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Beyond Channeling and Professionalization

Foundations as Strategic Players in Social Movements

Edward T. Walker

Social movements research has been subject to a growing body of criticism for being generally too movement-centric (Walder, 2009; McAdam and Boudet, 2012; Fligstein and McAdam, 2012), and, when scholarship does examine the role of external context in shaping movement practices and strategies, it focuses too heavily on the state (Armstrong and Bernstein, 2008; Walker, Martin, and McCarthy, 2008). Similarly, social movement outcomes research has been challenged for selecting on the dependent variable in the sense of searching for successful cases of collective mobilization (for critiques, see McAdam and Boudet, 2012; Burstein and Sausner, 2005). However, the turn toward new approaches to movements research – reflected in the diverse contributions to this volume – that highlight how contentious claims-makers are only one player among many pressing forward their interests in myriad societal arenas, helps to remedy this limitation and to widen our focus to the place of social movements in civil society, the state, and the marketplace.

This chapter encourages a rethinking of foundations and their place in social movements and advocacy more broadly. Consistent with the movement-centric focus of much prior research on contentious politics, analysts tend to see foundations as instrumental in promoting moderation and professionalization among the social movement organizations (SMOs) that receive their support through grants and in-kind contributions (McCarthy and Zald, 1977; Jenkins and Eckert, 1986; Minkoff and Agnone, 2010; Brulle and Jenkins, 2005). The central point in much of this research is that foundations tend to select more moderate organizations for support, in part because professionalization and moderation are linked, and grant-makers often require extensive compliance measures and reporting standards that only more professionalized organizations can meet (Brulle and Jenkins, 2005). In addition, foundations funding SMOs face potential concerns about prismatic network effects (Podolny, 2001), such as the potential fallout for foundations that are connected to politically radical SMOs.

The focus of this research, then, still remains largely on the consequences for movement actors; that is, most research studies what foundation funding
means for the SMOs that receive support, with relatively little attention to
the organizational and institutional dynamics of the foundations them-
sefes (but see Ostrander, 1995; Silver, 1997; Silver, 1998). In addition, most
of this research neglects other interventions that foundations make into
social movements beside grant-making, such as the provision of technical
assistance and direct facilitation of public participation in advocacy
campaigns (Walker, McCarthy, and Baumgartner, 2011), or even through
the creation of new organizations or whole sectors from the top down (Bartley,
2007; Duffy, Binder, and Skrentny, 2010).

Moving beyond movement-centric perspectives, this chapter argues that
the heavy scholarly focus on foundations’ role in channeling and professional-
izing movement activity has unnecessarily narrowed our understanding of
the true scope of their engagement in collective arenas. Foundations, as or-
ganizations in their own right, face pressures of their own from their donors,
their foundation peers, the state, and other stakeholders (see Anheier and
Hammack, 2010). However, despite these pressures, foundations are nonethe-
less strategic in aligning the interests of their donors with the activities of the
SMOs they fund. The study exploits evidence from corporate foundations in
the health sector – highlighting interorganizational factors that shape their
giving patterns, as well as their strategic alignment of grant-making with the
interests of their donors – in order to evaluate these claims. This evidence
illustrates how the organizational and institutional dynamics of foundations
help to direct their strategic interventions in broader arenas. It also provides
initial evidence of the scope of social movement influence on foundations.

I start by providing background on how foundations should be defined
and how they affect social movements. Then, the core of the chapter (a) pro-
vides evidence of how the amount given by foundations is influenced more
by the interorganizational and resource pressures faced by foundations and
less (but still significantly) by the presence of SMOs and advocacy groups,
and (b) shows how the recipients of giving by foundations often reflect the
strategic interests of their donors. I conclude by drawing attention to the
importance of a less movement-centric understanding of foundations as
players in societal arenas.

Conceptualizing Foundations in Contentious Arenas

Although foundations in various forms have existed since antiquity, the
modern grant-making foundation became a distinct organizational form
in the late-19th-century United States (Prewitt, 2006: 355; Anheier and Ham-
mack, 2010). At this time, US foundations shifted from their colonial-era model of a trust or bequest dedicated to a particular institution and moved toward applying the spectacular wealth of robber-baron magnates like John D. Rockefeller and Andrew Carnegie to the pressing social issues of the day. They did so in a fashion that brought the ideas of the Protestant Ethic to bear by converting the spoils of capitalist accumulation into socially beneficial causes (Prewitt, 2006: 361-362). Since that time, the defining features of a foundation are that they have relatively permanent assets that are not committed to a particular institution or activity, [which] provide a grant-making capacity reaching across multiple purposes and into the indefinite future. A permanent endowment attached to a broad, permissive mission is a defining characteristic of present-day foundations. This configuration provides considerable latitude for changing priorities as new conditions emerge and differentiates the foundation from a long tradition of bequests for a narrow purpose or particular institution, though in this ... there are exceptions. The endowment also sharply distinguishes the foundation from the much larger number of institutions in the nonprofit sector that survive through membership dues, fees for services, government contracts, or product marketing. (Prewitt, 2006: 355)

