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Marta Rey-Garcia
University of A Coruña

Javier Martin-Cavanna
Compromiso Empresarial Foundation

Luis Ignacio Alvarez-Gonzalez
University of Oviedo

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Assessing and Advancing Foundation Transparency: Corporate Foundations as a Case Study

Marta Rey-Garcia, Ph.D., University of A Coruña; Javier Martin-Cavanna, LL.B., Compromiso Empresarial Foundation; and Luis Ignacio Alvarez-Gonzalez, Ph.D., University of Oviedo

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Key Points

- This article explores the mix of forces explaining variability in good-governance standards and practices by charitable foundations.
- A six-drivers framework for explaining improved foundation accountability and transparency is proposed and discussed in the context of a country study. Those drivers are: regulatory pressures, self-regulation, demands for information from donors and other relevant stakeholders, societal pressure derived from scandals, emulation, and third-party assessment.
- A simple tool for assessing foundation transparency internationally is proposed and then applied to corporate, endowed, and fundraising foundations in the U.S. and Spain.
- Foundations' financial structure compounds with institutional factors to influence the stage of development of transparency practices, as demands for information from external donors are key.
- Benchmarking reports by a third-party information service, providing incentives for peer emulation, seem to be a key driver for increased transparency in the case of Spanish corporate foundations.
- Implications for foundation practitioners follow, both relative to foundation transparency assessment and advancement in general, and, in particular, to good governance and accountability of corporate and other closely held foundations.

Framing Accountability and Transparency in Nonprofit Organizations

Although the roots of corporate-governance research can be traced back to at least Berle and Means (1932), subsequent literature has mainly focused on firms. Publicly traded companies, where control over capital by professional managers is separated from ownership of capital by shareholders, have been particularly studied in order to understand and to design mechanisms to mitigate agency problems, i.e. conflicts of interest arising between principals (shareholders) and agents (managers). The concept of transparency in the business sector has been extended into a complex information infrastructure where financial accounting information is only one of the elements. It has been defined as "the widespread availability of relevant, reliable information about the periodic performance, financial position, investment opportunities, governance, value, and risk" of firms (Bushman & Smith, 2003).

Not until the 1980s did literature on the specificities of governance of nonprofit organizations gain momentum in the U.S., led by such institutions as Boardsource (Rey-Garcia & Martin-Cavanna, 2011). Since then, accountability and transparency have progressively overshadowed other aspects of nonprofit governance, such as the responsibilities and internal functioning of boards or the evaluation of their performance. They have thus become the focus of practitioners' interest and academic literature during the last decade (Dautel & Brudney, 2003; Miller-Millesen, 2003; Brown & Iverson, 2004; Bobowick, 2009).

Nonprofits may not be more prone to scandal than other types of organizations, but their public-benefit mission and their societal status render them more susceptible to public disappointment. Another, highly sensitive, differential feature consists of the tax relief available to nonprofits that comply with certain requirements. This ultimately leads their accountability and transparency duties to resemble those of public bodies, subject only to constraints imposed by the need for confidentiality, if social trust is to be maintained (Leat, 1994; Salamon, 1995).

In fact, nonprofits have come under increased public scrutiny and criticism in the past few decades. The risk of perceived financial abuse and mismanagement has been fueled by publicized and recurring episodes of wrongdoing involving, for example, executive compensation and conflicts of interest by board members in the early 1990s and international nongovernmental organizations in the new millennium (Gibelman & Gelman, 2004). The economic crisis has heightened public sensitivity to governance-related issues. The broader wave of public concern over scandals in the business and public sectors, dating to the Enron and WorldCom scandals and the subsequent Sarbanes–Oxley Act of 2002, has also contributed. Consequences internationally for nonprofits, charitable foundations included, have been notorious: increased public distrust, more regulation by public authorities (in the U.S., recurring efforts to make tax exemptions and deductions more stringent), and more self-regulation, including the adoption of ethics and good-governance codes (Herzlinger, 1996; Independent Sector, 2007; Warren & Lloyd, 2009).

