The foundation's philanthropic activities revolve around supporting education and research in the natural and engineering sciences, specifically in those fields in which Zeiss and SCHOTT (or their subsidiaries) are active.

France

In contrast to Denmark and Germany, the shareholder foundation form is very much at a nascent stage in France, as it has only been legally permissible in France for a decade. On August 5th, 2005, a law was passed allowing foundations deemed as "public utility" by the council of the state the right to own shares in commercial enterprises. The law was intended to give the heirless entrepreneur Pierre Fabre, owner of the eponymous French pharmaceutical firm, the option to donate all his shares to a foundation. Currently, there are only three shareholder foundations owning firms in France[4]. As such, these three foundations comprise our sample for France, and are subsequently described in more detail:

The Pierre Fabre Foundation

The iconic laboratories of Pierre Fabre produce a number of medical and cosmetic products. The founder, Pierre Fabre, created a public utility foundation in 1999, oriented towards improving access to quality healthcare in the poorest countries. While initially endowed with

[4] To date, a fourth foundation named Avril, owner of the agricultural firm SofiProtéol, is in the process of being established

a minority investment, the foundation became a majority owner of the company (with 86% of equity) following the death of Fabre in 2013. The remaining shares were then divided between the employees and self-control of the company, and as of 2014, the company lists a share capital of €39 million. Despite having no direct heirs, a number of Fabre's close friends serve on the board (including his two foster children), as well as numerous external experts specializing in pharmaceuticals or representing the state.

The Christophe and Rodolphe Mérieux Foundation

The Christophe and Roldolphe Mérieux foundation holds a 32% ownership share of the French pharmaceutical firm Institut Mérieux, with the remaining majority of the €461 million in equity in control of two family members, Alain and Alexandre Mérieux. Both family members also hold senior position on the boards of all the held firms as well as of the foundation. In line with the core business activities, the foundation's mission is to combat infectious diseases through a a €16 million budget (2013). As with the Pierre Fabre Foundation, the board is comprised of a number of external experts from both industry and the public sphere.

The Varenne Foundation

The Varenne foundation is a unique case of a shareholder foundation in France. The sole owner of the press group *La Montagne* was established in 1979 by Marguerite Varenne - widow of founder Alexander Varenne - and recognized as a "public utility" foundation in 1988. In an unusual precedent, the Minister of the Interior permitted Mrs. Varenne to bequeath a 36% ownership stake of the firm to the foundation far in advance of the 2005 law. In 2013, *La Montage* reported an equity holding of €23 million in 2013, and although the grant amounts provided by the Varenne foundation are not disclosed, the philanthropic activities of the foundation exhibit a significant degree of overlap with the core activities of the firm; these include the promotion of journalism as a profession, the education of youth in the ethical usage of information, and diffusion of the ideals of democracy, peace and freedom of the press. Although Mrs. Varenne is no longer part of the foundation governance, a number of family members preside on the board along with other "qualified persons".

Findings

Regulative Institutions in "mature" arenas: Incentives for diverse organizational responses

Denmark

Table 2 illustrates how, in Denmark, the three foundations differ in the degree to which corporate interests and philanthropic/state interests are represented on the board, as well as in how profits are distributed between the two parties. Given the long history of the shareholder foundation form in this country – and indeed, of two of our sample firms – the relative variety in organizational responses across these two dimensions is an unusual outcome; yet this can be accounted for by Danish regulatory institutions that permit such diversity to occur. The first regulation relates to the requirement imposed upon foundations to pursue a purpose towards the common good: unlike in France, there is no requirement to have a state-appointed representative on the board, with the only membership constraints being those defined by the founder in the charter. The variety of charter stipulations explain why the boards of the Hempel and Novo Nordisk foundations have a majority of members with corporate experience, while Carlsberg features a majority of scientists.

