NONPROFIT GOVERNANCE TAKEAWAYS – EXAMPLES FROM FOUNDATIONS ASSOCIATED WITH CORPORATIONS

By

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ABSTRACT

Nonprofit organizations serve a crucial role in society, prioritizing public welfare over profit maximization. However, evaluating nonprofits' effectiveness poses challenges due to their diverse objectives. Governance structures significantly impact organizational performance yet assessing this impact in nonprofits is complex due to varied goals and regulatory leniency compared to for-profits. This thesis paper explores the applicability of corporate governance practices – Agency Theory, Stewardship Theory, and Resource Dependence Theory – to nonprofits, focusing on national foundations associated with corporations. Using a qualitative approach and case studies of eight national foundations, the study investigates their adherence to governance theories and benefits from corporate affiliations. Findings suggest a strong alignment with Resource Dependency Theory, facilitated by shared leadership between foundations and corporations, enhancing resource acquisition and utilization, and strategic alignment. This research contributes valuable insights into nonprofit governance, particularly for foundations, with implications for societal impact and governance best practices.

Keywords: Nonprofit organizations, governance, corporate governance, foundations, Resource Dependency Theory, Agency Theory, Stewardship Theory

INTRODUCTION

Nonprofit organizations, defined as legal entities organized and operated for a collective, public, or social benefit without pursuing the goal of commercial or monetary profit (Molk and Sokol 2021), play an essential and irreplaceable role in today's society. In contrast to for-profit entities, nonprofit organizations are primarily oriented toward public or social welfare rather than profit maximization (Cornell Law School, 2024). However, to optimize their societal contributions, robust performance evaluation mechanisms are necessary. Yet, assessing the effectiveness and impact of nonprofits is inherently complex due to their non-monetary objectives (Chelliah et al., 2016).

Furthermore, existing research underscores the significant impact of governance structures on organizational performance (Serapicos, Leite, & Fernandes, 2019). However, evaluating the influence of governance on performance within nonprofit entities poses greater challenges compared to their for-profit counterparts due to two key factors.

Firstly, the assessment of nonprofit governance necessitates the establishment of objective metrics, a task complicated by the multifaceted nature of nonprofit goals (Harvard Business Review, 2023). In contrast, for-profit entities' performance evaluation is more straightforward as it revolves around maximizing shareholder returns, thereby facilitating the use of tangible financial metrics for assessment and benchmarking (Miller, 2003).

Secondly, the regulatory landscape around nonprofit governance is less stringent compared to that of for-profit organizations, rendering the establishment of effective governance frameworks and incentivization mechanisms more challenging (Schizer, 2019-2020). This complexity arises from the inherent ambiguity surrounding what constitutes effective governance

within nonprofit contexts and whether insights gleaned from for-profit governance models are applicable.

Thus, this thesis endeavors to explore the applicability of corporate governance practices to nonprofit entities and discuss insights and adaptations necessary for enhancing nonprofit governance practices.

This is an important research question to look at due to several reasons. Understanding the best practices for the board of trustees' composition for nonprofit organizations could lead to a larger impact on the communities that nonprofit organizations serve. There is a very limited number of recent studies done on the application of corporate governance models – defined as mechanisms and processes, that control and operate corporations (Monks and Minow 2004) – to nonprofit boards. The board of trustees presides over nonprofit organizations, while the board of directors governs the for-profit corporations (BoardEffect, accessed May 11, 2024).

There is also limited research done on national nonprofits, with existing literature focusing more on local organizations. National nonprofits operate nationally, serving the entire country, while local nonprofits are specific usually to the city or the region they serve (Cornell Law School 2024). Given the size and complexity of national nonprofit organizations, examining their governance can provide valuable insights. These organizations often exhibit more intricate governance frameworks compared to local entities (Chelliah et al., 2016). Most of the research done is quantitative with large samples and surveys used as the research method. However, there is a limited number of papers with case studies of the nonprofits' governance. Qualitative research enables a deeper exploration of governance practices within the sampled organizations compared to the statistical insights provided by quantitative studies alone. Lastly, this paper focusing on foundations associated with corporations might have significant input on the best

practices for the nonprofit boards since they have exposure to the corporations' boards and might use their best practices.

