

If not for profit,
for what and how?

S O C I A L
E N T E R P R I S E

Philanthropic foundations in Belgium: Issues for governance in the public interest

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SOCENT Publication 2014-09

Interuniversity Attraction Pole (IAP)
on social enterprise (SOCENT) – 2012-2017

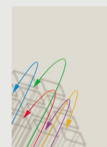


TABLE OF CONTENTS

Introduction	4
1. What is governance?.....	5
2. Why governance matters in philanthropic foundations	7
3. Reviewing the literature on philanthropic organizations and governance.....	8
4. Understanding the Belgian foundations sector	10
5. Methods	10
Data collection	11
Data analysis	11
6. Findings.....	13
The board of directors	13
Additional organs and tools, and foundations 'stakeholders	14
Governance issues for Belgian foundations.....	16
<i>Transparency</i>	17
<i>Professionalization</i>	18
<i>Permanence</i>	18
7. Discussion.....	20
1. The "openness" versus "closeness" tension.....	20
2. The "formal" versus "informal" tension.....	20
3. The "innovation" versus "conservatism" tension.....	21
8. Conclusion.....	21
References	23

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This research has been carried out with the support of an Interuniversity Attraction Pole funded by the Belgian Science Policy Office under the title "If not for profit, for what? And how?".

Abstract

Based on sixteen exploratory interviews with Belgian philanthropic foundations, we investigate the governance mechanisms that these organizations set up in order to achieve their public interest mission. Our paper describes the Belgian foundations' governance practices and the governance challenges these foundations are confronted with. We then discuss three critical governance issues raised by the foundation sector in Belgium, and we identify three tensions that Belgian foundations need to solve to become legitimate in the achievement of their social missions.

INTRODUCTION

Third sector organizations pursue social and community goals (Ridley-Duff and Seanor, 2008). They have an explicit aim to benefit the community, initiated by a group of citizens and in which the material interests of capital investors is subject to limits (Defourny and Nyssens, 2006). Therefore, many third sector organizations choose governance mechanisms aiming at preserving the public interest (Mertens (2010)), such as a decision-making power not based on capital ownership. They also favour stakeholders' participation to the organizational processes (Defourny and Nyssens (2010)).

Philanthropic foundations are said to belong to the third sector (Moulaert and Ailenei (2005)). Although foundations are now a major source of funding for other third sector organizations, they strongly differ from most third sector organizations because of their governance modes. In foundations, there is no general assembly and the decision making process comes under the unique authority of the board. The foundation legal form gives its founder a high degree of freedom, even if the governance mechanisms and the role of the board can vary depending on the type of foundation.

The European philanthropic foundations sector has grown significantly over recent decades (EFC Research Task Force (2008)). Eikenberry (2006) provides three explanations for this phenomenon. First, the public resources are getting scarce and the philanthropy is more and more called to tackle collective problems. Second, all around the world, the gap between the rich and the poor is growing and finally, at the same time, high profiles giving emerge. The foundation can be considered as the organized and institutional expression of philanthropy. According to the European Foundation Center, a foundations is *"asset-based and purpose-driven. It has no members or shareholders and is separately constituted non-profit body. Foundations focus on areas ranging from the environment, social services, health and education, to sciences, research, arts and culture. They each have an established and reliable income source which allows them to plan and carry out work over a longer term than many other institutions such as governments and companies"*. Following Harrow (2011), the foundation is *"an increasingly globally recognized and generally legitimated third sector organizational form"*.

In the Continental Europe context, however, foundations still need to build this legitimacy. In the welfare state context characterizing numerous continental Europe countries, foundations are considered with suspicion, as, unlike the public actors, they are not subjected to public assessment about their mission, operations and decision-making. As Frumkin (2006) argues: *"philanthropy (...) lacks anything closely resembling democratic controls"*. The recent case of the Belgian International Polar Foundation (IPF) is a good illustration of the mistrust raised by foundations. The famous Belgian Polar explorer Alain Hubert has created this public benefit foundation in order to promote research in the Polar regions. To achieve its aims, the Foundation has initiated several high-profile projects, including the creation and operation of the zero emission Princess Elisabeth Antarctica station, its flagship project. The station has been co-financed by the Belgian federal state. It welcomes researchers from all over the world and is a real showpiece for Belgium. However, the Belgian federal minister for scientific research has recently questioned the governance model of the IPF. According to him, this governance model is not able to prevent conflicts of interests. The Minister blames the managerial practices of the explorer. This conflicting situation may be solved by the transformation of the IPF into an international asbl¹. This international asbl status would allow to have a more diverse board, including the different vested interest of the Polar station's stakeholders, and a General Assembly in charge of controlling the operations.

¹ The asbl is the "association sans but lucratif", i.e. the non profit organization status in Belgium.

In this perspective, our research questions the ability of the foundations governance mechanisms to guarantee that foundations are acting in the public interest. In this paper, we present the findings of an exploratory research focused on governance practices of Belgian philanthropic foundations. Our paper is structured as follows: in the first section, we present the concept of governance and its main features. Then, we discuss the relevance of the governance issues for philanthropic organizations. In the third section, we review the academic literature on governance in philanthropic foundations. We then present the characteristics of the Belgian foundations sector, and our research methods. Afterwards, we present our main findings, and discuss the emerging challenges and tensions for the governance of philanthropic foundations in Belgium

1. WHAT IS GOVERNANCE?

Governance imposed itself these last decades as an inevitable issue in management studies, as well as in a variety of other disciplines including micro-economics, sociology, psychology, information theory, law, public administration, public policy and politics (Turnbull, 1997; Cornforth, 2003; Filatotchev and Boyd, 2009). The term “governance” is used at different levels, characterizing both global and local arrangements, and relating to individuals, organisations, programs, networks, institutions, States, etc. Our paper is clearly focused on “organisational governance”, which refers to the governance of organisational forms, being a corporation, a public or a third sector organisation. However, clarifying the level of analysis is insufficient to understand and define what governance consists of.