Table 2: Organizational responses to logic prescriptions in Denmark

	Family Logic	Philanthropic Logic	Business Logic
Board Composition[5]	NN (0) C (0) H (0)	NN (Low) C (High) H (Low)	NN (High) C (Med) H (High)
Influence over profit allocation[6]	NN (0) C (0) H (0)	NN (Med) C (Med) H (High)	NN (Med) C (Med) H (Low)
Targets for donation[7]	NN (Med) C (Med) H (Med)	NN (Med) C (Med) H (Med)	NN (Med) C (~0) H (Med)

NN - Novo Nordisk, C – Carlsberg, H – Hempel

However, they are congruent in that they all lack representatives of family members on any of the corporate governance bodies – whether in the foundation, holding or subsidiaries. Out of the three countries examined, this lack of a family logic is unique to Denmark. The convergent response can be attributed to a particularity of Danish foundation law, stating that

[5] Percentage of board members representing each logic: <25% (Low); 25-49% (Med); 50-74% (Med); 75-100% (High)

[6] Percentage of profit allocated according to each logic prescription: <25% (Low); 25-49% (Med); 50-74% (Med); 75-100% (High)

[7] Percentage of foundation budget dedicated to each logic prescription: <25% (Low); 25-49% (Med); 50-74% (Med); 75-100% (High)

no family members can be either involved in the governance of the foundation or a recipient of charity after the third generation. While this accounts for the lack of family representation in both Novo Nordisk and Carlsberg, it does not explain why there is no family involvement in the Hempel foundation, given that Hempel's children are still alive. However, a member of the executive board of Hempel A/S provided the reason for this idiosyncratic feature:

> It's not well known but in the 1970s, J.C. Hempel's son wanted to raise capital through an IPO on the Danish stock market, despite his father being strongly opposed to it. His son tried to organize a coup with the senior managers of Hempel, although when J.C. caught wind of it, he called together the entire board and fired them all – including his son. He then petitioned the Danish state to change foundation legislation to ensure that family could only have diminishing involvement in corporate governance.

As such, Hempel was at the core of a legislative change diminishing family involvement in the foundation. This regulatory constraint also explains why none of the Danish foundations in our sample disburse profits from activities of the firm to family members or heirs, either as dividends or as payments to minority interests on the cash flow statements. Here, the similarity in suppression of the family logic prescription is the result of a regulatory constraint.

Interestingly enough, despite the lack of adherence to the family logic prescription in both board composition and profit allocation for the three cases, the "pet causes" of the founder were still salient across all three cases, and remarkably similar in nature: For all three foundations, this expenditure entailed support and investment in Danish museums: The Natural History Museum, The Ny Carlsberg Glyptotek, and the J.C. Hempel glass museum for Novo Nordisk, Carlsberg and Hempel respectively. The reason for this pertains to the sanctity of the foundation charter: Although there is some flexibility in adapting the stipulations, the core of the charter (notably the core philanthropic causes) cannot be changed. The Novo Nordisk foundation, for example, must pursue a cause related to insulin – a pet cause of the founder - which is why the foundation established the Natural History Museum as a celebration of the ninetieth anniversary of the discovery of Insulin.

Germany

Germany, another country with a well-established history of foundation governance, has an even more heterogeneous pattern of responses compared to Denmark. Table 3 illustrates how diverse the German foundations are with respect to their responses to logic prescriptions across all three categories. However, this diversity can also be linked to the flexibility of the regulatory institutions of the German state and the *lander* (provinces). Firstly, unlike in Denmark, there is no legal restriction on family involvement in corporate governance affairs. As a German non-profit expert - and former manager in the Bertelsmann foundation - informed us: “There is no legal regulation on this. You can create this structure how you like: It can be all family members, it can be all corporate members”. The family thus represents a strong presence on the boards of the Bosch and Bertelsmann foundations, in addition to those of the holding entities and the firms themselves.

