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EXTENDED FOUNDATIONAL CORPORATE CITIZENSHIP:

DANISH FOUNDATIONS, CSR LEGISLATION, AND HOW TRADITION FACILITATES
COMPETITIVE ADVANTAGE

A paper presented at the Standing Conference on Organizational Symbolism 2012, Barcelona, Spain

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EXTENDED FOUNDATIONAL CORPORATE CITIZENSHIP:

DANISH FOUNDATIONS, CSR LEGISLATION, AND HOW TRADITION FACILITATES COMPETITIVE ADVANTAGE

Abstract

In stark contrast to other national settings, the commercial foundation is a rather common form of ownership of enterprises in Denmark. Today, there are around 1,300 Danish commercial foundations. Familiar foundations include AP Møller Mærsk, Carlsberg, Egmont, and Novo Nordisk. Our paper aims to facilitate an understanding of this unique Danish tradition and explore its profound contemporary relevance. The significance of Danish commercial foundations, their societal and compassionate role, has manifested itself through philanthropic projects for centuries.

We explore the dual identities that inhere in contemporary Danish commercial foundations, and how these impact contemporary society. There are also challenges and opportunities for such foundations in light of recent Danish corporate social responsibility (CSR) legislation. We explore these through a contextual analysis of legal structures that govern Danish commercial foundations.

Extended Foundational Corporate Citizenship (EFCC) is presented in the paper as a communications model or tool to help resolve the inherent tension between a commercial foundation's contemporary business and philanthropic units, offering an aid to strategic advantage identification. The EFCC model and associated modes of communication proposed may further serve to manage legislative pressures presented to commercial foundations. Moreover, the traditional commercial foundation structure, coupled with EFCC model deployment, appears theoretically and strategically anticipatory of emerging Danish legislative obligations.

Isomorphic processes within commercial foundations shed light on the links between the internal communicative challenge and CSR legislation. Such isomorphism appears between the business - philanthropic configuration and the company - CSR configuration. These processes aid recognition of the potential benefit of the inherent structure of a commercial foundation in relation to the emerging focus on CSR legislation. An additional purpose of illustrating the isomorphic processes was to facilitate clarification of a potential strategic advantage of commercial foundations, indicating how such traditional foundations may not only exist in society but operate "ahead of" emerging CSR legislative reporting obligations.

The contemporary proliferation of CSR, as a legal matter, is a potent source of consumer interest. It is also a research field that provides commercial foundations with a number of opportunities to explore. Legislative obligations may appear to be little more than a reporting obligation for commercial foundations' business units. Yet, our research suggests the structure of a commercial foundation already contains a latent communicative advantage for the good, not only of commercial foundations, but also contemporary society. We believe that our research findings in the Danish case of foundation organization and management theory may be of interest to an international audience. Within the structure of a commercial foundation one may find inherent notions of compassion coupled with authentic commercial and profit-making intentions. Indeed, we hope the results offer a path to successfully anticipate current, as well as future, stakeholder and public expectations for an organizational form of historical interest and future merit.

Key words: Commercial foundation, CSR legislation, Extended Foundational Corporate Citizenship, philanthropy, a shared philosophy of one language, two dialects.

INTRODUCTION

There is a rich tapestry of foundations in the world. Certainly private foundations, exemplified by the Warren Buffet supported Bill and Melinda Gates Foundation, attract enormous attention due to their sheer scale. And, in consequence, they are singularly notable in efforts to facilitate social change.¹ This study reports research on commercial foundations in Denmark in light of recent Danish legislative developments in accounting for corporate social responsibility (CSR) activities. In contrast to other national settings, the commercial foundation is a common form of enterprise ownership in Denmark. Today, there are around 1,300 Danish commercial foundations. These include AP Møller Mærsk, Carlsberg, Novo Nordisk, and Egmont; such foundations have been studied as the very basis of Danish industry (Johansen & Møller, 2005). Our report seeks to address commercial foundations' intrinsic notion of a dual identity, and this in light of their extrinsic role in society, and new CSR reporting obligations appearing in Denmark.

The significance of Danish commercial foundations, their societal and compassionate role, has manifested itself through philanthropic projects for centuries (Thomsen 2012). We believe that our research findings in the area of organization and management theory may potentially serve as inspiration for an international audience. Within the structure of a commercial foundation one may, thus, find the inherent notion of compassion coupled with a commercial intent. Importantly, Danish tax legislation has enabled a context that makes it possible for commercial foundations to play a supporting role in the Danish society. The research paper aims to facilitate an understanding of this unique Danish tradition and explore its profound

¹ <http://www.gatesfoundation.org/Pages/home.aspx> .

contemporary relevance.

Little research has been carried out about private Danish foundations and a public debate about their role in society can hardly be said to exist, though there in general seem to be a positive attitude towards them (Chp. 3. Hellman and Parving 2001). Thus, systematic surveys and other information regarding historical and legal aspect on foundations in Denmark are currently very limited.