This study employs a qualitative approach, utilizing case studies of eight national foundations, foundations operating at the scale of the country, and affiliated with corporations spanning Asia, Europe, and North America. The primary objective is to discern the governance theories—Agency, Stewardship, and Resource Dependency—that these foundations conform to, if any, and to elucidate the nature and extent of benefits derived from their affiliation with for-profit corporations. Data pertaining to these foundations was procured from publicly available sources including websites, reports, and published interviews.

The findings of this investigation reveal a predominant alignment of the governance structures of foundations with the Resource Dependency Theory. Additionally, a notable pattern emerges wherein these foundations commonly share at least one board member or executive with their affiliated corporation. Furthermore, the study underscores the advantages accrued from this affiliation, including the alignment of organizational visions, acquisition of essential resources, resource utilization, and active support for the corporation's Environmental, Social, and Governance (ESG) initiatives.

LITERATURE OVERVIEW

Organizations can be considered well-performing when they can deliver demanded goods and services to consumers at the lowest prices while covering their costs (Fama and Jensen 1983, 327). This is possible to do with for-profit organizations since their purpose is to deliver demanded goods and services while maximizing profits. The inherent difficulty in measuring the

impact of nonprofits gives rise to further challenges in managing agency problems[1]. Goal uncertainty complicates the determination of the effectiveness of governance policies within nonprofits. For instance, executives within nonprofits, acting as "agents," may lack incentives to minimize costs and may allocate funds inefficiently, as their compensation structure may not be tied to the financial performance of the organization (Chelliah et al., 2016). Since the primary focus of nonprofits lies beyond monetary gains, financial performance metrics may not hold significant importance, thereby influencing agent incentives.

Consequently, the lack of emphasis on measuring social impact may perpetuate inefficient resource allocation, leading to missed opportunities for community benefits. Redirecting reduced costs towards other impactful programs could have maximized community welfare. Consequently, the interests of principals could be compromised, deviating from the optimal alignment of agent actions with principal objectives. This underscores the necessity for further research into nonprofit governance practices (Cornforth and Brown, 2013; Stone and Ostrower, 2007).

However, since for-profit governance has clear goals and is able to establish best practices in its governance, there could be lessons that nonprofit organizations could take from corporate governance.

[1] For the reasons nonprofit organizations do not pursue profits, and provide important public goods and services, they are exempt from federal and income taxes. Most nonprofits file for preferential tax treatment under § 501(c)(3) of the Internal Revenue Code; however, some nonprofits can exist without this status. According to the Revised Model Nonprofit Corporation Act, nonprofit organizations are not allowed to distribute any profits to individuals. This takes away one of the most important incentives for the boards to make decisions that impact the nonprofit's results. As discussed above, if part of the profits is not distributed to the agents, agents are not incentivized to improve the performance of the nonprofits and therefore might make different managerial decisions than if they were financially incentivized according to the organization's financial success. However, nonprofit management still has the fiduciary duties of loyalty, health, and good care. Continuing with the specifics of the governance of nonprofits, their management can be selected by the organization's members or appointed by the nonprofit's board, compared to for-profit management voting by the shareholders. Nonprofits are also required to file Form 990 for monitoring processes, which includes information on the nonprofit's governance (Molk and Sokol 2021).