Table 3: Organizational responses to logic prescriptions in Germany

	Family Logic	**Philanthropic Logic**	**Business Logic**
Board Composition	Bo (Med) Be (Med) CZ (0*)	Bo (Low) Be (Med) CZ (Low)	Bo (Med) Be (Med) CZ (High)
Influence over profit allocation	Bo (Low) Be (Low) CZ (0)	Bo (Low) Be (Low) CZ (~Med)	Bo (High) Be (Med) CZ (Med)
Targets for donation	Bo (Med) Be (Med) CZ (~0)	Bo (Med) Be (Med) CZ (Med)	Bo (Med) Be (Med)[8] CZ (Med)

Bo – Bosch; Be – Bertelsmann; CZ – Carl Zeiss

Similarly, with respect to the profit allocation, family members are recipients either of dividends or direct payments from the firm, with Bosch and Bertelsmann family members holding 7% and 19.1% of shares respectively. Further compounding the diversity of responses across the three cases is the lack of a requirement that foundations pursue a goal towards the common good. The foundation can serve the interests of the family with almost no philanthropic purpose. The general lack of regulatory institutions for foundations, especially regarding board composition and disbursement of profit, helps to account for the diversity of responses. As in Denmark, the only regulatory constraints are with respect to maintaining the wishes of the founder as outlined in the charter. However, in Germany, adherence to the charter is a much more stringent affair.

This sanctity of the charter is visible in one area in particular, regarding targets for donations. Here, the donation activities of these two foundations have significant overlap with the core

[8] Portfolio includes a CSR program

interests of the founder and his family, specifically with respect to the development of international relations. The outlier in this case, Carl Zeiss, features little to no involvement of family, either on the board, as a recipient or with respect to the founder's wishes. However, this is peculiarity of history: the majority of the Zeiss firm was commandeered by the Soviets following World War II, with the foundation being dismantled until 1991. Nonetheless, the three foundations produce similar response in the case of philanthropic activities (i.e. those that are not related to pet causes of the family, nor to causes overlapping with the business of the firm). Except for Carl Zeiss, this is an artifact of a strict adherence to the charter; unlike in Denmark, there is no flexibility in the charter, as remarked upon by the same informant from Bertelsmann:

> Once established, [the charter] is inflexible. It's not a structure that you can change, especially in the form of the civil law foundation, according to our civil code… you can only enlarge the scope of the foundation. If you contribute to the endowment you could add one or two new focus areas or increase the scope but you can't change the existing purpose or reduce the scope or abandon an existing mission because the foundation in our view as an irreversible gift.

Thus, the rigidity of the charter imposes upon the foundation a timeless obligation to pursue pet causes of the founder as well as philanthropic purposes, regardless of whether they are obsolete or not; this may help to explain why philanthropic and family logics are so highly represented in this dimension. However, this is the sole dimension of similarity among the German foundations; they otherwise remain highly distinct from each other.

Regulative Institutions in an "emergent" arena: Isomorphic pressure towards homogenous organizational responses

Table 4 outlines the responses to the prescriptions of the three logics France, a country where the shareholder foundation form has only been present for a decade. In such an emergent context for this type of hybrid organization, a wide variety of responses would be expected from the shareholder foundations in our study. Counter-intuitively, there is a considerable amount of homogeneity that can be explained by isomorphic pressures brought about by French regulatory institutions.

Table 4: Organizational responses to logic prescriptions in France

	Family Logic	Philanthropic Logic	Business Logic

Board Composition	PF (Med) IM (Med) V (Med)	PF (Med) IM (Med) V (Med)	PF (Low) IM (Low) V (Low)
Influence over profit allocation	PF (0) IM (Med) V (0)	PF (Low) IM (Med) V (Med)	PF (Med) IM (Med) V (~Med)
Targets for donation	PF (Med) IM (Med) V (Med)	PF (~0) IM (~0) V (~0)	PF (Med) IM (Med) V (Med)

PF – Pierre Fabre, IM – Institut Merieux, V - Varenne

Firstly, all the foundations feature a comparable percentage (between 25-35%) of board members that have affective ties with the founder, whether through kinship or friendship. Secondly, they feature strong representation (between 40-50%) by “qualified persons” relating to service of the public interest; these are generally academics, scientists, non-profit managers and ministry officials. While the former percentage can be attributed to the infancy of the shareholder foundation form in France – and thus the presence of foundation stewards with personal ties to the founder – the latter is the result of a regulatory imposition upon recognized public utility foundations in France to include qualified persons on the board. The combination of strong affective ties and regulation also explains why, in the third category of business representatives, there is such a minority.