In a paper considering governance challenges in micro-finance institutions, Labie & Mersland (2011) define corporate governance as “a system, or a set of mechanisms, by which an organization is directed and controlled in order to reach its mission and objectives”. With this definition, they highlight the systemic feature of governance, which involves a variety of mechanisms interacting to direct and control the organization. In this perspective, focusing on one mechanism only, such as the board, appears not relevant. The organisation’s board or governing body certainly remains a central and pivotal governance mechanism (Jegers, 2008), but other various mechanisms can potentially intervene in governance processes. Labie and Mersland (2011) point out that governance is not just about ex post controls, but that these mechanisms play an important role in the management of the organization. They also call attention to the importance of the ultimate aim of the organization, i.e. its mission and objectives.

Corporate governance is thus a complex issue, involving various actors, bodies, and tools acting at different levels and directed towards multiple stakeholders. To describe and analyze governance systems, different variables are proposed in the academic literature.

Charreaux’s typology (1997) organizes the diversity of governance mechanisms that can be deployed in organizations by crossing two variables: specificity and intentionality. The first variable (specificity versus non specificity) refers to the distinction traditionally made in the agency theory between the internal and external mechanisms. Charreaux (1997) substitutes the classic agency theory distinction between internality and externality with a distinction between specificity and non specificity. Specific mechanisms refer to those created for a “specific firm”, whereas “non specific” mechanisms are created for a whole set of similar firms. The second variable (intentionality versus spontaneity) refers to the distinction brought by the transaction costs theory (Williamson, 1979) between the spontaneous mechanisms, linked to the markets, and the intentional mechanisms, associated with hierarchy. Charreaux (1997) suggests a high degree of interaction between the two types of mechanisms: on the one hand, spontaneous mechanisms intervene in the empty space left by the intentional ones; on the other hand, intentional mechanisms can result from the formalisation of spontaneous ones.

Crossing these two dimensions, as shown in table 1, Charreaux (1997) draws up a four types typology presenting a rather exhaustive account of governance mechanisms.

Table 1- Charreaux's typology (1997)

	Specific mechanisms	Non-specific mechanisms
Intentional mechanisms	<ul style="list-style-type: none"> • Direct control from the shareholders (assembly) • Board • Remuneration and incentive systems • Formal structure • Internal auditors • Works council • "In-house" trade union 	<ul style="list-style-type: none"> • Legal and regulatory environment • National trade unions • Independent control • Consumers associations
Spontaneous mechanisms	<ul style="list-style-type: none"> • Informal trust networks • Mutual surveillance of the managers • Corporate culture • Reputation with the employees (respect of commitments) 	<ul style="list-style-type: none"> • Goods and services market • Financial market • Financial intermediation • Inter-companies credits • Labour market • Political market • Social capital market • "Societal" environment • Media environment • Business culture • Training market

(Charreaux, 1997, p. 427)

The agency theory distinction between internal and external mechanisms, transformed by Charreaux (1997) into a distinction between specific and non specific mechanisms, leads to another analysis variable brought by Greer *et al.* (2003) : the concept of accountability. Most authors in organisational governance agree that accountability is a central issue (Labie, 2005; Cornforth, 2004; Doherty, 2009). Greer *et al.* (2003) conceptualize accountability [of quasi non-governmental organisations] as a twofold concept, inducing a 'political' – or external – dimension and a 'managerial' – or internal – dimension. Applying this way of viewing accountability to any organisation, political or external accountability refers to how the organisation is called to account for its actions towards its stakeholders; and managerial or internal accountability relates to how the organisation can hold its management/executives to account and to assume their function on a responsible and transparent way. The issue of governance is thus the following: how to arrange a governance system that shares the power on an internal and external basis in order to allow both external and internal accountability.

These issues of power distribution on the one hand, and of accountability on the other hand, refer to underlying matters, such as control, evaluation and transparency. On these dimensions, It is assumed that organisational governance arrangements vary regarding control, evaluation and transparency mechanisms, according to the organisational types and aims. Let's thus consider the particular governance issues in the case of our research object, i.e. the philanthropic foundations.

2. WHY GOVERNANCE MATTERS IN PHILANTHROPIC FOUNDATIONS

Philanthropic foundations are part of the third sector, as they are non profit organizations and their bottom line is to benefit the public. Cornforth (2003) defines non-profit governance as systems by which organizations are *'directed, controlled and accountable'*. The aim of governance is hence to ensure coherence between the public interests objectives of the organization and what the organization actually does, and also to protect the interests of the organization's stakeholders.

As philanthropic foundations are by definition altruistic, their ethics and good behaviors have long been taken as granted (Leat, 2004). However, Anheier and Daly (2004) state that, *"in terms of governance, foundations are among the most independent institutions of modern society. They are not subject to market forces or consumer preferences, nor do they have a membership or some electorate to oversee decisions and performance"*. These authors remind that critics have stressed the democratic deficit inherent in foundations and likened them to quasi-aristocratic institutions in formally egalitarian societies (Nielsen, 1972).

Ten years after Anheier and Daly's observations, foundations are expected to become more accountable and responsive in their relationships with their different stakeholders. Ebrahim (2010), quoted by Rey Garcia et al. (2012), identifies four types of pressure explaining this trend towards more accountability and transparency of foundations: (1) the scandals leading to societal pressure, (2) the donors and other stakeholders asking for information, (3) the legal pressures, and (4) the third-party supervision and assessment. The development of new models of philanthropy (e.g. venture philanthropy) and the related focus on impact and impact measurement also call for greater efficiency in foundations. Similarly, more and more "entrepreneurial foundations" are created with a very limited capital and a need for fundraising, which makes transparency and legitimacy towards external stakeholders more crucial. These accountability, transparency and efficiency expectations raise therefore governance issues.

Exploring governance issues facing local philanthropic foundations, Harrow (2011) points up that *"the core of philanthropic action involves private decision making and private choices in relation to public good and public benefit"*. Philanthropic foundations, compared to others non-profit organization, are deeply imprinted by their founders and are in that sense very private. The subsequent privacy of these choices may limit the governance impact. However, governance should be at the forefront of these private choices for public good.

The foundation legal form provides the founder a great freedom of action. Philanthropists have the opportunity to choose the social causes they want to support. Foundations can pursue agendas that are different from, or even opposed to, those of national government. They are thus are a potentially global force and source of innovation, capable of moving social and political agendas and meeting unmet needs (Anheier and Leat, 2002 ; Anheier and Daly, 2004). In this perspective, the freedom of action is definitely a positive feature and should be preserved, avoiding new public regulation that might limit their scope of action.