The positive attitude towards private foundations in Denmark can probably be traced back to the close connections formed between the Lutheran church and crown during the Reformation in the 16th and 17th century (Chp. 3. Hellman and Parving 2001). In fact, later in the 17th and 18th century, the autocratic king and the church even more significantly reflected the positive attitude towards foundations in the Danish society, as it was considered a task for the state to provide for the helpless and poor. And because foundations already provided this, the state attempted to further centralize foundations under the state, without seizing their finances. The close relationship continued through the centuries and was kept intact during the development of the Danish welfare state. Today this positive attitude is most noticeably reflected in the foundation taxation laws, which is very favorable. In Denmark there are around 14,000 private foundations in total, and these are public, private, corporate and our unit of research interest; the commercial foundation.

Commercial foundations come in various forms, particularly concerning the extent to which the business unit is governed by the parent commercial foundation. A commercial foundation arises when a company creates a philanthropic unit as an independent, tax-exempt private foundation. International examples of commercial foundations are many, including the IBM Foundation in the US, the Cartier Foundation in France, and the BBV Foundation in Spain.

For purposes of our research, these organization forms should not be confused with private foundations, which are founded by an individual or family and operating with a capital of private origin. Private foundations function with purely philanthropic intent.

The structure of a commercial foundation is interesting because it entails commercial interests, on the one hand, and an active philanthropic heart on the other. Thus, there exists an inherent dual function. This may be said to generate an inherent communicative tension. For this reason, the formulation of internal and external communication would appear to be something that is complicated.

Our attention focused upon this tension as our research theme developed in the course of a literature review associated with a study conducted in 2009 on commercial foundations in Denmark. We discovered that in addition to long-standing internal communicative tension, commercial foundations are now faced with a strong, contemporary focus on CSR, including new and inescapable Danish legislation.² CSR proliferation has generated changing pressures and expectations from various directions, all of which impact sustainable organizational performance. Thus, traditional Danish commercial foundations now must face formal decisions regarding the manner and extent to which they will report on their dual-featured activities. This issue, too, informed research interests.

Against this background, we will describe what we came to perceive as the isomorphic processes that exist between commercial and philanthropic concerns, on the one hand, and the respective commercial and CSR configurations that are potentially emerging, on the other. They illustrate and potentially highlight a potential intrinsic dynamism of commercial foundations in

² The full text of the law is given at <https://www.retsinformation.dk/Forms/R0710.aspx?id=122862>. It is in Danish. Viewed with Google Chrome, a machine translation option can be used for an unofficial English rendering that is fairly accurate.

relation to new CSR reporting obligations, with the Danish national case being at the forefront of national reporting regimes. Given an appropriate conception of these processes, we felt that strategic advantages may become more evident in the commercial foundation form and that these may be more explicitly and effectively acknowledged within the commercial foundation as well as throughout modern society. Before we report the circumstances of our case and method of reporting, it will be helpful to briefly review extant literature on commercial foundations.

Schlüter et al. (2001) highlighted the philanthropic notion of foundations across Europe, arguing that there exist a potential for growth in philanthropic investment by companies and individuals. Schlüter et al. (2001) thus offered a comprehensive study, which provide the basis for comparative research to assessing this potential in the different European countries.

However, commercial foundations as an organizational form, remain largely unexplored due to their complex nature. Each commercial foundation's unique historical and legal character tends to preclude systematic studies. Mikkelsen and Werlauff (2008) aimed at clarifying the legal framework of commercial foundations in Denmark. They examined the different requirements and opportunities that commercial foundations are facing, namely, changing regulations and tax deductions. In addition, Johansen and Møller (2005) examined the Danish foundation tradition in relation to industrial development.

Yet, studies of specific issues, such as commercial foundation accountability and intrinsic organizational design, remain altogether rare. Even efforts that focus on non-profit philanthropic work across Europe, notably the Comparative Study of Foundations in Europe by Schlüter et al. (2001), made only brief mention of the special case of commercial foundations in Denmark (See also, Thomsen, Steen, 1999). Moreover, little is known about commercial foundations and their functional relationship to emerging CSR performance literature.

Corporate social responsibility is viewed as a means used by companies for their own benefit (Crane and Matten, 2003; Morsing and Schultz, 2006). Porter and Kramer (2006) examined CSR in the context of the competitiveness of a company. The authors claimed that a strategic sense of CSR would give the company a competitive advantage. However, this analysis has been widely criticized for being based on selective case studies and lacking more substantial empirical support.

Nevertheless, one of the implications of CSR is the increasing expectation that accompany CSR initiatives. Moreover, companies have to consider the multiple agendas of their various stakeholders in respect to CSR expectations. From a stakeholder approach, the communications literature suggests a unified message for the multiple stakeholders. Karmark (2009) emphasized the importance of organizational identity in corporate communication. In lines with this, Albert et al. (2000) emphasize that organizational identity and identification are important and generative constructs, which form the very foundation of organizational phenomena that need to be studied and better understood. Moreover, researchers like Hatch and Shultz (1997; 2002, 2003; 2008) and Kunde (2000) suggested that a strong, unified corporate identity is an important factor for the success of a company.