As a result of these social, ethical, and regulatory forces, all nonprofits are being held increasingly accountable for their finances, governance, performance, and mission (Behn, 2001; Ebrahim, 2010). Accountability has been generally defined as "the processes through which an organization makes a commitment to respond to and balance the needs of stakeholders in its decision-making processes and activities, and delivers against this commitment" (Lloyd, Oatham, & Hammer, 2007, p. 11). As nonprofit organizations face demands for accountability from multiple actors, those demands vary widely depending on the nature of the relationship and the type of nonprofit. Differences have been among upward (to donors, regulators, supervisory authorities), downward (to customers/beneficiaries, public at large), and internal accountability, and among accountability from membership organizations, service organizations, and policy-advocacy networks (Ebrahim, 2010).

If accountability is a prerequisite for trust, transparency is a prerequisite for accountability. Transparency has been included among core components of accountability, together with answerability or justification, compliance, and enforcement or sanctions. It has been defined as a process that involves collecting and making accessible for public scrutiny relevant information about the nonprofit, both in terms of governance and management: "relevant" meaning information that satisfies the expectations of internal and external stakeholders (Ebrahim & Weisband, 2007; Montserrat, 2009).

The Relevance of Foundation Accountability and Transparency

Charitable foundations not only belong to the nonprofit sector as public-purpose, self-governed, and nonprofit distributing entities, but they also occupy a central position within it because many make grants to other nonprofits (Prewitt, 2006). Foundation accountability has been defined as "an obligation or willingness of public benefit foundations to account for their actions towards their stakeholders"; for the purpose of this article, foundation transparency will be defined as "an obligation or willingness of public benefit foundations to publish and make available relevant data to stakeholders and the public" (European Foundation Center & Donors and Foundations Networks in Europe [EFC/DAFNE], 2011, p. 6).

Foundations, like other nonprofits, have been subjected to increasing demands for accountability in all Western countries. Across Europe, regulatory and tax legislation and self-regulation initiatives are incipiently and heterogeneously framing requirements for accountability and transparency from public-benefit foundations (EFC/DAFNE, 2011). Previous literature adds two foundation-specific arguments for increased relevance of nonprofit accountability: Foundations are largely undemocratic institutions applying tax-protected resources to promote their private vision of the public good in the public arena, and foundations create a state-protected power asymmetry between those who control resources and those who seek them (Prewitt, 2006).

We further contend that accountability and transparency are relatively more crucial prerequisites for good governance in foundations given their nonproprietary, nonmembership nature. Foundations represent an extreme case of agency problem: Their boards aren't answerable to owners (unlike businesses) or members (unlike associations or cooperatives) that have an incentive to control their actions (Hopt, Walz, Von Hippel, & Then, 2006). Good governance of the foundation essentially depends on the ethical standing of its board (EFC/DAFNE, 2011).

The focus of our empirical exercise will be on the state and evolution of transparency in corporate or company-sponsored foundations. There is no consensual or legal definition for corporate foundations that can be applied internationally. In the U.S., corporate foundations are separate legal entities that receive their assets or annual gifts from a (generally publicly held) company, thus remaining closely tied to the supporting firm (Foundation Center, 2008). For the purpose of this article, a corporate foundation is characterized by at least two of the following features:

- It has been founded by a firm whose name is frequently part of the foundation's name.
- It obtains the majority of its operating income from the firm's gifts, meaning it does not raise funds either regularly or significantly.
- Its board seats owners, directors, or top managers from the related firm.
- It is endowed with controlling or dominant shareholdings of the equity of one or several firms.[1]

Corporate foundations thus show a complex connectedness to founding corporations in terms of governance (board control), management (filtering of managers and other staff members), and funding (endowment and nonendowment income), resulting in their subordinate dependence on the firm (Rey-Garcia & Martin-Cavanna, 2011).