Conversely, that dual freedom from the market and popular control calls for the development and professionalization of foundations' governance, especially as many philanthropic foundations' boards play an additional operating role (Lungeanu & Ward, 2012). This is the price foundations have to pay to preserve their freedom of action and ability to support and promote innovation.

As founders usually deeply imprint their foundation and are often the most powerful actor in the organization, the permanence of the foundation and its operations might be an issue after the demise of its emblematic founder. Governance mechanisms can support the transition and help the foundation to go ahead and fulfill its assignments.

Another feature of the foundations sector is its heterogeneity – there are many different types of foundations. The decision-making process in foundations is quite different compared to other non-profit organizations (Gijssels, 2008). This heterogeneity calls for a governance approach that is not only centered on the sector (with the homogeneity assumption) but that takes into account the peculiarities of the foundation legal form, of the foundations objectives, and of their granting and operating modes.

Philanthropy has been long an Anglo-Saxon phenomenon. However, more and more foundations are created each year in Europe and increasing money is dedicated to philanthropy via this legal vehicle (EFC, 2012). This explains why during the last decade, regulatory transformations happened in various European countries in order to clarify or create legal status for foundations. Since 2010, the creation of an European foundation legal status is in process, and is aiming at defining one single set of rules and governance.

3. REVIEWING THE LITERATURE ON PHILANTHROPIC ORGANIZATIONS AND GOVERNANCE

We review now the existing academic literature dealing with governance issues in philanthropic foundations. A first observation is that papers addressing the issue of governance in philanthropic foundations is scarce and mainly originates from Anglo-Saxon scholarship; it highlights elements of different nature that will impact decision-making processes: the notion of private choices for public-interest actions, the type of founders, the country and the specific role of the board of directors.

For Harrow (2011), the view of Stoker (1998) on governance is the more critical for philanthropy in its institutionalized form: *“governance is being ultimately concerned with creating the conditions for ordered rule and collective action”*. As the essence of philanthropy is to act for the public interest while being driven by private choices, different governance challenges appear. Nevertheless, the governance is not always part of the foundations reflection. For example, Leat (2004) underlines the little concern of governance among Australian foundations compared to the governance issues raised in the USA. However, governance issue is amplified by the fact that the foundations, as well as other non-profit organizations, benefit from a favorable tax regime. Brody and Tyler (2010) address the question *“how public is private philanthropy?”* and discuss the argument that the assets of foundations are public money, as well as the implications of such claim.

Supervision of foundations is tackled by the literature. For Schurr (2011), the most efficient way to supervise the foundations is through the beneficiary. He mentions that, contrary to the rest of Europe, the governance of foundations in the Lichtenstein is primarily oriented towards the beneficiaries. Actually, public confidence is essential for philanthropic foundations to legitimate their actions (Stone (1975)).

Transparency and accountability are key prerequisites for good governance in foundations, characterized by nonproprietary and non-membership (Rey-Garcia and Alvarez- Gonzalez (2011)). In the Belgian context, Gijssels (2008) also highlights transparency, openness and responsibility as the three main governance elements for foundations in Belgium. Nevertheless, brakes for transparency exist. In Spain, for instance, Rey-Garcia and Alvarez- Gonzalez (2011) identify obstacles at the regulators level, combined with the heterogeneity of the self-regulatory mechanisms, and the absence of consensus for good governance implications.

Furthermore, governance challenges can vary from a foundation type to another. Harrow (2011) explores the governance issue facing local philanthropy as grant-making in UK and Japan. She studies the existence of special need of governance for local philanthropy. According to her, the *‘foundations need to offer an engagement strategy, via their governance (...) as well as a solution*

strategy'. She also argues that the organizational isomorphism stated by DiMaggio and Powell (1983), already studied in the strategic management perspective by Hafsi and Howard (2005), can limit reflecting upon local philanthropy's needs and aims as regard as governance. For corporate foundations, the challenge of public confidence is even more important (Rey-Garcia and Alvarez-Gonzalez (2011)). Indeed, the establishment of a foundation by a corporation can be driven by the promotion of the interest of the firm, but if there is a separate decision-making body, the foundation will be more likely to support non-related firm causes (Brown, Helland, and Smith (2006)).

In addition to the specific stakes of legitimacy, accountability and transparency, the role of the board of directors is more widely investigated in the literature and in particular according to the type of foundations. The highlighted responsibilities of the board of directors are diverse: the management of the foundations and its budget, and the selection of area of interest and beneficiaries (Stone (1975)), the strategic orientation of the foundations (Graddy and Morgan (2006)), or else, administrative decisions and control systems (Lungeanu and Ward (2012)). The composition and the structure of the board of directors are also tackled as well as related issues: the ethics of the administrators guarantying good governance (Leat (2004)) or the representativeness of the board of foundations in terms of greater diversity and alignment with the diverse values and perspective of the public (Burbridge *at al.*, 2002).

Next, the academic literature addresses specificities depending on foundation types, in particular for family foundations, community foundations and corporate foundations. McGinnis & Ashley (2011) evidence that family and independent foundations are congruent in terms of sub-sector preference despite the fact that families could be involved in the governance of the family foundations. According to Lungeanu and Ward (2012), the board size and composition affect the level of grant-making diversification and the effect can be different in a family and nonfamily foundations. Graddy and Morgan (2006), in turn, underline the role of the board for major strategic focus shift for community foundations. Furthermore, according to them, "*environmental realities affect the choice of the CEO and board members, and also constrain the choice set available to those leaders*". In corporate foundations, Petrovits (2006) observes that the board and the staff of a corporation foundation are quite often directors or employees of the parent firm. Werbel and Carter (2002), in turn, study the influence of the CEO participation on the foundation board and the effect on the relationship between the private interest of the CEO and the supported causes.

To sum up, this literature review reveals a main focus on the role of the board of directors as the only organ to tackle different related governance issues. If we relate to Charreaux's typology of governance mechanisms (1997) presented in section 1, research has only dig into one of the four compartments of the table, and the other types of governance mechanisms have been barely scratched. We also notice the lack of academic research and literature about governance issues in European foundations. However, the background and present-day situation greatly differs from Anglo-Saxon countries. The positioning, legitimacy and operation modes of European foundations are also, to a certain extent, different from Anglo-Saxon foundations. Seeing the heterogeneity of the foundations industry in Europe, we focus in the next section on one European country –Belgium– and describe the foundations sector in this country.