There has been some research done on "corporate governance" in nonprofit organizations; however, there is rather limited recent research on the application of corporate governance theories to the nonprofit sector (Jagers 2009; Jaskyte 2018, 1098–1111). This paper will look at three major governance theories, Agency Theory, Stewardship Theory, and Resource Dependence theory (Viader and Espina 2014; Jaskyte 2018, 1098–1111), and test if they are relevant to the governance practices of the nonprofits selected in this study. Agency Theory states that the goals of agents and principals are not aligned with each other (Fama and Jensen, 1983; Johnson et al., 1996; Zahra and Pearce, 1989). If applying to nonprofits, agents are the top executives and the principals are the board of trustees (Bernstein, Buse, and Bilimoria 2016). As a result of the conflict of interests between the board and the top executives, agents experience a higher level of control inflicted by their principals – the board of trustees. (Viader and Espina 2014). Stewardship Theory states that agents' and principals' goals are aligned with each other, and agents act as stewards of the organization (Donaldson, 1990; Davis et al., 1997). Therefore, for nonprofits, this means that their top executives and boards act based on the same interests. Lastly, the Resource Dependence Theory states that the organization is operating within an external environment from which they must acquire critical resources for survival and success (Dalziel and Hillman, 2003; Boyd, 1990; Daily and Dalton, 1994; Gales and Kesner, 1994; Hillman et al., 2000; Pfeffer, 1972). In other words, organizations are not self-sufficient and should interact with the outside environment to secure resources like funding, partnerships, materials, and customers, which are detrimental to the organization's existence and operation. Therefore, the board acts as a resource provider. Understanding if the governance theories above are relevant to nonprofits will help conclude if any best practices could be extracted and applied to the nonprofit boards for more successful operation.

By exploring foundations associated with corporations this paper gains further insight into the governance of nonprofits. These foundations could be best positioned to benefit from the corporate governance of associated corporations. These insights from corporate governance utilization in foundations' operations could yield more general takeaways beneficial to nonprofits at large, not only limited to foundations. Foundations are defined as legal entities or persons that provide funding to charitable organizations while also potentially engaging in charitable activities (Candid Learning, Accessed May 11, 2024). Foundations also file under § 501(c)(3) of the Internal Revenue Code private charity, which gives the status of nonprofits. This paper will focus on foundations associated with corporations, which means that these foundations are also operated and supported by the corporation it is associated with while helping fulfill the Company's social and philanthropic goals (Steele 2023). Prior research on foundations suggests that foundations benefit from the connection to the corporation and should utilize the synergy (Bethmann and von Schnurbein 2015).

However, there is limited recent research done on the pairings of foundations and corporations and their corresponding governance, especially in the national context. Different law regulations concerning the connections between corporations and their foundations vary across world regions, therefore, expanding the sample globally and exploring the connection could yield interesting insights about governance practices across the world and reasons for differences. Moreover, the research done previously focuses on Europe. This paper will look into foundations and corporations that operate in U.S., Asia, as well as Europe to provide a more comprehensive overview.

Furthermore, previous research on the governance of nonprofits used surveys as research methods, which allowed for a large sample of organizations. However, this paper will utilize

case studies as a research method, which will make it possible to extract a deeper insight into the governance of the foundations selected and if the best practices are shared between the corporation and the foundation.

Lastly, previous research on foundations has not used a theoretical approach in corporate governance. This paper learns which of the three governance theories – Agency Theory, Stewardship Theory, and Resource Dependence Theory – foundations in the sample align with and extract takeaways from these results for nonprofit leaders to use in their governance practices.

METHODS AND SAMPLE

Sample

As mentioned in the previous sections, this paper will focus on the foundations and the corporations they are associated with. This population presents an intriguing area of study, particularly because foundations linked with corporations, despite being nonprofit entities, could potentially leverage governance best practices gleaned from their corporate affiliations. The study will encompass a sample of eight foundations and their respective corporate counterparts.

1) Tanoto Foundation and Royal Golden Eagle
2) Microsoft Philanthropies and Microsoft Corporation
3) Novartis Foundation and Novartis AG
4) PepsiCo Foundation and PepsiCo, Inc
5) JP Morgan Chase Foundation and JP Morgan Chase & Co
6) W.K. Kellogg Foundation, Kellanova, and WK Kellogg Co
7) Ford Foundation and Ford Motor Company

8) Bloomberg Philanthropies and Bloomberg L.P.