Nearly a century before the contemporary movement for creating a more socially responsible business sector through corporate social responsibility (Lim and Tsutsui, 2012; Vogel, 2005), then, foundations helped convert the great fortunes accumulated through the capitalist system into concrete social benefits. In the weak state of the United States, foundations could serve the broader public good with resources gained through private enterprise and help to provide for citizen needs unmet by the state. Indeed, foundations were encouraged by the state to fulfill such needs (Anheier and Hammack, 2010).

However, despite the historical legacy of providing an indirect justification for capitalist accumulation, the foundation sector has a long history of supporting citizen efforts to change policy, whether through social movements or through other forms of grassroots advocacy (Jenkins, 1998). Foundations are, some analysts suggest, at their core organizations that seek to improve society and generate positive social change (Prewitt, 2006: 366; see also O’Connor, 2010).

They do so through a variety of means, including by providing support for social service delivery, supporting education and the creation of knowledge,
applying that knowledge through interventions in areas such as health policy, agriculture, environment, and development, making efforts to improve public policy and make institutions more accountable, and, most notably here, grant-making to SMOs and other policy advocacy groups. Importantly, although foundations tend to emphasize their support of social change initiatives, this need not imply an inherently progressive orientation. While the foundation sector is still dominated by socially progressive causes, conservative foundations have risen to prominence in the US since the 1970s (Stefancic and Delgado, 1996; Teles, 2010).

Indeed, foundations have provided substantial resources in support of mass social movements. This has been true not only through US-based social movement funding by such grant-makers as the Ford Foundation, but also internationally in foundation funding of grassroots NGOs involved in empowerment efforts. The latter include especially grassroots programs for economic development, as well as social enterprises such as micro-credit lending (Watkins et al., 2012). Foundations have been active in supporting the civil rights movement (Jenkins and Eckert, 1986), women’s rights (Goss, 2007), grassroots urban community organizing (McQuarrie, 2010), and environmental issues (Brulle and Jenkins, 2005). And, as I describe below, they have engaged with health-based advocacy organizations as well.

A powerful refrain in research on how foundations support contentious politics is that foundations tend to be rather conservative in their approach, even if not in their politics (Jenkins, 1998; Brulle and Jenkins, 2005; Jenkins and Eckert, 1986). As Minkoff and Agnone (2010: 347) argue, there are two common narratives for how foundation funding of social movement activity leads movement groups in the direction of greater moderation. In one version, foundations more or less explicitly support more moderate organizations in order to maintain their own elite position in society, with foundations serving as representatives of a sort of civic establishment (see Dye, 2002). Another version – which nonetheless leads to the same conclusion – suggests that the mechanism of moderation is that funded organizations need to survive and require resources in order to do so; these demands tend to encourage both moderation and professionalization among the SMOs that receive foundation funding (Brulle and Jenkins, 2005).

Research to support these suggestions is widespread, especially in highlighting the consequences of foundation funding on the governance, tactical mix, and goals of movement organizations. Following in the resource mobilization tradition of McCarthy and Zald (1973; 1977), Jenkins and Eckert’s (1986) classic study of patronage of civil rights organizations found that foundation support went predominantly to professionalized
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groups such as the NAACP Legal Defense and Education Fund rather than grassroots civil rights organizations. Herbert Haines (1984) argued that the key mechanism of a “radical flank effect” operated in the civil rights movement through a dynamic by which confrontational protest tactics by more radical actors helped to promote foundation funding of comparatively moderate civil rights groups.

Other work, by Brulle and Jenkins (2005: 159), finds that foundation funding of environmental organizations favors more professionalized organizations and also more moderate discourses of environmentalism (such as preservation or liberal environmentalism) over more radical ones (such as environmental justice or deep ecology). Rojas (2007: ch. 5) shows how the Ford Foundation shifted its funding strategy away from African-American political organizations and toward professional academic Black Studies departments by the 1970s and 1980s. Additionally, Minkoff and Agnone (2010: 367) find that the “grants economy” for women’s and minority rights SMOs is dominated by a small set of large and well-endowed foundations, and that these foundations are “relatively risk averse” in that their politically evenhanded strategy has kept them from engaging in more path-breaking forms of philanthropy.