4. UNDERSTANDING THE BELGIAN FOUNDATIONS SECTOR

In this section, we focus on the case of the Belgian foundations sector. We first present the main characteristics of the philanthropic foundations sector in Belgium. We explain then the relevance of the Belgium case as regard as governance issue.

The foundations sector in Belgium is quite recent and has been growing during the last decade, with the impulse of a new law on foundations, which came into force in 2002². This law introduces a new type of legal status, i.e. the private foundation, and the existing status of public-benefit foundation is clarified. The term private in the new law refers to the private objectives of this type of foundations, while both statutes are yet private as regard as the founder. Nevertheless, the features of the Belgian law allow a hybrid model: private foundation acting in the public interest (Gijssels, 2008).

In 2001, Anheier noticed the small relative size of the foundations sector in Belgium and the weak growth in terms of foundations number. He considered the Belgian foundation sector a state-centred model including a close supervision of the foundation by the State.

However, the number of foundations created each year has exploded during the last decade. At the end of 2012, 504 foundations with a public-benefit status are registered, as well as 864 foundations with private status. The total of assets hold by the 15 biggest public-benefit foundations status reaches 1 billion euros. In addition, more than 200 funds are hosted within the King Baudouin Foundation and do not have legal personality. Most of the Belgian foundations are created by individuals (Gijssels & Develtere, 2006) and are mixed foundations (combining operating and grant-making activities). The Belgian sector is characterized by a high heterogeneity, whether in terms of mission, assets or employees.

The Belgian case is particularly relevant to study the governance issues, as it is starting a mature phase after the last decade of growth. The law of 2002 has been integrated and the foundations sector has started professionalize (Gijssels, 2008), either in terms of governance or strategy. Actually, the legal status of foundations in Belgium provides the founder with a high degree of freedom; the board of directors is the only management and control body: no members, no associates, the only requirement is a minimum of 3 administrators. Contrary to the public-benefit foundations status that has to be accredited as such by the Ministry of Justice, private foundations are not subjected to additional control. The coercive capacity of the 2002 law is questionable (Heuschen, 2003) and the internal mechanisms have to be understood. Furthermore, the legal governance tools for the two legal types of foundations are similar while the organizations are dissimilar. The accountability requirements, in turn, differ regarding the size and type of the foundation. Moreover, the presence of key actors in the sector providing with best practices and guidelines in terms of governance (e.g. Fondation Roi Baudouin, 2008 and the working axis of the Belgian Network of Foundations on governance) reflect the internal preoccupation of the foundations sector to self-regulate.

5. METHODS

Our paper on governance issues in philanthropic foundations in Belgium is part of a bigger research project aiming at getting an exhaustive knowledge of the philanthropic sector in Belgium, especially as far as foundations are concerned. We are planning to carry out a comprehensive questionnaire survey among the foundations and philanthropic organizations working in a public interest perspective in Belgium. We will collect administrative data, as well as data regarding (1) the strategic

² May 2nd, 2002, published in the Moniteur Belge on December 11th, 2002

choices these organizations make in the allocation of their resources, and (2) the governance challenges they face and the governance mechanisms they have set up.

As little is known about the foundations sector in Belgium (Mernier, 2013), the first step of our research is an exploratory investigation of the sector, through semi-structured interviews with various foundations. The data collected in this first research step will be compared with the academic literature addressing both organizational and managerial issues that we have chosen to focus on – strategy and governance. On this basis, we will make assumptions that will be addressed through the questionnaire survey.

Data collection

We have conducted 16 exploratory interviews between January and April 2014, with either the founder(s) if still alive, or the board president or the general secretary. These interviews focused on the origins and history of the founders and his/her/their foundation, their way of granting or operating, the governance and management of the foundation, the challenges they faced or are facing. All interviews have been registered and transcribed. Additional documents have been collected for each foundation, if available (statutes, internal rules, activity reports, etc.)

In order to account for the heterogeneity of the sector, the sample of foundations includes public-benefit foundations, private foundations, and hosted funds at the King Baudouin Foundation. In addition, the variety of action modes of the organizations is taken into account with operating, grant-making, mixed foundations and venture philanthropy foundations. The sample also includes old foundations (created in the 50s) and very recent ones (created in 2013). The fields of activities are diversified, as well as the geographic coverage. The sample is also heterogeneous in terms of size with foundations with big endowment (that only use the return of the invested capital) and foundations with small capital (that possibly have to make additional fundraising).

The main characteristics of the interviewed foundations are presented in table 2. These 16 foundations are anonymized and 8 of their features are described: their (1) legal status (2) action mode (3) year of creation (4) founder type (5) origin (6) resources (7) fields (8) geographic coverage.

Data analysis

The data analysis consisted in several stages. First, we created an analysis grid for all interviews, structured around all governance topics identified in the literature review, such as the board composition and running, the decision-making process, the founder's role and responsibilities, the additional governance and management bodies, their composition and running, the internal and external stakeholders of the foundation, the governance challenges and best practices mentioned by the interviewed foundations, etc. We reported in this analysis grid all relevant quotes in each foundation's interview.

Second, we made a transversal thematic analysis of these data. For each governance topic, we identified the main practices and issues, and we selected the relevant quotes to back up and illustrate these analysis elements.

The third step was twofold: first, we created a simplified table presenting a glance of the set of governance mechanisms in each investigated foundation, as well as their main composition and running features. Second, we created a table highlighting the main governance challenges mentioned spontaneously by the informants. We identified the relevant quotes for each of these challenges.