The sample suggested includes interesting subjects since these organizations represent different geographies and industries. Therefore, these variations could shed light on the potential differences in the governance of foundations. Appendix A provides fuller descriptions of the foundations and associated corporations – their regions of operations, industries and focuses of philanthropy, and board gender composition. It is important to grasp the functions and missions of both companies and foundations. This understanding influences how boards shape their governance strategies. Depending on whether their missions align or differ, boards may adopt similar or different approaches for corporations and foundations.

Methods

As mentioned above, the paper uses publicly available information, like the websites of foundations and corporations, published reports, interviews, etc. to assess the applicability or implementation of the corporate governance models and practices in those foundations. Appendix B provides a list of questions that this paper seeks answers to in order to determine the conformity of each foundation to one of the governance theories.

RESULTS

Figure 1 presented below indicates the primary governance theories each foundation most aligns with, as inferred from the answers to the methods section's question list. It is important to note that this study relies solely on publicly accessible resources; thus, the governance assessment of each foundation is contingent upon the available information and may not comprehensively represent all governance practices undertaken by these foundations.

Figure 1.

Foundation Governance Characteristics by Theory and Region

Foundation / Theory	Agency	Resource Dependency	Stewardship	Region	Board Size
Tanoto Foundation		X		Asia	5
Microsoft Philanthropies		X		U.S.	N/A
Novartis Foundation	X			Europe	6
PepsiCo Foundation		X		U.S.	N/A
JP Morgan Chase Foundation			X	U.S.	N/A
W.K. Kellogg Foundation			X	U.S.	10
Ford Foundation	X			U.S.	16
Bloomberg Philanthropies		X		U.S.	25

As a part of the analysis of the governance of foundations in the research sample, gender distribution and female representation will also be studied. As discussed in the National Council of Nonprofits, gender distribution as well as the board size are the important indicators of the governance approaches and speak to the quality of leadership, attributed to the diversity of

thought, experience, and resources. Appendix A provides more in-depth data about the gender composition of each foundation.

An observation from this study reveals that half of the researched foundations, specifically four out of the eight analyzed, align with the Resource Dependency Theory. Geographically, one of these four foundations is based in Asia, while the remaining three are based in the United States.

The remaining 50% of the studied foundations are evenly distributed between the Agency Theory (25% of the foundations studied) and Stewardship Theory (25% of foundations studied). Among the foundations associated with the Agency Theory, one is of European origin, while the other is based in the United States. The two foundations aligned with the Stewardship Theory are both based in the United States.

The mean board size among the researched foundations is 12.6 board members, with an average gender distribution of 41% (female board members to total board members). Analysis of the available data indicates a trend where U.S.-based foundations typically exhibit larger board sizes, ranging from ten to twenty-five members, while foreign foundations tend to have smaller boards, typically comprising five to six members.

Regarding board interactions, a significant proportion of the studied foundations, five out of eight (representing 63% of the sampled foundations), engage in some form of interaction with the corporations they are affiliated with, typically through shared board members or executives. Specifically, three foundations (constituting 38% of the sampled foundations) share one to two board members with the corporations they are affiliated with. Notably, these foundations operate across all regions studied, including Asia, Europe, and the U.S. Other two foundations have individuals serving as board members in one organization (foundation or corporation) and as

executives in the associated organization (foundation or corporation, respectively). These particular foundations are both based in the United States. Conversely, one U.S.-based foundation demonstrates no overlap in terms of board members or executives between the foundation and its affiliated corporation. For the remaining two foundations, insufficient publicly available information impedes a conclusive determination regarding their engagement in board interactions between the foundation and affiliated corporations.

DISCUSSION

Alignment with Resource Dependence Theory

As discussed in the Results part, most foundations can be described as aligning with the Resource Dependence Theory, which means that most of the foundations in the sample indicate strong reliance on external resources for their operations and existence.

These findings, that most foundations in the sample rely on external resources, are in line with a nonprofit's goals. Existing literature strongly supports this conclusion. According to the Cornell Law School's legal encyclopedia: "A nonprofit organization is a group organized for purposes other than generating profit and in which no part of the organization's income is distributed to its members, directors, or officers" (Cornell Law School 2024). Since these organizations are not generating profit as the main goal, they might not be generating enough to sustain the operations, and, therefore, depend on the external resources for the existence. According to the existing literature, often nonprofits rely on external resources like grants, donations, government contracts, and other partnerships (Cornforth 2004, 36).