Our research interests attempt to fill part of this gap by examining the commercial foundation's intrinsic communicative tension in the light of contemporary CSR legislation. Various studies aim at defining the concept of CSR in the framework of business ethics (Wan Saiful Wan-Jan 2006). We learned that the notion of corporate citizenship has increasingly come to characterize the role of corporations in society. Crane and Matten (2003) suggested an extended conceptualization of corporate citizenship, given in Figure 1, derived from citizenship roles specified in political science. This model emphasizes the element of citizenship for the

legal persons that corporations are formally recognized to be – a common element in commercial and corporate law the world over. They have become powerful public actors partly taking over the responsibilities of governments. Crane and Matten (2003) developed this model in respect to modern corporations, not foundations. Yet, we found the approach potentially helpful for the circumstances confronting Danish commercial foundations given the new national CSR reporting regime. We can look a little more closely at the Crane and Matten (2003) model in respect to its potential extension to the commercial foundation circumstance.

Corporations have acknowledged the importance of stakeholders for years. However, due to a commercial foundation's structure, it may be necessary to elaborate other, and additional, stakeholder considerations. As the case analysis proceeded, we felt called to explore how this model might be adapted to a commercial foundation in a manner that facilitated an attentive communications approach towards its distinctive stakeholder groupings.

Initially, we sought to explore how the business unit of the commercial foundations might report on CSR, given recent Danish legislative reporting obligations. The focus of the study changed as we more clearly grasped the unique intrinsic communications challenges that are fundamental to the structure of a commercial foundation. In a word, we gained an insight into the main predicament of commercial foundations: how to approach emerging CSR reporting possibilities and obligations given its very nature as a commercial foundation.

METHOD

This study reports on intrinsic communications and extrinsic, emerging CSR reporting challenges faced by Danish commercial foundations. The paper is an outgrowth of a confidential 2008 Business, Language, and Culture Program Senior Year undergraduate student project. It

was designed to offer a general introduction to contemporary challenges and strengths of Danish foundations. We began as a research project group in the Business, Language, and Culture (BLC) Program of Copenhagen Business School (CBS). The BLC is an academic program focusing on research-oriented participatory education (Tackney, Sato, & Strömngren, 2007). The educational model offers an opportunity for small-group research of an interdisciplinary nature that combines the areas of business administration and social sciences. The project term was between March 1 and June 28, 2009.

Our study began with an exploratory literature and field research that resulted in interviews with commercial foundation representatives, followed by continued email and telephone correspondence. In these we presented an initial research proposal, sought permission to access information and interview commercial foundation individuals.

Concurrently, we conducted in-depth research into fiscal aspects and financial reporting obligations for commercial foundations. We also studied Danish legislative factors affecting commercial foundation activities and continued a more general review of literature on the research topic. We sought to thoroughly understand the situation of commercial foundations and the nature of the challenges faced in light of our rapidly evolving research experience. Given this multidimensional study structure, we kept in mind a triangulation approach to method process and outcome. This found us constantly thinking and reflecting about diverse qualitative and quantitative research findings as they appeared throughout the research period. One benefit of this approach is improved reliability and validity of the research product. In addition, the reflective and reflexive aspect of concurrent review of project process permitted on-going modification of research aims in light of new data. These we attempted to manage successfully, resorting to advisement sessions when needed.

In the Results section we report the research outcomes. Some issues may well be matters normally treated in the discussion section of a regular social science research project. We will distinguish by looking upon immediate findings in the section “Results”. Secondary-level implications of the research project are taken up in the final “Discussion” section.

RESULTS

In the next sections we first offer a historical flashback regarding the origin of foundations in Denmark, commercial foundation particularities and Danish CSR legislative reporting obligations as these issues unfolded during the course of spring 2009. After that we take up specific results of our research and offer these by way of proposals.

A historical flashback

The Danish system of foundations is rooted in the ecclesiastical law of church property, which was influenced by German and Roman laws (Chp. 3. Hellman and Parving 2001 for this section). The first divergences are considered to take place in the time of the Reformation, when King Christian III in 1536 announced a decentralization of power within the ecclesiastical system and allowed it to administer the foundations of that time. This marked a change in the idea about the responsibility of the state towards poor and helpless citizens of Denmark and generated the emergence of a new kind of foundation: the capital foundation.

Capital foundations resemble today’s private foundations, a certain amount of property was designated for philanthropic matters, however only the interest of the capital could be spend, which preserved the capital. Thus, it was possible to make donations for purposes of any kind as

opposed to the earlier canonical laws of the Middle Age, which accepted only donations with a religious purpose.