Table 2- Interviewed organizations sample³

Organizations	Legal status	Action mode	Year of creation	Founder type	Origin	Resources	Fields	Geographic coverage
Foundation Hazard	Hosted funds	Grant-making	2006	Family	Family philanthropic tradition Money surplus	Own capital	Water Development	South countries (Belgian NGO)
Foundation De Bruyne	Private foundation	Operating	1997	Individual	Family trauma	Own capital All patrimony dedicated	Suicide Drugs addiction	Belgium
Foundation Fellaini	Public benefit foundation	Operating	2012	Individual	Social needs	Own capital Fundraising	Immigration	Belgium
Foundation Lukaku	Public benefit foundation	Mixed	1999	Individual (doctors)	Scarcity of public money Research interest	Fundraising	Multisclerosis research	Belgium
Foundation Mertens	Public benefit foundation	Operating	1951	Family	Family trauma	Own capital Fundraising (subsidies)	Hospital for Disabled people	Flanders
Foundation Mirallas	Public benefit foundation	Grant-making	1988	Family	Money surplus	Own capital Occasional donations	Support of similar institutions (disabled people)	Belgium
Foundation Origi	Public Benefit Foundation	Mixed	1992	Individual (doctors)	Scarcity of money	Fundraising	Indigents	Belgium
Foundation Van Buyten	Private Foundation	Mixed	2006	Family	Family trauma	Own capital	Autism South countries-child	Belgium South countries
Foundation Vertonghen	Private Foundation	Grant-making	2013	Family	Family trauma	Own capital Fundraising	Young writers	Belgium
Foundation Witsel	Public Benefit Foundation	Grant-making	2005	Individual	Social needs	Fundraising	Young vocations	Belgium
Foundation Defour	Public Benefit Foundation	Mixed	1987	Individual	Will, no heir	Own capital	Entrepreneurship Peace and society	Brussels
Foundation Kompany	Public Benefit Foundation	Venture philanthropy	2007	Family	Money surplus	Own capital	Cancer research	International
Foundation Courtois	Public Benefit Foundation	Operating	1989	Individual	Family trauma	Own capital Fundraising Operations	Road safety for young drivers	Benelux
Foundation Chadli	Private Foundation	Grant-making	2010	Enterprise	Social needs	Enterprise donation	Social exclusion	Belgium
Foundation Alderweireld	Private foundation	Operating	2013	Individual	Family needs	Own capital Fundraising	Disabled child	Belgium
Foundation Wilmots	Public benefit foundation	Mixed	1999	Religious community	Regional needs	Enterprise donation	Local development	Chimay region

³ The foundations have been renamed to keep them anonymous

6. FINDINGS

In this section, we summarize the main findings coming out of the interviews' transversal analysis. Congruently with the academic literature highlighting the crucial role of the board in the governance of foundations, we first consider the board of directors, in terms of composition, running and decision-making process. As recent research has showed governance is a set of interacting mechanisms (Lapie and Mersland (2011)), we focus then on the additional mechanisms which play a role in the governance system, i.e. the additional bodies and formal documents, as well as on the internal and external stakeholders of our foundations sample. Finally, we present the three main governance challenges identified by our informants, and selected quotes illustrating these challenges.

The board of directors

As evidenced in table 3, the size of the board of directors can vary a lot. Even if the legal minimum is equal to 3 administrators, among which the founder, the boards in our sample are composed of 4 to 18 administrators. We see no apparent link between the size of the board and the independent variables such as the legal status or the type of foundation.

The board composition is quite heterogeneous. In family foundations, the founder(s) and/or the family members represent the majority of the board, apart from two family foundations (Vertonghen and van Buyten) where the majority of the board is composed of close relationships of the family, chosen for their relevant expertise. The presence of close relationships in the board seems also correlated with a live and committed founder. The most diversified boards, involving varied external stakeholders and actors from civil society, appear to be the boards of foundations whose founder is dead (Witsel, Defour) or those founded by groups of individuals (Lukaku, Origi).

The size of the board of directors does not seem defining and influencing the perimeter of the decision scope⁴. If the founder is still alive, he or she will take part of the decisions and sometimes will have an informal veto power. The most obvious variable influencing the decision scope of the board is the presence of an experts jury or a salaried staff (see table 4). We qualify some boards as "ceremonials", i.e. with only nominal authority, in foundations where power is fully held by either the founders (Van Buyten) or the salaried staff (Chadli and Courtois).

Within the board, some foundations define a "bureau", i.e. an executive committee, which effectively takes the decisions, even if the ratification of the decisions is mostly and formally the responsibility of the entire board. Very few foundations have mentioned the search for balance, either gender or linguistic.

The board of the interviewed foundations meets between once to 10 times a year. The frequency of board meetings may be an indicator of the effective power of the board (ceremonial or not). In addition, the presence of employees and managerial team influences the governance mechanisms and in some cases, the real decision power is in the hands of the salaried staff and managerial team.

⁴ In table 3, the column «decision scope» refers to the managerial and operational decisions, as it is assumed that boards are by definition responsible for the strategic decisions.

Table 3- Board of directors

Organizations	Administrators number	Composition	Founder's role	Sub-organs	Meetings	Managerial decision scope
Foundation Hazard	7	Founders (42%) Family Members (28%) External/experts (30%)	Informal full power	/	2 to 3 times a year	Jury decision ratification Projects < 5000 euros
Foundation De Bruyne	10 (Minimum of 7)	Founders (20%) Close relationships (80%)	Multiple appointments Informal full power	/	Multiple informal interactions Formal meeting once a year	Projects and grants selection
Foundation Fellaini	8	Founders (25%) Experts (75%)	<i>Not available data</i>	/	<i>Not available data</i>	<i>Not available data</i>
Foundation Lukaku	18	Scientifics (50%) Civil society representatives (50%)	None	Financial committee	<i>Not available data</i>	Ratification of scientific committee and jury proposals
Foundation Mertens	4	Family members (100%)	†	/	Every 3 months	None
Foundation Mirallas	8	Family members (100%)	†	Investment committee External relations committee Governance committee Building committee	Every month	Ratification of scientific committee proposals
Foundation Origi	12	Doctors (50%) Experts/civil society representatives (50%)	<i>Not available data</i>	Executive board	3 times a year	Ratification of the executive board proposals
Foundation Van Buyten	7	Family members (43%) Close relationships (with financial expertise) (57%)	Full power	Informal financial committee	Once a year	Ceremonial
Foundation Vertonghen	7	Founders (29%) Close relationships (with expertise) (71%)	President for life Veto right	/	At least once a year	Jury's decision ratification
Foundation Witsel	10	Civil society representatives Experts	<i>Not available data</i>	Working groups (strategy, fundraising, governance)	At least 4 times a year	Jury's decision ratification
Foundation Defour	15	University, economy, culture and retail representatives	†	Executive board Financial committee (4 administrators)	3 to 4 times a year	Ratification of managerial team proposals
Foundation Kompany	4	Founder (25%) Family (25%) Outside scientific and medical worlds (50%)	Veto right (not statutory)	Investment committee	Multiple formal interactions	Ratification of scientific committee proposals
Foundation Courtois	10	Founders (10%) Close relationships (90%)	<i>Not available data</i>	/	3 to 4 times a year	Ceremonial
Foundation Chadli	12	Bank executives committee (100%)	Full power	/	Meeting 3 times a year	Ceremonial
Foundation Alderweireld	11	Founders (37%) Experts (27%) Operational structures representatives (36%)	Full power	Executive board	<i>Not available data</i>	<i>Not available data</i>
Foundation Wilmots	5	Religious (60%) Laics (40%)	<i>Not available data</i>	Strategic committee	9 to 10 times a year	Ratification of jury and managerial team proposals