We contend that the foundation-specific agency problem resulting in increased need for accountability and transparency is more acute in the case of corporate foundations for two reasons. First, it is most often the firm's managers – and not its shareholders – who decide whether the parent corporation will endow or fund the corporate foundation with – ultimately – shareholder resources. Second, the corporate foundation board – which may not necessarily include shareholders of the parent firm – chooses the public-benefit purposes to which those resources will be applied.

Beyond these reasons for the special relevance of governance-related issues in corporate foundations, their appeal for practitioners is also compounded by their fast growth and hybrid nature. Corporate foundations have been increasingly used – in the U.S. since the 1950s; in Spain since the late 1980s – as tax-efficient vehicles for corporate philanthropy and institutions supporting corporate social-responsibility (CSR) strategies. Parallel to the mainstream adoption of CSR strategies by firms around the globe, corporate foundations have tended not only to drive the philanthropic component but also to enhance competitive advantage of corporate founders by focusing on communities or stakeholders of strategic interest for the firm, such as customers or employees (Carroll, 1991, 2008; Porter & Kramer, 2002, 2006; Foundation Center, 2008). In addition, corporate foundations are public-benefit nonprofits founded, funded, or controlled by profit-maximizing firms. Their dynamics as hybrid actors between the market and civil society are worth being studied in the context of the growing importance of hybrid institutional forms, which

[1] In several European countries, including Spain, there is no cap on shareholding or voting stock ownership by foundations, and regulations on self-dealing between a firm and its related foundation are relatively looser in Europe than in the U.S.

cross boundaries among the three traditional sectors of the economy (Letts, Ryan, & Grossman, 1997; Dees, 1998; Cooney, 2006; European Venture Philanthropy Association, 2006; Martin, 2008).

The purpose of this article is precisely to explore the forces underlying the adoption of good-governance policies and practices, particularly transparency, in charitable foundations. The next section discusses, in the context of a country study, the main factors behind the advancement of foundation transparency according to previous theory and research. The following section proposes a simple tool for assessing foundation transparency. Through that tool, the stage of development of Spanish corporate foundations' transparency is assessed and its evolution followed over three years. Overall results are discussed and possible explanations for the variability in corporate foundation transparency are explored. Finally, suggestions for foundation practitioners in general and a set of conclusions focused on corporate foundations are presented.

Drivers for Accountability and Transparency: Spain as a Country Study

Previous theoretical and research studies have identified four main forces behind improved nonprofit accountability and transparency: societal pressure derived from scandals, demands for information from donors and other relevant stakeholders, pressure from regulators and public authorities, and third-party supervision (Ebrahim, 2010). Another useful perspective has argued that different organizations tend to adopt similar structures due to a variety of institutional factors, including regulatory mechanisms, emulation or mimetic mechanisms, and standards and norms arising from collective action (DiMaggio & Powell, 1991). We have combined both theoretical perspectives into a framework composed by six drivers:

1. regulatory pressures,
2. self-regulation,
3. demands for information from donors and other key stakeholders,
4. societal pressure derived from scandals,
5. emulation, and
6. third-party assessment and information services.

This six-drivers framework will be discussed in depth for the Spanish foundation sector. Why is the Spanish case relevant? In continental Europe, Spain is second only to Germany as home to a highly institutionalized foundation sector (Rey-Garcia & Alvarez-Gonzalez, 2011a), and has one of the highest number of registered public-benefit foundations (12,921 in 2009) in the European Union. From an international comparative perspective, differential features of this medium-sized, late- and fast-growth sector refer to age, size, and type of foundations; activity rates; and complex relationships with the state and the Roman Catholic Church. Spanish foundations are mostly young, small, and operating (30 percent of registered foundations lack significant recent activity). Of 9,050 active foundations, 9.2 percent are publicly controlled; an uncertain but significant number of church-controlled foundations also exist. Total expenditures exceed €150,000 for 53.6 percent (for 11 percent, that figure is over €2.4 million); 60.1 percent have total assets of more than €150,000. Since 1994, all registered foundations in Spain have been automatically granted charitable and nonprofit status, and can receive tax exemptions and tax-deductible contributions if they comply with certain administrative requisites and strict reporting controls. Spanish foundations are basically configured as private entities with their own legal personality under civil law. All of them are nonprofit distributing, independently governed, nonmember, asset-based, and public-benefit purpose (Rey-Garcia & Alvarez-Gonzalez, 2011b).