Along with growing system of foundations came the question of legislation and regulations, and in 1660 there was established a more centralized control and various initiatives were taken to regulate foundation activities. Later, in 1765, the first encyclopedia³ regarding foundations was published and in 1771 the first literal work⁴ discussing foundations was published. It discussed the importance of permutation law and emphasized that foundations should be changed or altered if the government found it necessary. Thus, this work may have anticipated the relationship between private foundations and the emerging nation state. However, the distinction between the public and foundations was not formulated before 1828 and specified that a private foundation should be an organization with a restricted purpose of non-public character. It could still, nevertheless, be both profit-making and serve the interests of the general public. Following this, it was not until 1985, that the first general law sketching the legal aspects of private foundations was instigated in.

Thus, the characteristic of Danish foundations throughout history has been many, such as private public, grant making and the particular commercial foundation that is considered the very basis of Danish industrial development Johansen and Møller (2005), which caught our attention. The following profiles exemplify two great commercial foundations in Denmark:

³ Hans de Hofman, *Samling af Publique of Private stiftelser, Foundationer og Gavebreve der forefindes i Danmark og Norge, 1755-1765*. Translation: Collection of public and private charitable institutions, foundations and deed og gifts in Denmark and Norway 1755-1765. (Hellman and Parving 2001 in Schlüter et al. 2001).

⁴ Philonosus, *Om Stiftelse, 1771*. Translation: Concerning charitable institutions, 1771. (Hellman and Parving 2001 in Schlüter et al. 2001).

The Carlsberg Foundation

J. C. Jacobsen established the foundation⁵ in 1876, with the intentions of supporting scientific research by linking the foundation directly to industrial capital art (Chp. 3. Hellman and Parving 2001; Johansen and Møller 2005). Today the mission of the foundation is to support research in Denmark and to remain the majority owner of the Carlsberg Brewery. In 1903 a second foundation, the New Carlsberg Foundation, was established, which supports arts and maintains the New Carlsberg Glyptotek in Copenhagen that has a large collection of antique and contemporary.

The Egmont Foundation

The foundation was established by Egmont Harald Petersen in 1920 and is today a part of the international media company, the Egmont Group (Chp. 3. Hellman and Parving 2001; Johansen and Møller 2005). The Foundation supports various projects concerning the development of children and young people. These projects vary: educational, cultural, social, physical, and emotional development aid projects predominate and in sum, the foundation facilitates or supports projects that are overlooked by the public or private sphere or which require more support or development⁶.

⁵ <http://www.carlsbergfondet.dk/>

⁶ http://www.egmont.com/Upload/EGMONT_COM/About%20Egmont/Annual%20Report/

Modern foundation trends

Private foundations have traditionally played a very low-key role compared to other associations and popular movements in Denmark (Chp. 3. Hellman and Parving 2001). In the 1960s and 70s however, the ‘non-existent possibilities of public control’ of foundations was subject to great criticism by the public.

In Denmark today, foundations play an important role in providing cultural, scientific and educational support for various projects and arrangements (Erhardtsen 2012). Thus, this support is considered to be a valuable supplement to the activities of the public sector. However, the role of the foundational activities should not be overstated, as pointed out by Hellman and Parving (2001), as there still exists a considerable difference compared to the public expenses. Instead the authors emphasize the importance of foundations lies in the notion that they offer an alternative to public spending. In other words, multiple sources of financial support allow for more and different criteria to be taken into account when aiding projects in the Danish society.

Also, Hellman and Parving (2001, 109) point out “there are good reasons to believe that foundations will play an active and crucial role in tomorrow’s society”. Supporting this, is the fact that the Danish law concerning foundations appears very liberal and leaves room for a various philanthropic activities and future. However, an increase of the role foundations in society may call for greater transparency, which cannot be said to be the case right now, as foundations do not appear to operate in fully transparent environments, as reflected in the continuous lack of statistical data and theory within the field.

Commercial Foundations and Danish CSR legislative changes

From our empirical investigation we began to learn about the particular challenge of communicating the activity of philanthropic units, internally and externally, while at the same time facing new CSR legislation. Due to this legislation, Danish corporations have to incorporate social responsibility reporting beginning with their 2009 annual report, as previously noted. The legislation came into effect on January 1, 2009, obliging companies to report on their social, environmental, and economic performance. The legislation does not state that a company must act on these concerns, only that it needs to report if it does so. If a company has initiated strategies it must disclose how these are put into action along with the consequences and expectations for the future. As there were no real guidelines, the functional issue facing commercial foundations was if, or precisely how, this emerging CSR reporting need presented the business unit of commercial foundations with an opportunity to shed new light on their often long-standing philanthropic activities.

