

ABSTRACT

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Understanding the governance of controlling foundations and foundation owned businesses (FoB)

The case of Spain

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Abstract:

Ownership structures where a foundation with charitable purposes holds all or a substantial portion of the shares of one or several companies are labelled in many different ways:

industrial , entrepreneurial , economic , commercial , shareholder or controlling foundations; and also foundation owned business (FoBs).

Denmark has been traditionally considered paradigm as home-country for controlling foundations and FoB. With a population of almost 5.7 million inhabitants, it holds an unofficial world record of 1.350 FoB (Prophil, 2015), that administer capitals of around 100 billion € and distribute around one billion € for non-profit causes annually (Lund & Berg, 2015).

However, controlling foundations and FoB are not a curiosity exclusive of Northern European countries; not even a Western phenomenon. This ownership structure is an alternative to business ownership that, although minority, is notably extended across different institutional settings, from Southern Europe to Latin America. The number of companies and business groups that are currently controlled by foundations around the world is too substantial to be disregarded (Rey & Puig, 2013).

Despite their pervasive -and sometimes controversial- nature, available data and systematic research on these ownership structures are almost non-existent, with some notable exceptions such as the works on publicly listed FoBs in Denmark (Thomsen, 1996 and 1999; Thomsen & Rose,

2004). A myriad questions are still to be addressed, particularly from the perspective of the implications of the ownership structure for the governance of both the controlling foundation and the FoB.

In this context, the goal of this paper is to provide an overview of the evolution, context, and current characteristics of controlling foundations in Spain. Specifically, the paper aims at: 1) advancing in the conceptualization of controlling foundations as a distinct type of corporate foundation; 2) understanding the key institutional factors that influence their creation and survival; and 3) proposing a typology of controlling foundations. As regards to our theoretical approach, conceptualization will build on both nonprofit and business governance literature. A case-study approach will be used in an inductive manner in order to elaborate a typology that facilitates understanding and comparison of the ways controlling foundations and FoBs relate to each other and are governed (Eisenhardt, 1989; Yin, 1994).

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