According to the Resource Dependency Theory, the nonprofit's board is responsible for securing the critical resources for the organization from the external environment, and one of the

board's main functions is to connect the organization with external resource providers (Cornforth 2004, 36). Therefore, the board members could be chosen based on their ability to access outside resources, like their network strength with other organizations. The board members' function is to acquire the needed resources for the nonprofit.

The following sections will transition from the discussion of this paper's findings in the context of the prior research to extracting takeaways that nonprofit leaders can apply to their organizations' governance structures.

Benefits of the Foundation-Corporation Synergies

As discussed in the Results section, the majority of foundations exhibit a link with their associated corporations through either a shared board member or a combination of a board member and an executive. This connection creates beneficial synergies between the foundations and corporations, which this part of the paper will explore further.

The interconnection between nonprofit and for-profit entities presents potential mutual advantages on multiple fronts. Firstly, foundations may function as conduits for advancing the Environmental, Social, and Governance (ESG) agenda of the associated corporation. Secondly, in accordance with the Resource Dependence Theory, foundations stand to gain from the resources brought forth by their affiliated corporations. Notably, there was no discernible correlation observed between the alignment of foundations with the Resource Dependence Theory and the presence of shared board members/executives, indicating that foundations within the sample derive benefits from their corporate affiliations irrespective of the leadership's connection to the outside resources. Thirdly, individuals holding positions in both organizations can facilitate the leveraging of expertise, networks, and opportunities, thereby mutually

enhancing their respective operations. Finally, such shared personnel can also contribute to aligning the strategic priorities of both nonprofit and for-profit entities.

Foundations examined across diverse geographical regions in this study demonstrate a consistent presence of shared members or executives between organizations, indicating a uniformity in resource and knowledge transfer in all global regions studied rather than region-specific dynamics. This defeats an assumption made earlier that varying laws across different countries would allow for more or less foundation dependency on the associated corporation. Moreover, the argument that differences in independence criteria between the two organizational entities discourage individuals from simultaneously holding positions in both foundations within specific regions worldwide has been refuted.

Given that the majority of foundations conform to the Resource Dependence Theory and share personnel between the foundation and its associated corporation, it can be inferred that most foundations derive advantages from the governance structures of the for-profit corporations with which they are affiliated. Nevertheless, the interconnection between these entities may also entail potential disadvantages for either organization. In the context of for-profit enterprises, there is a possibility that the activities of their foundations could restrict the pursuit of certain investment opportunities. These constraints may arise due to conflicts with the foundation's mission, objectives, or the interests of the communities it aims to serve.

On the foundations' side, there exists the potential for the relationship with corporations to constrain the scope of impact that foundations can achieve. This constraint may manifest in several ways. Firstly, foundations may face a need for endorsement of some activities of the for-profit entities to avoid adverse impacts on the corporation’s profitability. Secondly, in line with the Resource Dependence Theory, foundations rely on corporations for crucial resources.

Pursuing agendas contrary to the profit-oriented objectives of corporations could jeopardize future funding opportunities from the associated corporation and even threaten the foundations' sustainability. Lastly, corporations may leverage associated foundations to advance their Environmental, Social, and Governance (ESG) agendas, possibly prioritizing corporate image enhancement over society welfare maximization.

Takeaways

Drawing from the findings of this study, this paper puts forth several takeaways concerning best practices in nonprofit governance.

Firstly, guided by the principles of the Resource Dependence Theory, nonprofits are advised to strategically leverage their board members as vital resource conduits to mitigate resource dependency and scarcity. This entails ensuring that board members possess robust networks and affiliations with diverse entities and organizations, enabling them to advocate effectively on behalf of the nonprofit in resource acquisition endeavors. Consequently, during the board member selection process, nonprofits should thoroughly evaluate candidates' backgrounds and potential networks to gauge their capacity to procure essential resources for the organization. It is important for nonprofits to consider individuals from various professional domains, even those seemingly tangential to the nonprofit's core operations, as this fosters resource diversification and diminishes reliance on singular resource channels. Gender diversity also contributes to the diversity of thought, experience, and resource channels.