Additional organs and tools, and foundations 'stakeholders

Many foundations in our sample have set up additional bodies that play a role in the governance system of the foundation. However, their nature, power and degree of interaction with the board vary a lot. When the core activity of the foundation is grant-making, a jury of experts or a scientific committee is constituted, with a scope of decision varying from pre-selection (Witsel, Kompany) to ranking (Hazard, Vertonghen) and to the final decision step (Lukaku, Mirallas, Chadli, Wilmots). In this configuration, a liaison between the board of directors and the jury or scientific committee organ is generally established, for instance with the presence of the board's president in the selection committee, or the reverse, i.e. the board attendance of the jury or scientific committee's president.

Foundations created by families and individuals seem to work more in isolation. Occasionally or repeatedly, these foundation may call upon external stakeholders such as experts, matching partner, sponsor, (pro bono) consultants. However, in most cases, these experts don't have any real decision-

making power. The presence of volunteers, outside the jury composition, is rather weak. As already explained in the paragraph about the board of directors, the salaried staff of the foundation usually plays a great role in the decision-making process.

Legal statuses are compulsory for the creation of a foundation. However, these are more or less developed and comprehensive. Some foundations just adopt very conventional statuses, which are copies of other statuses found on the net or made available by a notary, although other foundations have very developed and complex statuses, which are updated frequently. There seems to be a correlation with the age of the foundation, that will have to be further explored. Some foundations complement these legal statuses with internal rules (Chadli, Courtois, Lukaku), allowing more flexibility to changes in the running of the foundation. Other formal documents are used by our sample of foundations, for instance governance charters (Mirallas), programme charters (Chadli) or policy papers (Van Buyten), partnership policy (Van Buyten). These formal documents are specific to each individual foundation.

Table 4- Additional organs and stakeholders

Organizations	Additional organs	Composition	Process	Internal stakeholders	External stakeholders	Formal documents
Foundation Hazard	Independent jury	Development experts	Call for projects Second round selection Formalized criteria	No	Paid consultants (2): first project selection Matching partners King Baudouin Foundation	Status Internal selection procedures
Foundation De Bruyne	None but thinking about creating a body supervising the board of directors	/	/	No	Matching partner King Baudouin Foundation	Status only
Foundation Fellaini	/	/	/	Employee (1 FTE)	Pro bono consultants	Status only
Foundation Lukaku	Scientific committee Independent jury	Academic experts	Final selection Informal scientific criteria	Employees (1,5 FTE)	Clinical research consultants	Status Internal rules
Foundation Mertens	/	/	/	Hospital staff	Regional authorities Operational entity	Status only
Foundation Mirallas	Scientific committee	Medical and academic experts	Final selection Informal scientific criteria	No	<i>Not available data</i>	Status Governance charter
Foundation Origi	/	/	/	Volunteers	Operational entity Paid logistics consultant	Status only
Foundation Van Buyten	/	/	/	Employee (0,5 FTE)	Pro bono consultants Matching partner Local bodies	Status Policy paper Partnership policy
Foundation Vertonghen	Independent jury	Litterature experts	Call for projects Top 5 ranking	No	Honorary members	Status only
Foundation Witsel	Independent jury Management group (communication)	Fields experts	Call for projects Pre-selection	Employees (2,5 FTE)	<i>Not available data</i>	Status only
Foundation Defour	/	/	/	Employees (2FTE)	<i>Not available data</i>	Status Founder will
Foundation Kompany	Scientific committee	Scientific experts	Open call for projects Formalized scientific and financial criteria Pre-selection	Employees (2FTE)	Ad hoc pro bono experts	Status Meeting minutes
Foundation Courtois	/	/	/	Volunteers Employees (2 FTE)	Paid communication consultants	Status Internal rules (but not used anymore)
Foundation Chadli	National committee Local committee Program specific committee	Bank activities and geographic zone representatives	Call for projects Final selection Formalized criteria	Bank staff volunteers	/	Internal rules Program charter
Foundation Alderweireld	Neighborhood committee	/	Not implemented yet	Volunteers	Operational entities	Status only
Foundation Wilmots	Independent jury Local authorities committee	Fields representatives and local actors	Call for projects Final selection	Employee (10 FTE)	Local authorities Operational entities	Status Meeting minutes

Governance issues for Belgian foundations

The transversal analysis of the 16 interviews has let emerge three main governance issues, identified spontaneously as such by our informants: transparency, professionalization and permanence. Table xx shows in which foundations these governance issues have been identified and/or tackled. We then describe more precisely these topics and illustrate them with selected relevant quotes.

Table 5 - Governance issues

Issues/Organizations	Foundation Hazard	Foundation De Bruyne	Foundation Fellaini	Foundation Lukaku	Foundation Mertens	Foundation Mirallas	Foundation Origi	Foundation Van Buyten	Foundation Vertonghen	Foundation Witsel	Foundation Defour	Foundation Kompany	Foundation Courtois	Foundation Chadli	Foundation Alderweireld	Foundation Wilmots
Transparency	X	X	X	X			X	X	X	X	X	X		X	X	X
Professionalization	X	X	X		X	X	X	X			X					
Permanence	X	X		X				X			X	X	X	X	X	X

Transparency

When asked about the governance challenges for their foundations, 13 foundations among the 16 investigated have mentioned the need for transparency. This transparency appears to be a crucial condition to get recognition by peer foundations and civil society stakeholders. This seems even more critical for young foundations, which are trying to justify their presence in the philanthropic field, or for “entrepreneurial” foundations, because of their operating modes and their frequent need for additional fundraising.