In addition, the expenditures on grants and programs have striking parallels across the three French foundations. Personal causes of the founder that are inscribed in the charter are given significant weighting terms of expenditure; for example, almost half of expenditure of Pierre Fabre is on fighting sickle-cell anemia, one of his personal causes. Across all three, the majority of expenditure is on social causes closely related to the core business of the firms. For Pierre Fabre and Mérieux, this entails delivery of pharmaceutical products and healthcare services in developing countries, while in the case of the Varenne Foundation, this involves supporting causes related to the promotion of the journalistic profession.

Interestingly enough, the three foundations do not have any stand-alone projects or grant-making activities that are outside the core business or the pet causes of the founder. The reason for this pattern can be accounted for, paradoxically, by the “principle of specialization” imposed upon French foundations; this legislation states that a foundation should not dilute its original purpose by holding shares in a commercial venture. In order to bypass this regulation, the foundations in our sample have established a holding company that possesses the voting rights: this allows them to pursue philanthropic activities that overlap with the core business of the held firm.

Discussion: Domestic institutional influence on logic responses

In our findings, we sought to demonstrate how domestic institutional arrangements could account for the similarities and differences in organizational responses to institutional complexity. Using the hybrid organizational form of shareholder foundations, we illustrated how organizational actors in Denmark, Germany and France responded to a multiplicity of logics (in this case, family, commercial and philanthropic logics), outlining how the regulative institutions in each country would either constrain or incentivize a certain type of response to an institutional prescription.

Greenwood et al. (2011) note that the maturity of a field matters in settling institutional complexity. They remark that “in more mature fields, institutional complexity at the organizational level will be lower and more predictable [compared to emergent fields], because tensions between competing logics have been worked out at the field level”. However, as our cases demonstrate, predictability of institutional demands is rather disconnected from the pattern of responses emerging across the populations of organizations. As the cases in Denmark and Germany illustrate, the maturity of a field with established “truces” among the different logics provides little prediction for the types of responses that will taken at the level of organizations. In contrast, those organizations within an emergent field - in our case France - displayed remarkable similarity despite the nascent nature of the shareholder foundation form in that country.

We proposed that divergence or convergence of organizational responses to institutional complexity do not only relate to organizational features or individual sense-making. They also relate to institutions - specifically regulatory institutions - that exert pressure at the field or national level. While we do not directly draw causality between the establishment of a particular institution and an isomorphic response pattern, we do affirm that institutions, in aggregate, form a “bundle of causal patterns” (Skocpol & Somers, 1980); these can at least partially account for organizational responses to institutional complexity. Future research could extend the examination of the field or national level institutions by examining the role played by normative and cultural-cognitive elements - e.g. national culture (Scott, 2014).

Just as importantly, our research aims to contribute to the literature on family firm governance. Given the paucity of organizational theory research on shareholder foundations, we propose that future research on this form could be well-positioned as a subset of family firm research; the affinity between the two streams – particularly with respect to the idea of stewardship – is evident. Family firm research can also be enriched in other ways through this approach: Unlike existing studies that focus on a more narrow definition of stewardship (i.e. governance relating to the primary stakeholder groups), we seek to elucidate the process of decision-making that occurs when managers have to attend to multiple and often competing objectives – especially those stemming from the social-business tension (Smith, Gonin, & Besharov, 2013). We believe that this exploration will expand scholarship on family firms by providing a deeper understanding of how such organizations handle trade-offs resulting from their structure.

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