Regulatory Pressures

It should be noted that the word "transparency" is not even mentioned in laws and regulations applicable to Spanish foundations; regulations focus exclusively on reporting to supervisory public authorities. All registered foundations must annually file a report, standardized financial statements, and activities plan with the supervisory "protectorate." The annual report must include information relative to governance: changes in the board and management, degree of accomplishment of the activities plan, disaggregated number of beneficiaries, collaboration agreements with third parties, and degree of compliance of the distribution or payout rule.

Once reviewed by the protectorate, those documents are filed in the corresponding foundation "register," where, according to the law, "anybody can obtain information from them" (Ley 50/2002). But as the number of foundations has increased, supervision has become fragmented: The 58 foundation protectorates and registers are short-staffed and information systems are poor. As a result, the review of documents is often merely a formality and the ostensibly public information is hardly accessible to interested stakeholders.

Self-Regulation

Spanish nonprofits in general and foundations in particular lack sectorwide norms and standards for good governance and transparency (Paz, 2008; Perdices, 2008). However, different good-governance principles, ethics codes, and transparency tools have been progressively adopted by some nonprofit and foundation networks coexisting in the country (De Andrés, Martín, & Romero, 2006; CONGDE, 2007; Montserrat, 2009). The network of international-cooperation nonprofits pioneered its first ethics code in 1998, and published aggregated data on compliance from a set of transparency and accountability indicators taken from 90 websites and 50 annual reports of member organizations (CONGDE, 2007). Social-action nonprofits adopted an operating standard for transparent management (Plataforma de ONG de Acción Social, 2003). In 2008, the Spanish Association of Foundations (AEF) passed a "Principles" document (AEF, 2009), later subsumed under a "Good Governance Code" (AEF, 2011).

This early and heterogeneous stage of development of good-governance norms and standards arising from collective action, in the context of a fairly structured foundation field, suggests a lack of agreement within the sector about exactly what good governance, accountability, and transparency entail in practice. Such disagreement is also evident in the wide variability of disclosure policies regarding member data by those collective action platforms (CONGDE, 2007; Plataforma de ONG de Acción Social 2003; AEF, 2007, 2008, 2011; Coordinadora Catalana de Funcaciones, 2009).

Demands for Information From Donors and Other Key Stakeholders

Demands for information from external donors have probably been the key driver of improved transparency among foundations that fundraise regularly. Evidence shows an increasing number of foundations that raise funds from private sources volunteer to be evaluated every year by the Lealtad Foundation for compliance with 43 good-governance principles, mostly concerning transparency (Fundacion Lealtad, 2009). It is no coincidence that social-action and international-cooperation nonprofits have taken a leading role in adopting accountability and transparency standards, given that both types heavily depend on public funds and public agencies with tight reporting and monitoring requirements. Furthermore, foundations competing for public funds and private donors have already incurred the cost of producing the relevant information, and the incremental cost of making it accessible online to other key stakeholders can be considered insignificant (Rey-Garcia, 2009).

Societal Pressures Derived From Scandals

Spain has seen a number of foundation-related scandals in the last decade, including Gescartera in 2001, Anesvad and Intervida in 2007, Palau in 2009, and Instituto Noos in 2011. Their epicenter frequently has been in Catalonia, Spain's leading region in terms of foundation reporting (it is the only protectorate that allows online filing of reports), strengthened regulatory requirements, and nonprofit accountability and transparency self-regulation (the Catalan Coordinator of Foundations published its ethics code in 2006). Although this coincidence may suggest some degree of correlation between societal pressures and improved accountability, the influence of those scandals on foundation transparency has not been systematically researched yet.