The Belgian public authorities enforced the transparency requirement with the procedure that foundations must comply with if they want their donors to be tax exempted on their donations. The biggest foundations are asked to submit their annual accounts to the Belgian National Bank, and some smaller foundations do it voluntarily.

However, the Belgian legal tools enhancing the transparency of foundations are quite scarce and weak (as few controls are undertaken). That is why most transparency actions undertaken by the foundations in our sample take place on a proactive and voluntary basis. At their level, foundations implement different transparency mechanisms that they consider as pledges of integrity: website, formalized call for projects, meeting minutes... They also rely on external expertise, mainly auditing.

"This governance has to be visible, and at the same time, it has to be adjustable." (Fellaini)

"We have a financial auditor... This is also a guarantee of transparency and good governance, as we must respect some criteria to obtain this fiscal agreement." (Lukaku)

"We wouldn't receive donations from other foundations if we did not have this ministerial recognition of transparency and... it gives a certain respectability, a recognition." (Origi)

"That's why, in a spirit of openness and transparency, we have made a website. " (Van Buyten)

"For reasons of efficiency and also of transparency, as each body issues meeting minutes. These minutes appear in the foundation's reports. They are accessible. " (Kompany)

"For transparency and integrity reasons, we are using calls for projects. Because, before that, proposals were arriving all along the year. There was a semblance of steering committee, which was in charge of the «decision»... But we said : we are going to do it more clearly. " (Chadli)

"But all decisions are written, so all demands are the subjects of written reports. " (Wilmots)

Professionalization

The second challenge touched upon by our informants is the professionalization of their foundation's management and governance. This concern is linked to a trend towards professionalization occurring in the philanthropic sector in Belgium, amplified by the diffusion of governance best practices by key field actors such as the King Baudouin Foundation, or the European Foundation Centre. Interviewees underline the need to professionalize their action, either in the projects selection or in the management. Some of them describe themselves as "amateurs".

Incentives for professionalization are a desire to create some distance with the often-emotional dimension of the mission, the external stakeholders requesting for accountability, or else the lack of managerial skills at founders' level. To answer these concerns, foundations in our sample have developed different strategies such as the recruitment of administrators with specific skills and expertise, the recourse to experts and external stakeholders to select the projects or to advise the board of administrators, the establishment of internal rules or governance charter, or the hiring of employees in charge of the administrative and operational support.

"What I would like is professionalising, but not too much however... we need to keep our humanity, but we need at least two or three people who keep an eye on the management, the administration, ... a legal viewpoint... A professional viewpoint..." (De Bruyne)

"It is good to be inspired, but it is good also to have experience and expertise." (Fellaini)

"We professionalised. It was when new administrators arrived, younger ones... Before, at my father's times, it was... very friendly and efficient... we won't bite the hand that fed us, but it was less accurate, for instance the budgetary decisions, but it was quite approximative. And then, we have started working with a corporate auditor, who has put things right, notably the accounting. It was after the legal changes, we had to modify the statutes... we have regained a bit of control." (Mertens)

"All these bodies, the organization, the long-term view, I think it enhances our functioning. (...) I am not sure that we have managed to communicate about our evolution, but personally, I think that we are lacking of professionalism." (Origi)

"The other challenges, it is to professionalize a lot more. Checking the reportings we receive. Impact... we have to measure more our impact. Communicating, updating the website..." (Van Buyten)

Permanence

The third governance challenge identified by the investigated foundations is linked to their aspiration to continuity and permanence, which is their intrinsic nature. The permanence issue is in fact referred to at two levels: first, at the level of the foundation's mission and spirit; second, at the operational level, where financial means are used to achieve the mission of the organization.

Regarding the mission, the informants are concerned by the "after the founder" challenge: the departure of the founder is anticipated in family foundations by involving heirs, or by the acculturation and training of the next foundation's president by the current founder. In family foundation, the intergenerational aspiration is invoked as well as the desire to include younger family members, reinforced by the will to transmit values and not only money. Clear statutes seem to be a useful tool to frame and support this transition, but our informants highlight the dilemma between the preservation of the initial mission and the necessary flexibility to allow the recontextualisation of the mission along time.

The stability of the board of directors is also a challenge for the foundations we met and is a condition for their continuity. To ensure this continuity, some foundations formalize the renewing of the mandates, in order to maintain the dynamic of the foundation and its connection to the contemporary world. Others give their administrators wanting to leave the board the responsibility to identify and commit their successors in the board.

The foundations also highlight the financial aspect of their action. Maintaining the assets of the foundation is a pre-condition to ensure continuity of its philanthropic actions. To guarantee this financial sustainability, several foundations in our sample have created a financial committee, composed of financial experts, to manage the portfolio of the organization.

"A foundation, because the logic of having a foundation is having a patrimony, and defining an objective, and having a long-term vision. So, guaranteeing the permanence, and in the management also... guaranteeing a kind of... long-term. " (Lukaku)

"Yes, that's it, living on through the family. But we are not opposed to opening the foundation to an administrator who would not belong to the family and could bring us added value. But we need to keep this family spirit. It was my father's wish above all." (Van Buyten)

"It is the DNA of the foundation. He (the founder) clearly stipulated the second thing, i.e. the permanence. (...) The financial committee is composed of four administrators, whose role, finally, obviously, is to discuss with the banks, to keep an eye on the portfolio, to ensure the permanence of the foundation, and so, to give the team the necessary means to achieve our goals. " (Defour)

"I wanted this foundation to be supported by the different departments of the company. The board is for this as well (...) A little bit a matter of prestige, being part of the board of the foundation. This is also something they take to heart, it is a mission that must not be taken lightly. So it is true that it ensures the sponsorship activities' permanence. " (Chadli)

"This foundation has been created by parents, mostly parents of children with intellectual deficiencies, and the aim of the foundation is the ensure the permanence of the project which had been launched before. " (Alderweireld)

7. DISCUSSION

The three governance issues identified by the Belgian foundations that we have interviewed are strongly interconnected and tend to reinforce each other. We observe that the main challenge underlying these three issues, even if not clearly mentioned by our informants, is their legitimacy in a welfare state context, where public authorities have always tried to limit the intervention of private actors and money in the public interest sphere. Therefore, in order to be legitimate, philanthropic foundations have to prove their accountability towards society as a whole through transparent practices, to professionalize their governance and operating mechanisms and to show that they are able to undertake their social missions in the long run.