Secondly, building upon the importance of partnerships, as suggested by the Resource Dependence Theory which underscores inter-organizational reliance on resource sharing, nonprofits are encouraged to cultivate strategic alliances with other organizations. This strategic approach facilitates access to resources available within partner organizations. As evidenced in

this study, nonprofits can reap substantial benefits from partnerships with for-profit entities, thereby necessitating proactive engagement in collaborative initiatives with such entities to tap into additional resources, including enhanced financial support. Furthermore, insights gained from foundations associated with corporations highlight the advantages of establishing robust affiliations with for-profit entities to ensure sustained resource provisioning. Lastly, extending invitations to executives or board members from for-profit organizations to participate in collaborative efforts serves to strengthen organizational bonds, align objectives, and foster synergistic outcomes.

The takeaways proposed in this paper are intended to be broadly applicable to the diverse spectrum of nonprofit organizations, characterized by their commitment to serving society. However, it is crucial to acknowledge the inherent uniqueness of each nonprofit organization, stemming from differences in purpose, stakeholder groups, and communities served. Therefore, while the takeaways outlined in this paper offer valuable insights, they should be customized and tailored to align with the specific design, purpose, and mission of each individual organization.

Effectively implementing these takeaways necessitates the presence of competent leadership, a well-constituted board of trustees, and organizational capabilities that enable nonprofits to fully grasp and integrate these takeaways into their strategic planning and operational frameworks. This holistic approach ensures that nonprofits not only understand the principles underlying the takeaways but also possess the resources and capabilities to translate these principles into actionable strategies that align with their unique organizational contexts and objectives.

Sample Limitations

The inherent characteristics of these case studies introduce constraints on the generalization of the paper's results. These limitations stem from factors such as the restricted sample size of the foundations under study, variations in legal frameworks across diverse global regions, and constraints related to the availability of publicly accessible information.

This paper provides data pertaining to eight foundations, encompassing one operational in Asia, one in Europe, and six in North America. The sample size is constrained and exhibits a bias towards foundations operated in North America. Consequently, the generalizability of the research findings is confined to this specific sample and might yield bias when extending to encompass the broader spectrum of nonprofit organizations worldwide.

Additionally, the data used to ascertain the governance theories relevant to the foundations within the sample has been sourced from publicly available materials, encompassing information taken from the foundations' and corporations' websites, reports, and interviews. Notably, this information primarily reflects the publicly projected image of either the foundations or corporations, introducing a potential bias towards favoring one governance theory over another. Conducting further research, such as interviews with representatives from the foundations or corporations, could help mitigate this bias and provide a more comprehensive understanding of their governance dynamics.

Ultimately, for nonprofit leaders to leverage insights gleaned from foundations, they ought to acquaint themselves with theoretical frameworks concerning governance, such as Agency Theory, Stewardship Theory, and Resource Dependence Theory. Familiarity with these frameworks will enable nonprofit leaders to utilize the derived insights more effectively. Nonprofit leaders should discern which of these theoretical frameworks on governance structures

are most pertinent to their respective organizations, ensuring the application of the highlighted insights optimally.

CONCLUSION

Based on the findings of this study, foundations in the sample predominantly adhere to the principles of the Resource Dependency Theory, indicating their reliance on external resources for sustenance. However, when the three described theoretical frameworks are understood profoundly, larger lessons in nonprofit governance can be applied to individual organizations. Within the Resource Dependency governance framework, the resource dependence found in this paper translates to the pivotal role of nonprofit boards of trustees as resource providers. Insights gained from foundations affiliated with corporations underscore the advantages of establishing and nurturing connections with for-profit entities. Incorporating at least one board member or executive from a partnered for-profit corporation can fortify this relationship, facilitating resource sharing and strategic alignment.