Emulation

The degree to which emulation of peers or competitors with the best practices has influenced the adoption of transparency practices by Spanish foundations is difficult to assess except on a case-by-case basis. The scarcity of publicly accessible information on foundations is overwhelming; there are no countrywide directories or rankings. Spanish foundations can choose between the favorable fiscal regime available for charitable foundations and public benefit associations, and the ordinary tax regime devised for any type of organization, including businesses. However, even if they choose the favorable fiscal regime (which translates into foundations being fully tax exempt in practice) their tax returns are not made public. This situation largely differs from that of US foundations filing their reports with the IRS, as these are online available. As a result, Spanish nonprofits are not listed by rating systems that are based on private tax reports, such as GuideStar or Charity Navigator (Rey & Alvarez, 2011c).

Third-Party Assessment

Evidence suggests three country-specific, third-party, private information services have provided incentives for the advancement of foundation transparency.

Since 2002, Lealtad Foundation has been publishing online an annual report on compliance by fundraising foundations and associations with transparency and other good-governance policies. Although Lealtad is neither a ranking nor certifying body, the fast growth in the number of nonprofits that are voluntarily adhering to this service, and the few – though significant – withdrawals suggest not only that private donors respond to the information it provides, but also that nonprofits strategically respond to its quasi-certifying effects (Fundacion Lealtad, 2009; Gálvez, Caba, & Lopez, 2009).

Compromiso Empresarial Foundation (FCE), established in 2007, is an independent nonprofit whose mission is to advance good governance and transparency. It regularly publishes ethics and online transparency reports benchmarking firms such as television stations; public and nonprofit organizations including corporate foundations, family foundations, museums, and universities; and political parties.[2]

In 2009, the Spanish Association of Foundations launched the Institute for Strategic Analysis of Foundations (INAEF) to research foundations in the context of acute scarcity of empirical data on philanthropy. The institute's main goal is to reinforce accountability and transparency in the sector, and it has recently published its first report on the organizational features and socioeconomic impact of the foundation sector (Rey & Alvarez, 2011d). [3]

Proposal and Application of Transparency Indicators

Once general forces influencing foundation transparency have been discussed, our purpose will be to assess the state and development of Spanish corporate-foundation transparency and to explore possible explanations for its variability in the context of the six-drivers framework. When translating our definition of foundation transparency into a useful set of transparency indicators, the main challenge is to define the extent of "relevant" information. This requires identifying and selecting relevant internal and external stakeholders for foundations and understanding their specific information needs. For the sake of simplicity, foundation transparency is defined as voluntary dissemination through the Internet (accessibility) of basic information about seven categories of indicators (relevancy):

1. contact data,
2. mission,
3. programs and activities,
4. management,
5. board of trustees,

[2] http://www.fundacioncompromisoempresarial.com

[3] The INAEF project was funded by a group of Spanish private foundations: Ramon Areces, Marcelino Botin, Rafael Del Pino, ONCE, Santander, and Telefonica.

6. economic information, and

7. governance.

This approach acknowledges the growing preeminence of the web as an external communication medium for foundations, both vertically (with stakeholders such as donors, mass media, and partners), and horizontally (with peer organizations). The public in general and nonprofit stakeholders in particular expect basic information on any issue of their interest and expect it to be accessible online. Of about 2,000 American nonprofits surveyed in 2008, 93 percent provided information about their programs and services on the web (GuideStar, 2009). Furthermore, this web-based approach to transparency has been used to evaluate publicly listed companies and nonprofits (Sanz & Alda, 2009; CONGDE, 2007; Gálvez, Caba, & Lopez, 2009).