To achieve these aims, Belgian foundations need to solve three tensions related to the three governance challenges they are facing.

1. The “openness” versus “closeness” tension

The transparency challenge highlighted by the Belgian foundations reveals an underlying tension between a trend to openness to external stakeholders and a need to stay focused on the original mission of the foundation. What is at stake is the power balance between the public interest and the founder’s private interest, even if this interest is to work for the public good. This search for power balance is evidenced in the composition and functioning of the board, and in the potential additional governance mechanisms set up by the foundation.

We observe that the boards of some foundations, mostly family foundations, make the choice for a «closed» board, which means a board essentially composed of family members, friends and close relationships. This way, these foundations intend to preserve the mission that was initially defined, the values of the family, and the “spirit” of the foundation. They try to avoid a “dilution” of these mission which may be the consequence of a compromise between two many stakeholder’s interests and viewpoints. However, such a “closed” board bears the risk of becoming out of date and disconnected from the external world, if the various mandates and roles remain hold by the same administrators. Moreover, achieving the foundation’s objectives may be impeded if the board lacks (emotional) distance with the mission of the foundation.

Other foundations have chosen to create an «open» board, i.e. opened to other stakeholders (experts, civil society, operational partners, related organizations, etc.). This is a great opportunity to professionalize the board with field experts or management experts, to reinforce the relationships with the external world, to increase the visibility and transparency, to rejuvenate the foundation. However, some founders are afraid to loose their decisional power. This independence is actually the very reason why they have chosen the foundation status, which avoids any power takeover by a general assembly for instance. However, an «open board» bears the same risk: the «external» administrators may orient the foundation in a direction that does not fit the founder’s expectations, claiming that there is a need to professionalize the foundation’s practices, to actualize the mission and the vision, or the field where the foundation operates, because of a changing context, etc.

2. The “formal” versus “informal” tension

If half of our informants explicitly claim for a greater professionalization of Belgian foundations, they express some reticence about too much formalisation. Actually, most of them associate professionalization with formalisation. When structuring the foundation, they usually try to preserve informal areas, claiming that informality is also a source of flexibility and creativity. Even if this

assertion appears legitimate, informality also allows to preserving some power areas, notably for the founder.

Some informants also relate a greater formalisation with a loss of humanity. Procedures, management tools, etc. may increase the distance between the foundation and the beneficiaries, even though the foundation is precisely a tool designed to understand and meet the social needs of these beneficiaries.

Whatever, the recent changes in the Belgian law on foundations have confirmed an irreversible process towards an increased formalisation of the foundations' practices. This is at the same time an opportunity for Belgian foundations, now entering a mature phase, to translate the experience they have acquired into new tools and procedures. And unlike the common sense, the formalisation of the mission and of the governance and managerial mechanisms is a privileged way to exert power over the foundation, for those who are in charge of this formalisation process.

3. The “innovation” versus “conservatism” tension

The two first tensions described let finally emerge a third transversal tension. The permanence issue presented in the findings actually reveals a dilemma between a “conservative” position and an innovation strategy. The foundation is the vehicle of the enactment of the founders' will in the long run. The mission of the administrators is to preserve and maintain the mission as defined by the founders. However, this attitude may progressively disconnect the foundation with a global context characterized by a continuous evolution and changing social needs.

Foundations are more and more often presented as innovation levers. Anheier and Daly (2004, p. 168) state that *“philanthropy is emerging as a salient force in addressing problems that have both global and local dimension”*. If Belgian foundations agree with this viewpoint, they will have to go beyond their reticence to reframe their action in an increasingly integrated context, where they will have to establish new partnerships with external stakeholders without losing their soul and spirit.

8. CONCLUSION

In this paper, we have presented the first findings from an exploratory research about governance practices of philanthropic foundations in Belgium. Governance is an important matter for foundations, as foundation claim to work in the public interest but are, at the same time, lacking from any democratic control. In Belgium, where the foundations sector is expanding and maturing, public regulations on foundations are quite weak, which generates mistrust and misunderstanding.

However, as our 16 foundations sample has showed, the issue of governance is a raising concern among Belgian philanthropic foundations. We observe that the governance mechanisms they have set up vary a lot from a foundation to another, and are, depending on foundations, more or less diverse, formalised, and inclusive of external stakeholders. Whatever, the majority of our informants spontaneously touched upon three main governance issues: transparency, professionalization and permanence. We have discussed the fact that these governance challenges are marked by three latent tensions that foundations will need to solve to acquire legitimacy in the Belgian context: (1) a tension between “openness” versus “closeness”, (2) a tension between “formal” versus “informal”, (3) a tension between “innovation” versus “conservatism”.

This first exploratory research step indicates that governance issues differ following the foundation type, age, or mission. The legal status, the stage of development, the type of founders, and the strategy of the foundation seem to impact governance issues. For instance, family foundations are likely to have smaller board of directors, while the foundations operating in a specific field tend to have more administrators. The recently created foundations appear to be more concerned with

governance issues. The legal status of private foundation seems to lead to a more concentrated power in founders' hands, via the board of directors as the only decision-making organ, without call upon employees. Conversely, public benefit foundations seem more willing to work with a salaried team, and in that case, the decision-making power can be delocalized from the board of directors to the direction. The operating foundations in our sample do not rely on a jury to implement their programs, while the reverse tendency is observed for the grant-making foundations.

In the next step of our research, we will deepen and challenge these very first insights. These will form the basis for a set of assumptions, which will be tested through a comprehensive survey in the whole Belgian Foundation sector. This may allow us to identify ideal-types of governance systems in foundations, and potentially link these types to foundations types or clusters. It could also be relevant to undertake similar survey in other European countries, in order to compare the governance practices and challenges of Europe based foundations, and to test the relevance of the potential governance ideal-types at a larger scale. Such an investigation and comparison would be very useful in the framework of the current negotiation about the creation of a European foundation legal status.

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