The fiscal particulars for Danish commercial foundations present an interesting reporting circumstance. Profit derived from a Danish commercial foundation's business unit is, under certain conditions, tax-free. The exemption from taxation is fundamental for the structure of commercial foundations and their subsidiary companies. Commercial foundations need a minimum of 10 % ownership of the subsidiary company's capital to gain exemption from taxation (Mikkelsen & Werlauff, 2008). Moreover, an extended tax-deductible option exists for Danish commercial foundations. Expenses related to the acquisition and the upkeep of profit, as well as, expenses concerning the execution of the commercial foundation's purpose would be tax-deductible (Mikkelsen & Werlauff, 2008).

A Danish commercial foundation is obliged to distribute all tax-free returns before

additional deduction from appropriations is achievable. Tax-free income is the first DKK 25,000 non-commercial income, including sources such as interest, in addition to tax-free return from the subsidiary company. If a Danish commercial foundation chooses to hand out further appropriations, these will be fully tax-deductible. In practice, the taxation laws governing Danish commercial foundations indicate that by carefully organizing the policy of appropriations, philanthropic units can be virtually tax-free (Mikkelsen & Werlauff, 2008).

There are various possibilities for obtaining special tax deductions. One way is through the deduction of a transfer to the commercial foundation's reserve fund (consolidation). Essentially, the philanthropic unit can consolidate the commercial foundation's capital by 25 % of the non-profit appropriations distributed within the calendar year. A commercial foundation will attain a deduction of 125 % of each DKK, which indicates that the Danish state pays 25 % of the distributed appropriations (Mikkelsen & Werlauff, 2008). There is no official limit to financial consolidation. Thus, a Danish commercial foundation can donate appropriations of 1 million DKK and become entitled to a tax deduction of 1.25 million DKK. Having examined the tax legislation of Danish commercial foundations, it appears that considerable advantages are present in this organizational structure.

As noted in our introduction, there is very little information available regarding the reporting obligations, discovered through our fieldwork, or how these obligations relate to the dual-function of a modern Danish commercial foundation. This absence was compounded by the perspectives we were learning from our fiscal research and interviews of those working for commercial foundations. Field evidence from initial interview and observations indicated that a commercial foundation might try to solve the inherent tension embedded in its organizational structure by simply keeping the identity of its two units – the philanthropic and business –

entirely separate. However, our sense of stakeholder theory acquired through coursework and project literature search suggested a more unified approach to corporate communication might be of strategic utility (Karmark 2009; Hatch & Schultz 2003; 2008), particularly in light of the fiscal reporting obligations.

Given this sense, we scheduled a May 14, 2009 interview with Associate Professor Esben Karmark, a published scholar on the subject of corporate branding and communication. This marked a turning point in the research, in that he confirmed a number of our observations to date. In particular, he confirmed our sense that there simply is a lack of published research material concerning the dual identity found within commercial foundations. In addition, he supported our notion that a new or extended stakeholder construct might be of practical and strategic use for commercial foundation theory in general.

We then developed a framework to capture the nature and strategic utility of the relationship between a commercial foundation's business- and philanthropic unit. We will first present the more important results and proposals.

1. Extended Foundational Corporate Citizenship

Building on the extended corporate citizenship study of Crane and Matten (2003), we developed the Extended Foundational Corporate Citizenship (EFCC) model presented in Figure 2. The underlying point of our model extension is to recognize the emergent strategic advantage formally inherent in the basic structure of Danish commercial foundations. As we will explain, the grounds for this assertion reside in the legal structures of commercial foundation governance, particularly in light of the recent Danish legislative changes.

The structure of a commercial foundation recognizes the existence of both business- and

philanthropic units. However, the structure may be problematic: commercial interests may conflict with a philanthropic interest, presenting internal conflict and possibly endangering the legitimacy of the philanthropic activities. The EFCC framework offers a model for commercial foundations to assess and increase alignment of their inherent relations between the business- and philanthropic unit in respect to its unitary and unique role in society. This is a new and reconceptualised commercial foundation role based upon the Crane and Matten (2003) research.

It recognizes commercial foundations as an important and collaborative “counterpart” of the array of organizational citizenship available and operative in modern society. When commercial foundations facilitate and enable their citizenship role in society by providing philanthropic activities, they functionally cover or complement expectations of performance by public authorities. This fact highlights the need for commercial foundations to appropriately acknowledge their obviously philanthropic activity and role in society.

All three dimensions of citizenship - social, civil, and political - from the liberal political tradition can be used to assess the work of commercial foundations in relation to the EFCC model. When commercial foundations facilitate one or more of these dimensions, they can be said to be actively serving a societal “counterpart” role. The precise citizenship dimensions depend on the mission and activity of the commercial foundation in question, in addition to the context in which it operates.

The EFCC model permits more specific organizational and strategic analysis, which we will later show aids assessment of the possible challenges faced by commercial foundation. Thus, when a commercial foundation acknowledges a particular and ameliorative role in society through an internally consistent recognition of its dual organizational structure, it will then become possible for the commercial foundation to reflectively and reflexively specify that

activity as a strategic advantage.