A sample of 50 active corporate foundations was selected according to our working definition; a second criterion was that it represent a diversity of founder types. Those types include publicly listed and private companies, family and nonfamily founders, and national and international firms; they are connected to a wide variety of industries. To assess transparency among such a sample, we first monitored the foundations' compliance with transparency indicators for categories 1 to 6 (13 items) during the second semester of 2009. However, transparency is a relative concept that must be contextualized within social demands for relevant information, institutional environments, and peer/competitor practices. For this reason, we benchmarked those results with those of two other groups of foundations that can be considered as conforming to best practices in terms of transparency, despite their different financial structures and geographic context:

- The top 50 grantmaking foundations of the U.S. by asset volume (Foundation Center, 2009). The U.S. was chosen as the international benchmark because its foundation sector is the largest and has been a role model for foundations internationally, particularly from a governance perspective. The U.S. sector has also successfully responded to increased demands for substantive accountability with improved transparency and professionalism (Frumkin, 1999).
- Sixty Spanish foundations that regularly fundraise from nonprofits, unrelated firms, individuals, or the public sector (in the U.S. they would probably be labeled "community" or "public" foundations). These foundations have volunteered to be rated in terms of good-governance and transparency principles by Lealtad Foundation (Fundacion Lealtad, 2009). While under GuideStar or Charity Navigator nonprofits cannot choose whether or not to be rated, we argue that a foundation's voluntary decision to be rated signals its commitment to transparency policies and practices.

The degree of compliance with transparency indicators within our sample was followed for three years (2009-2011). The main results are summarized in Table 1.

Explanations for Variability in Corporate-Foundation Transparency

The first difference in transparency among the three samples in 2009 relates to web usage. While 98 percent of the U.S. endowed sample and 100 percent of the Spanish fundraising sample had their own websites, only 84 percent of the corporate sample utilized the web as an external communication tool. Twenty-nine of the 50 corporate foundations had their own websites, whereas 14 provided online information on the websites of their parent firms.

The second difference arising from the benchmarking exercise relates to the degree of compliance with transparency indicators. Transparency is considerably higher for U.S. endowed and Spanish fundraising foundations for every item except "CEO or managing director"; the maximum gap between corporate foundations and the two best practices relating to items under the "economic information" category, followed by the "board" category. Additionally, top U.S. endowed foundations outperform the Spanish foundations with best practices for the "management," "board," and "economic information" categories. The "an-

TABLE 1 Assessing Foundation Transparency: Benchmarking (2009) and Tracking (2009-2011) Spanish Corporate Foundations

	2009 Benchmarks		Spanish Corporate Foundations 2009-2011		
Transparency indicators: Categories and items	Percentage of compliant Top 50 U.S. foundations by asset size	Percentage of compliant Spanish fundraising foundations	Percentage of compliant corporate foundations 2009	Percentage of compliant corporate foundations 2010	Percentage of compliant corporate foundations 2011
1. Contact data					
1.1. Postal address	96%	100%	66%	78%	86%
1.2. Phone	96%	98%	62%	74%	82%
2. Mission					
2.1. Mission and goals	96%	100%	80%	84%	84%
3. Programs and activities					
3.1. Description	96%	100%	80%	86%	86%
3.2. Beneficiaries	94%	100%	72%	78%	84%
4. Management					
4.1. CEO or managing director	90%	59%	58%	62%	62%
4.2. Other managerial staff	90%	47,5%	32%	32%	36%
5. Board of trustees					
5.1. Members	92%	87%	70%	72%	80%
5.2. Profiles	82%	84%	16%	30%	36%
5.3. Positions and responsibilities	88%	41%	20%	66%	74%
6. Economic information					
6.1. Financial statements	74%	80%	8%	18%	24%
6.2. Annual reports	70%	23%	0%	8%	12%
6.3. External audit reports	70%	51%	4%	14%	20%
7. Governance					
7.1. Bylaws	NA	NA	NA	NA	18%
7.2. Good-governance code	NA	NA	NA	NA	8%

Source: Authors' elaboration from FCE 2010, and Martin-Cavanna 2011 and 2012

nual report" item registers the lowest degree of compliance for both Spanish samples, implying that the policies and processes through which those foundations are governed (governance), the degree to which mission and goals are achieved (effectiveness), and the sources and uses of funds (efficiency) cannot be assessed from online available information for 100 percent of corporate foundations and 77 percent of fundraising foundations. On the positive side, 80 percent of Spanish fundraising foundations publish their financial statements online (outperforming the U.S. sample on this item), and 51 percent do the same with their external audit report. Overall, gaps widen when the comparison is between corporate and fundraising foundations within Spain, with 12 indicators registering two-digit differentials.