Furthermore, the strategic selection of board members with diverse backgrounds and valuable connections is instrumental in mitigating resource dependence on singular sources and reducing inherent instability in resource streams. This strategic approach not only broadens resource access but also enhances organizational resilience and adaptability in the dynamic nonprofit landscape.

Building on these insights, this paper concludes with potential areas for future research and the continuation of the topics discussed in this paper. Further case method research including interviews with the representatives of nonprofits could yield helpful results in learning about the internal governance structures and details of the systems in place, such as the incentive or control

systems of the executives of the nonprofits, as well as the "human factor", to learn how similar are they to the ones of the corporations. Investigating the long-term consequences of the collaborations between nonprofit and for-profit organizations could help understand the impact and sustainability of these collaborations. Developing specific frameworks for assessing and mitigating the resource dependence of nonprofits could be beneficial in minimizing risks associated with nonprofits' resource dependence. More in-depth comparison of a larger sample of nonprofits across different world regions could yield more meaningful and accurate results about the nonprofits' governance in different world regions, as well as uncover the differences due to the different nonprofit governance regulations in different countries. Understanding the role of cultural, legal, and regulatory factors in shaping resource dependencies would be valuable for developing takeaways specific to each region. Finally, investigating the legal and ethical implications of the nonprofit and for-profit collaboration could be useful in understanding the issues relating to transparency, compliance, mission and purpose alignment, and conflict of interest.

The evolving ecosystem in which nonprofits operate has undergone significant changes impacting not only these organizations but also the companies they collaborate with. To thrive in this evolving landscape, organizations must reassess the structure of their governance to facilitate a smoother transition. The takeaways outlined in this thesis provide valuable insights for organizations to adjust their strategies and navigate this dynamic environment effectively.

APPENDIX A

Additional Information on Foundations in the Sample

Tanoto Foundation and Golden Royal Eagle are located in Asia, specifically in Indonesia. Singapore, and China. Tanoto Foundation focuses on advancing education (Tanoto Foundation[2]), and Golden Royal Eagle is a group of companies specializing in resource-based manufacturing (RGE[1]). Microsoft Philanthropies and Microsoft are headquartered in the U.S. Microsoft Philanthropies focuses on technology and innovation (Microsoft Philanthropies[1]), and Microsoft is a technology and software company (Microsoft[1]). Novartis Foundation and Novartis are located in Europe, specifically in Switzerland. Novartis Foundation focuses on improving healthcare (Novartis Foundation[1]), and Novartis is an innovative medicine company (Novartis[1]). PepsiCo Foundation and PepsiCo are headquartered in the U.S. PepsiCo Foundation focuses on promoting food access and sustainable development (PepsiCo Foundation[1]), and PepsiCo is a food, snack, and beverage company (PepsiCo[1]). JP Morgan Chase Foundation and JP Morgan Chase are headquartered in the U.S. JP Morgan Chase Foundation is focused on providing economic opportunity (Foundation Center[1]), and JP Morgan Chase & Co is a financial services company (JPMorgan Chase[1]). W.K. Kellogg Foundation, Kellanova, and WK Kellogg Co are headquartered in U.S. W.K. Kellogg Foundation focuses on supporting vulnerable children (W.K. Kellogg Foundation[1]), and both Kellanova and WK Kellogg Co are food manufacturing companies (Kellanova[1]; Kellogg's[1]). This paper will look at both Kellanova and W.K. Kellogg Co because their one foundation, W.K. Kellogg Foundation, supports both of these companies' philanthropies. Kellanova and W.K. Kellog Co. separated from Kellogg's corporation to separate the fast-growing food manufacturing business from more poorly-performing cereal business;

[1] Accessed December 13, 2023

however, the foundation remains to support both of these corporations (KELLANOVA, FORMERLY KELLOGG COMPANY). M.S. Ford Foundation and Ford Motor Company are headquartered in the U.S. Ford Foundation focuses on advancing human welfare (Ford Foundation[3]), and Ford Motor Company is an automobile manufacturing company (Ford Motor Company[2]). Bloomberg Philanthropies and Bloomberg L.P. are headquartered in the U.S. Bloomberg Philanthropies is focused on the environment, public health, the arts, government innovation, and education (Bloomberg Philanthropies[2]). Bloomberg L.P. is a financial software, data, and media company (Bloomberg[2]).