The relevance of this strategic advantage is noticeable in light of the recent global proliferation of CSR focus. In Denmark, corporations, and therefore commercial foundations, have increased need to review the broad environmental and societal impact of their total organizational functions. Yet, it became obvious in the course of our research that the dual structure of commercial foundations has, from a historical, legal, and functional perspective, essentially anticipated these strong, recent developments in CSR reporting obligations.

The EFCC model is not intended as a causal analysis of function, rather it is offered to create a conceptual framework that appropriately characterizes the contemporary commercial foundation role in modern society.

2. Moving to the extended foundational corporate citizenship model

We next wish to consider the results of our theoretical elaboration for commercial foundations. We have posited that the theory of EFCC points to the existence of a strategic advantage inherent in the structure of modern commercial foundations. As explained, a commercial foundation redistributes a share of its profit to its philanthropic unit, in order for it to carry out the social activities. Hence, the two units could be said to exist in tandem. Clearly, philanthropic activities depend on the successful operations of the business unit.

The EFCC approach would facilitate commercial foundation acknowledgement that this structure is an advantage, as opposed to a cumbersome historical artifact. Thus, this acknowledgement of a common role of the business unit and the philanthropic unit in society may facilitate internal coherence. Coherence, whether direct or complementary, between the two may generate significant strategic advantages for both in their respective domains. Prior to an

overall deployment of a policy reflecting EFCC, the philanthropic activities of a commercial foundation would need to be appropriately assessed for internal continuity and external harmony in the context of this extended citizenship role. We address this in the next section.

3. The potential strategic advantage of contemporary commercial foundations

There has been an observed tendency of companies to merely react to CSR legislation and institutional pressure. However, the Danish CSR legislation now compels companies to manifest CSR behaviors. This will, essentially, shift the nature of corporate organizations to more closely resemble foundation-like activity. In contrast, our research found an innate dilemma of commercial foundations – as most do not wish to characterize their appropriations as CSR - suggesting that the loosely coupled, yet related structure between the business- and philanthropic unit is already on the ‘other side’ of the learning curve that now confronts all business organizations within Denmark for CSR legislative reporting.

As a result, our investigation suggests that there is, thus, a possible societal-level isomorphism that can be said to be emerging between the traditional commercial foundation ‘business – philanthropic’ configuration and the ordinary ‘company – CSR’ configuration. It would appear that the EFCC model we have developed offers a clear, practical approach to a better understanding of this isomorphism.

The affiliation between the business and the philanthropic units has, on the one hand, offered an organization form that inspired the EFCC model. On the other hand, we are now witnesses to a general increase in corporate interest in CSR activities. This has resulted in a wide range of emergent CSR legislation both inside and outside of Denmark. While dissimilarities reside, nonetheless, there appears to be a certain societal isomorphism.

For the ‘business – philanthropic’ configuration, the EFCC analytic can be said to extend insight into the universal judgment of relations between company and CSR. Consequently, if the two commercial foundation organizational features can be said to be isomorphic, the existing organization of a commercial foundation will be a readily available resource for insight into a CSR best-practice approach for companies. The commercial foundation configuration thus becomes more of a harbinger of corporation potential rather than merely a ‘traditional’ and, in the instance, Danish organizational form.

It appears to be possible to argue that the structure of a commercial foundation is “ahead of the game”. At least in theory, it would appear that this offers a notable competitive advantage to the business units of existing commercial foundations. This section has illustrated the isomorphic processes said to exist between the ‘business – philanthropic’ configuration and the modern firm, with its increasing CSR reporting obligation. The EFCC model we have created offers a useful CSR obligation analytic. Furthermore, the recognition of these isomorphic trends can benefit our very understanding of the ideal course of action in regard to pursuing and reporting CSR activities.

4. The issue of legitimacy

An essential concern of any commercial foundation is the legitimacy of its philanthropic activity and that all relevant stakeholders can continuously judge this activity as trustworthy. The legitimacy of the philanthropic activity is generally regarded as more reliable when no commercial interests are present. If a business unit reported on the philanthropic unit’s projects, the motive behind the linked commercial foundation could be called into question. Even if a clear distinction between the two different units were present in, for example, a CSR report, it

may be essential to preserve the evident distinctions of commercial intent from philanthropic intent.

We would next examine the possible rationale behind not recommending EFCC be utilized in a business unit's CSR reporting. For this we bear in mind that our exemplary commercial foundations may not consider the activities of the philanthropic unit as a CSR related domain. The issue then becomes whether an advantage would obtain for the business unit to report the philanthropic unit's activities within an EFCC framework. Through this, the business unit may positively exploit the coincidence of the Danish CSR legislation in the context of a potential rejuvenation of the relationship between the business- and philanthropic unit.

On consideration, the diverse interests of the two units may become impossible to tell apart. Thus, the results of research suggest that reporting on the philanthropic activity through an EFCC model in a business unit's CSR report does not appear to present evident strategic advantages. The next section will examine the possibility of the business- and philanthropic unit using the notion of EFCC in a manner that will present a rejuvenation of the relationship.