However, a general trend for improvement of corporate foundation transparency can be observed over time. Most substantial advances – with two-digit increases between 2009 and 2011 – have involved "contact data," "board," and, to a lesser extent, "economic" indicators. The number of corporate foundations publishing their annual reports online has increased from none to six. The "economic information" category, however, remains the lowest compliant, and it has taken three years to reach percentages comparable to those of the new "governance" category introduced in 2011.

Going back to our proposed six-drivers framework, some of those drivers seem of limited application when exploring possible explanations for the state and evolution of transparency practices among Spanish corporate foundations. No regulations specifically reinforcing transparency by corporate foundations exist, and they share the regulatory vacuum with other types of foundations. None of the recent foundation-related scandals has directly involved corporate foundations.

The existence of demands for information from donors, however, is relevant when trying to explain why fundraising foundations outperform corporate ones in our benchmarking exercise. Spanish fundraising foundations seem to have understood that satisfying the demands for accessible and relevant information from external donors, either public or private, increases their funding opportunities through improved legitimacy. It is no coincidence that international-cooperation and social-services foundations, both heavily dependent on fundraising, have paved the way in both self-regulatory efforts and voluntary adherence to private-information systems. Corporate foundations have not led any self-regulatory initiatives. They lack the built-in incentive for accountability that public foundations have in a diversified income structure based on fundraising from multiple sources. It is no coincidence either that the "economic information" category of indicators still remains the most underperforming for this type of foundation, despite the general trend toward improvement over time.

Regarding mimetic mechanisms, in the case of corporate foundations both imitation of peer foundations and eventual emulation of parent corporations should be considered. On the one hand, some corporate foundations identify themselves as "fourth sector" entities given their hybrid nature; on the other hand and according to theory, the greater the dependence for resources of an organization on another organization, the more similar the dependent organization will become to the organization providing the resources (DiMaggio & Powell, 1991). Surprisingly enough, an average-to-average comparison for 2009 does not support the hypothesis of corporate foundations emulating parent corporations in terms of transparency. While corporate foundations underperformed both U.S. and Spanish foundations with the best practices, the majority of parent firms ranked among the best in good-governance, transparency, and CSR practices in the country at that time (Rey-Garcia & Martin-Cavanna, 2011).

By contrast, emulation of peer foundations in combination with a third-party information service specifically focusing on corporate foundations has probably been a significant force behind the gradual improvement of transparency between 2009 and 2011. Compromiso Empresarial Foundation has published an annual benchmarking report on corporate-foundation transparency since early 2010 (FCE, 2010; Martin-Cavanna 2011, 2012). Although the report is distributed both online and in print, exposure of its ratings through mainstream media has amplified its impact. *Expansión*, an economic newspaper widely circulated among Spanish companies, and Antena 3 TV, a private television station with its own corporate foundation, have provided news coverage on the report (Medina, 2010; A. G., 2011; Antena 3 TV, 2011, 2012). Evidence suggests a clear relationship between the release and content of the report and the strategic responses by corporate foundations included in its comparative rating. There were more email requests from foundations seeking further information, and more website visits to download the report. In addition, more than 30 percent of the corporate foundations in our sample have directly contacted FCE to ask for advice or clarification on transparency criteria applied by the report. And it is also significant that, after FCE advanced plans to evaluate online availability of good-governance codes in the 2011 edition, three foundations elaborated ex novo their codes and subjected them to board approval just in time to comply with that indicator. Finally, feedback from practitioners of corporate foundations covered by the report emphasized the incentives it has provided for continuous improvement:

> We read the news about the report in *Expansión* and it opened our eyes. We try to improve our rating a bit every year.
>
> Congratulations for the report. It is an excellent report that should help all foundations that really care about transparency.
>
> We want to acknowledge the work behind the report as it stimulates Spanish corporate foundations to advance towards improved levels of transparency, and according to the most demanding standards.
>
> The report will be a really useful tool to improve our website.
>
> Thanks for the report. We should improve, and I am confident we will start to do so next year. … We are thinking about the actions we should take in order to improve online transparency relative to our compliance of indicators in 2011. We would appreciate detailed recommendations on the following proposed solutions.…