However, more recent investigations have challenged this focus of research on foundation support for social change initiatives, noting that foundations engage in contentious arenas in ways other than grant-making and providing moral support to the SMOs they select for patronage. These new studies show that the interests of a wide variety of stakeholders often drive foundation support, and that it need not necessarily involve the channeling of movements into more moderate forms.

Bartley argues that in forest product certification, foundations “coordinated their grant-making to build an organizational field in which disruptive protest and market-based forms of governance were at times synergistic rather than contradictory” (2007: 231, emphasis in the original). One part of Bartley’s argument is partially supportive of the dominant channeling model described above, in that foundations did indeed support forest certification rather than funding those SMOs who might boycott timber companies. Still, Bartley found that the development of certification programs involved a type of institutional entrepreneurship in which foundations were key players in the formation of a new sector, thus generating real social change through their programs. Similarly, in a study of a foundation created in response to a contentious land use battle over the redevelopment of a former airport site, Duffy, Binder, and Skrentny (2010) also showed how foundations can serve as elite players in the direct
mobilization of social change at the stage of policy formation (independent of much mass movement involvement).

Overall, these studies suggest that our view of foundations should not be so oversimplified as to suggest that they are either (a) powerful civic representatives of wealthy elite interests, or (b) well-intentioned-but-nonetheless-influential agents of movement professionalization and moderation. Foundations themselves are strategic actors, but this need not mean that their actions necessarily promote inequality or reduce the power of social movements. And, although they are selective in their judgments of which SMOs or other causes are worthy of their support, foundations may be active in engendering broader social change even if promoting organization-level professionalization (for a similar point, see Clemens, 1993; Clemens and Minkoff, 2004).

Understanding Foundations in Broader Arenas

Moving beyond more movement-centric approaches, I shift attention now to describing the multiple pressures faced by foundations within their institutional environments. Of course, outside of those foundations which are quasi-SMOs in their own right (Ostrander, 1995; Silver, 1997; Silver, 1998), for most foundations, funding social movement activism tends to represent only a modest portion of their grant-making. Considering this as well as how foundations influence movements in a variety of means beyond channeling, it seems worthwhile to take a step back and examine foundations in a broader context.

First, in the US context, foundations take four primary forms. Independent grant-making foundations are the dominant form, and these foundations are characterized by a significant amount of diversity both in their primary fund sources and also in the recipients of their largesse. Corporate foundations, by contrast, receive the overwhelming majority of their funds from their corporate sponsor – especially during high-profit years (Galaskiewicz and Colman, 2006) – and tend to focus their giving on areas of their sponsor’s market interest. I will say more about these below. Third, community foundations tend to be smaller and are often closely tied to the particular locality after which they are named. Lastly, operating foundations are defined by the IRS as “a private foundation that devotes most of its resources to the active conduct of its exempt activities.” In practical terms, this means that an operating foundation engages more directly in areas beyond grant-making, through such activities as providing
technical assistance to other organizations (or other types of foundations), hosting conferences, publishing reports, and other practices that fit within their recognized exempt purpose.

In sum, although these types of foundations tend to differ in their fund sources, the scope of their grant-making, and the extent to which they engage in activities beyond grant-making, it is nonetheless the case that recipients of foundation grants are only rarely in a position where they need to be aware of these distinctions between foundation types (Prewitt, 2006: 365); they matter more to the foundations themselves than their grantees.

These distinctions do, however, have particular sets of legal rules that apply to each type, and therefore shape the actions of foundations. Most significant is the rule that foundations in general are legally obligated to make annual distributions of their funds, or else face a 30 percent excise tax on the foundation’s income that was not distributed. The required annual distribution amount, known by the IRS as the “minimum investment return,” represents 5 percent of the combined market value of all assets held by the foundation with the exception of assets retained for uses that fit with the foundation’s purpose of tax exemption, as well as any indebtedness that results from the purchase of assets. These rules apply primarily to independent, community, and corporate foundations; operating foundations are not subject to the excise tax for the failure to distribute income, given that their IRS-granted tax exemption allows for regular activities well beyond grant-making.

There are also particular US federal laws that prohibit so-called “self-dealing” in which those closely tied to a foundation receive grants or other benefits resulting from those ties. These individuals or organizations are known as “disqualified persons,” and self-dealing rules also vary somewhat depending on the type of foundation as described above. Certain types of individuals are almost always considered disqualified: foundation board members, officers, any employee of the foundation, substantial contributors/donors to the foundation, family members of any of the prior four categories, and certain government officials. In addition, companies, partnerships, trusts, or estates that are more than 35 percent owned by a person in any of the previous categories are also disqualified.