Figure 2

Gender Composition of the Foundations

Foundation / Theory	**Gender Composition**	**Female Board Representation (%)**
Tanoto Foundation	3 male and 2 female	40%
Microsoft Philanthropies	N/A	N/A
Novartis Foundation	4 male and 2 female	33%
PepsiCo Foundation	N/A	N/A
JP Morgan Chase Foundation	N/A	N/A
W.K. Kellogg Foundation	5 male and 5 female	50%
Ford Foundation	9 male and 7 female	44%
Bloomberg Philanthropies	16 male and 9 female	36%

Among the four foundations associated with the Resource Dependency Theory, detailed information regarding board size and structure is available for two of them. Tanoto Foundation comprises a board of five members, with three males and two females, constituting a female

[3] Accessed December 14, 2023

representation of 40%. Conversely, the Bloomberg Foundation boasts a larger board of twenty-five members, with sixteen males and nine females, representing a female membership of 36%.

Detailed information regarding board size and composition is available for one of the Stewardship Theory-adhering foundations. This foundation comprises a board of ten members.

Novartis Foundation comprises a board of six members, with a male-female ratio of 4:2, resulting in a female representation rate of 33%. Conversely, the Ford Foundation boasts a larger board of sixteen members, with nine males and seven females, reflecting a female representation rate of 44%.

APPENDIX B

List of Questions Determining the Governance Theory Alignment

Agency Theory:

1. Are there any incentives to align the interests and actions of the managers and executives of the foundation with the foundation's stakeholder or donor interests? If so, what is an example of those incentives?
    a. This question addresses the theory's aspect of management and stakeholder interest misalignment.
2. Are there any mechanisms to monitor the executive's performance? If so, what is an example of those mechanisms?
    a. This question tests if there is an agent-control mechanism.
3. During the decision-making process, if there is a conflict between the management and the stakeholders of the foundation, are there any mechanisms in place to manage the conflict? If so, what is an example of those mechanisms?
    a. This question checks if there are mechanisms mitigating the divergence in opinions.

Resource Dependence Theory:

4. Does the board actively seek outside resources for the foundation? If so, how?
    a. This question checks if the board's role is to acquire external resources.
5. Are there any partnerships or networks that have been instrumental to your foundation's success?
    a. This question checks if and how much the foundation depends on external resources.

6. How does your foundation identify and mitigate risks of reliance on external resources (for example, fluctuations in funding)?
    a. This question seeks external resources management strategies.

Stewardship Theory:

7. Are executives and managers encouraged to act in the best interests of the foundation? If so, why and/or how?
    a. This question seeks to understand if there is an alignment between the interests of the managers and the foundation – checks if the managers are the stewards of the organization.
8. Does the foundation focus on building a culture of trust and empowerment? If so, please provide an example.
    a. This question checks if the culture of trust and empowerment is emphasized
9. Are there any mechanisms set in place to ensure the growth of the foundation long-term, rather than just short-term? If so, please give an example.
    a. This question checks if the organization is focused on long-term development, one of the key aspects of the Stewardship Theory.

Separate from the theory framework questions:

10. How does the board of foundation interact with the board of the corporation?
    a. This question seeks to understand if the foundations associated with the corporations have the benefit of learning the best governance practices from the corporation it is associated with.

11. How does the foundation benefit from having a board member, who is also on the board for the corporation? *(This question applies if some members sit on both the foundation's board and the corporation's board)*
    a. This question informs if and what impact having a member on both boards adds to the foundation's governance.
12. What is the size of the board of the foundation?
    a. This question seeks to understand if foundations benefit from a smaller or larger board size.
13. What is the gender distribution?
    a. This question examines the composition of board members by gender, analyzing both the number and percentage distribution of female and male members, to assess whether foundations derive benefits from board diversity.

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