Conclusions and Suggestions for Practitioners

The first contribution of this article has been to propose a six-drivers framework that can help explain variations in foundation accountability and transparency, both across different institutional settings and over time. Conclusions for the Spanish case suggest that obstacles to the advancement of foundation transparency include a lack of awareness of the concept by regulators, fragmented and heterogeneous self-regulatory initiatives that lack compliance and monitoring mechanisms, a lack of consensus about the practical implications of good governance, poor accessibility of public data in foundation registers, and privacy provisions governing foundation tax returns.

Regarding our benchmarking exercise focusing on corporate foundations, it suggests that differences in the financial structures of foundations compound with institutional factors to influence the development of transparency practices. Since corporate foundations do not raise funds from external donors, either private or public, they lack the intrinsic incentive for transparency that characterizes fundraising or public foundations. In other words, corporate foundations – like other private, closely held ones – may have a higher intrinsic risk of behaving accountably only to the founders and funders they depend on financially, rather than to the foundation's external stakeholders and to society in general.

On the positive side, applying the six-drivers framework to corporate foundations demonstrates the potential of third-party assessment and information services for advancing transparency in the absence of specific regulations, widely accepted norms and standards, societal pressures, and built-in incentives related to the financial structure of the foundation. The positive impact of the FCE annual benchmarking reports and ratings on continuous improvement of corporate foundation transparency has been threefold: They have proposed a set of indicators to help foundations select "relevant" information; they have provided incentives for putting preexisting contents (i.e. bylaws, financial statements) online; and they have provided incentives for the adoption of new good-governance policies. Furthermore, the report's benchmarking methodology has stimulated emulation among corporate foundations, reminding them that, although closely held, they still have multiple relevant stakeholders beyond the parent company. Satisfying their demands requires specific commitments from corporate foundation boards and managers beyond behaving accountably to the founding firm.

For foundation practitioners, the main challenge to improving transparency is selecting relevant information for each stakeholder group and communicating it in an accessible way. In this sense, a key contribution of this article is combining a set of categories and indicators of relevant information into a simple tool for assessing the state and development of transparency practices by all types of foundations in any country.

This article also reminds board members and managers that the Internet, and more specifically the foundation website, has become the main channel to respond transparently to demands for information from key stakeholders and society in general. Any stakeholder who wants to know more about a foundation will first consult its website. While a foundation may behave accountably to its civil or tax authority or to its internal donors, it may not be accountable to other stakeholders or to the public unless it voluntarily implements accountability and transparency practices through the web.

Our final suggestion is that founding companies advocate for voluntary implementation of good governance, accountability, and transparency practices in the foundations under their control. This research demonstrates that channeling corporate philanthropy through the creation of organizations with their own legal personality requires implementing ad hoc good-governance policies beyond those of the parent corporation. One of the main advantages of corporate philanthropy over other CSR strategies is its observable nature – most CSR processes are not noticeable beyond the limits of the firm. Visible adoption of best accountability and transparency practices by corporate foundations would bring two types of positive consequences: It would improve the legitimacy of corporate foundations in the eyes of external stakeholders and society in general, and would prevent diluting potential benefits to the reputation of corporate philanthropy, ultimately increasing the credibility and social impact of the parent company's CSR strategies.

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Marta Rey-García, Ph.D., is associate professor of marketing at the University of A Coruña School of Economics and Business. Correspondence concerning this article should be addressed to Marta Rey-Garcia, Campus de Elviña s/n, A Coruña 15071, Spain (email: martarey@udc.es).

Javier Martín-Cavanna, LL.B., is chairman of the Compromiso Empresarial Foundation.

Luis Ignacio Álvarez-González, Ph.D., is associate professor of marketing at the University of Oviedo School of Economics and Business.