5. Communicating via the EFCC model: One language, two dialects

We now wish to examine the possibility of turning EFCC into a strategic advantage through communication based upon the overall identity of a commercial foundation. It would address "Who we are" as well as aspirations for the future. In addition, the approach would preserve a clear distinction while bringing the two units closer together.

The strategy respects the essential demand for *two* communication goals: one for recipients of the business unit and one for recipients of the philanthropic unit. Functionally, the need is met to propose a mode of communication that grasps the requirements of both

commercial and non-commercial related ends. The result of our research process and reflection led us to propose commercial foundations to use the EFCC to structure *one* language to communicate to all its recipients, but in *two* dialects. This motif would be explicit and deliberate.

To stay in the metaphor of languages, the notion of *two* dialects is put forward, as opposed to two languages, because the former allows for a shared language while preserving particular distinctions. The use of dialect as a communicative motif makes it possible to meet various stakeholder demands. This communications strategy appeared as a reasonable research outcome when considering the fact that commercial foundations do consist of two separate units. Thus, the EFCC model can serve as the theoretical and analytical basis for a communications platform that speaks to very different stakeholder groups through the device of two dialects. Through this commercial foundations positively benefit from the formal recognition of having one shared identity, with two distinct design modes.

We will next discuss how such EFCC communications provide a means to alleviate the inherent tension embedded in relationships given in a commercial foundation. By means of EFCC, a commercial foundation may formulate a shared philosophy, which manages to demonstrate the dual identity.

6. Crafting a shared philosophy

Crafting a comprehensive EFCC philosophy can link the commercial foundation's two units, and could be featured in both units' websites. This would allow the two units to maintain their individual vision and strategy while positively, pro-actively demonstrating their noteworthy relationship. Crafting an overall philosophy for a commercial foundation would eradicate the fear of eliminating distinctions between business and philanthropic units, since individual vision

and strategy would still distinguish them. A shared philosophy presents a more coherent image of the commercial foundation structure alongside a manifest demonstration of dual identity via distinct strategies. Illustrated by report of internal synergies, this approach creates a stronger position for a commercial foundation. The employment of a shared philosophy of EFCC may also support future generation of overall and serially specific strategic advantages for a commercial foundation.

DISCUSSION

We began the research due to a shared interest in the role of Danish commercial foundations in contemporary society. At the outset, we perceived them to be more or less interesting historical artifacts, having questionable future potential or strategic advantage. The research has clearly demonstrated that the facts suggest an alternative, almost anticipatory, inherent advantage in the nature and function of such organizations.

In light of recent Danish CSR reporting obligations, commercial foundations are, practically speaking, and will remain “ahead of the game” to the extent that they proactively acknowledge their unique citizenship-role. To the extent that this unique, if potential, role is properly actualized, it would present a strategic advantage for commercial foundations.

From the commercial foundation perspective, reporting on CSR represents a unique situation, given the inherent structure of earning money and then donating it. Producing and manifesting a code of conduct alone, no matter how thoughtful, is no longer sufficient. For that reason, if no other, a commercial foundation’s business unit may need to explore other approaches to CSR assessment and reporting. Tactically, the flow of events on the corporate law-

reporting front will not favor those commercial foundations that neglect these emerging developments.

The management of stakeholder expectations goes hand-in-hand with a commercial foundation's acknowledgement of its specific role in society. The discovery that commercial foundations may profit from acknowledging this unique role in society led our research effort to the development of a new construct, grounded in prior notions of corporate citizenship.

The development of our EFCC model structured the subsequent insight into the opportunity for crafting a shared philosophy. The structure of a commercial foundation may present tensions in regard to the inherent dual identity of commercial- and philanthropic interests. Our study revealed the importance of maintaining a clear distinction between the business unit and the philanthropic unit in the eyes of the stakeholders.

Thus, while most commercial foundations have previously sought to resolve the communicative tension by speaking in two distinct languages, the research indicated that a potential solution could be found in the communicative deployment of one single language expressed in distinct, yet interrelated, dialects. This approach appears to significantly facilitate the opportunity to craft a viable shared philosophy for commercial foundations.

The research emphasized that communicating the notion of EFCC, which indicates the need for an explicit acknowledgement of commercial foundations' role in contemporary society, may be translated into a shared philosophy and, moreover, function as one language. The model permits commercial foundation desires to sustain a united yet separate internal relationship. In other words, a commercial foundation can communicate its role in society while maintaining both the business- and philanthropic units' distinct visions and strategies.

Furthermore, if commercial foundations are to remain functional or take up new roles in society, they will likely face the challenge of increasing stakeholder expectations in addition to public demand for institutional transparency. Our model offers a means to successfully meet these needs and go beyond them for service and business success.

While employee branding is a hot topic in contemporary management studies, there may be far greater relevance for its development and use in regard to commercial foundation theory than that of the regular corporation. Our research suggested that employee branding was found to be a key factor in many commercial foundations, tying every division together. This may point towards the utility of the shared philosophy approach proposed in our EFCC model of one language, two dialects.

A strong identity and focus are fundamental for a business to succeed today. Kunde (2002) indicated that there is a connection between a strong corporate identity and successful business expansion. Our model offers a means to link these within a commercial foundation's organizational structure, and to do this within the context of developing CSR legislative pressures. Indeed, we hope the result outcome offers a path to successfully anticipate current, as well as future, stakeholder and public expectations for an organization form of historical interest and future merit (Kunde, 2002; Hatch & Schultz, 2008).

A further aspect to consider in regard to the implementation of a shared philosophy is the potential number of international employees in a commercial foundation. For instance, a business unit may own large sub-business units, which may each have their own corporate identity that may, on many levels, suggest that complications may arise in the implementation of EFCC. Additionally, the size of a sub-business unit is not the only factor that may generate challenges for integrating a shared philosophy. There may be complications of EFCC in different countries,

due to divergence in culture, company practice, and the actual translation of the philosophy. Regardless, the nominal governance processes of internal discussion and decision, in light of the EFCC model, offer a means to resolution and sustainable commercial foundation success.

The isomorphic processes we have isolated and analyzed shed light on the links between the communicative challenges and the CSR legislation. It was found that an isomorphism exists between the business - philanthropic configuration and the company - CSR configuration. The isomorphic processes aid recognition of the potential benefit of the inherent structure of a commercial foundation in relation to the profound contemporary focus on CSR. An additional purpose of illustrating the isomorphic processes was to facilitate the clarification of a potential strategic advantage of commercial foundations – these indicate how such foundations may exist “ahead of” emerging CSR legislative reporting obligations.

The EFCC model and associated modes of communication we have proposed may allow a commercial foundation to manage legislative pressures. Indeed, we hope that the results offer a path to successfully anticipate current, as well as future, stakeholder and public expectations for an organizational form of historical interest and future merit. The contemporary proliferation of CSR, as a legal matter, is a potent source of consumer interest. It is also a research field that provides commercial foundations with a number of opportunities to explore. Legislative obligations may appear to be little more than a reporting obligation for commercial foundations’ business unit. Yet, our research suggests that the structure of a commercial foundation already contains a latent communicative advantage for the good, not only of commercial foundations, but also contemporary society.

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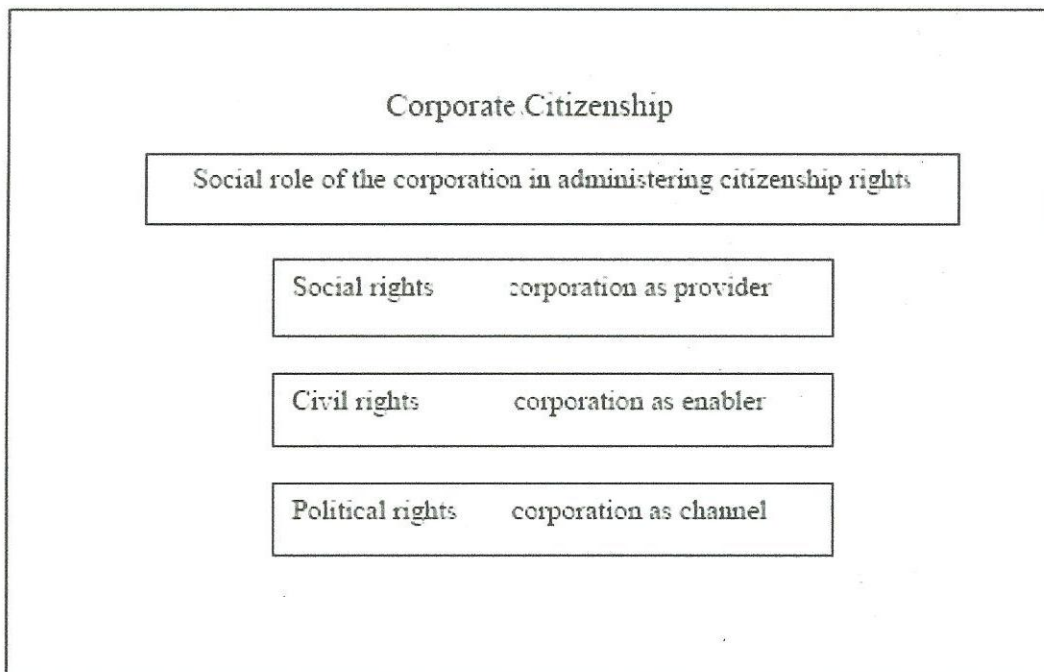
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Figure 1:

AN EXTENDED THEORETICAL CONCEPTUALISATION OF
CORPORATE CITIZENSHIP



Source: Crane and Matten 2003.

EXTENDED FOUNDATIONAL CORPORATE CITIZENSHIP (EFCC)