This has obvious implications for corporate foundations, which often have company executives on their board and also have particular rules that apply to the company’s officers and/or executives not on the foundation’s board. Importantly, however, as I describe further below, these rules do not prohibit corporate foundations from making grants to organizations that benefit indirectly the business of the foundation’s corporate sponsor. Thus,
in some respects, the donations made by corporate foundations can serve as a covert (and yet fully legal and tax-exempt) marketing mechanism for those foundations’ corporate parents.

Corporate Foundations: Institutional Pressures and Strategic Interests

An ideal place to examine foundations as strategic players in collective arenas is found in the domain of corporate foundations in the health sector, especially in looking at the funding of advocacy by these foundations. I focus on corporate foundations in the health sector for a variety of reasons. First, corporate foundations are often overlooked in studies of the funding of contentious politics, despite the fact that they make up a substantial portion of overall foundation giving (Boris and Steuerle, 2006: 70). Second, although scholars have come to recognize the ways that social movements influence change processes within corporations (for reviews, see King and Pearce, 2010; Walker, 2012a), relatively little attention has been paid to the role of corporate-sponsored foundations in mediating corporate engagement in contentious politics. Like other areas of corporate engagement in the public sphere such as grassroots lobbying (Walker, 2009; 2012b; 2014), corporate foundation grants may represent a means of cultivating the socio-political legitimacy of a company’s practices, products, and/or the firm itself. Third, as I illustrate in greater detail below, corporate foundations often fund SMOs and other advocacy organizations, although they do so in a way that is not entirely consistent with the dominant “channeling” framework described earlier. Lastly, I focus on the health sector both because of the substantial resources in this foundation sector (given the health sector’s vast and growing share of the economy) as well as because of popular and scholarly concerns about how donations by health firms toward health advocacy groups may often exploit public trust in seemingly independent advocacy organizations (Rothman et al., 2011).

I examine both (a) the factors that lead foundations to give greater (or lesser) amounts in a given year and also (b) which types of organizations are most likely to be the recipients of that giving. These questions allow me to address the question of how foundations engage in strategic action as players in broader arenas, both with respect to the interorganizational pressures they face and also in how they make strategic efforts to align their giving with the market and political interests of donors. To do so, I utilize two unique data sources about corporate foundations in the health sector.
and apply these data to the two prior questions, respectively: (1) data from the IRS-990-PF tax return filings for all such foundations, (2) data from Foundation Center on the recipients of giving by these foundations.

Expectations

Thus, turning to the first question above, which pressures should be most relevant in encouraging foundations to give greater amounts in a given year? Foundation giving should in some part be shaped by (1) the presence of advocacy organizations that could receive their funds. However, shifting away from a movement-centric approach, I expect that corporate foundation giving is affected more heavily by two interorganizational influences: (2) giving by noncorporate peer foundations in the same community as ego foundation (community pressures), and (3) giving by other corporate foundations in the same subindustry (for example, pharmaceuticals or health insurers) as ego firm (industry pressures). I also expect (4) that giving by these foundations is influenced by the characteristics of the foundation's corporate parent, especially in how heavily the firm's board of directors prioritized shareholder interests over other corporate priorities.

Regarding the recipients of foundation grants, I expect that (5) recipients are most likely to be SMOs and other advocacy organizations with goals consistent with the marketing and/or political interests of ego foundation's corporate sponsor. In the health sector, these are often SMOs and other advocacy groups that raise awareness of the conditions that the corporate sponsor's products help to treat.

Data

The data for this study, described in detail elsewhere (Walker, 2013), come from a broader study of giving by the largest firms in the health sector both through corporate foundations (among those firms with a well-established enough giving program to warrant the founding of a corporate foundation) and also through direct corporate giving. Of the leading publicly traded firms in the health sector, 82 currently have corporate foundations, and this study focuses on giving amounts and beneficiaries among those foundations. The corporate foundations in the data are associated with the following industries: pharmaceuticals (32.9 percent), device manufacturers (19.5 percent), health care providers (19.5 percent), health insurers (15.9
percent), medical sales (9.8 percent), and medical research (2.4 percent). The study tracks giving by these firms over the period 1995-2007, including in the statistical models only those foundation-years in which a foundation was in place ($N=735$ foundation-years). Thus, the mean firm is observed for approximately 9 years during the window of the study.6

The dependent variable in the models presented in Table 1 below is the amount of real 2011 dollars given out by each corporate foundation in a given year. Data were extracted from the Core-PF data file held by the National Center on Charitable Statistics (NCCS).7 These data were culled from line 25 of IRS Form 990-PF, in which foundations are asked to “enter the total of all contributions, gifts, grants, and similar amounts paid (or accrued) for the year.” A secondary dependent variable, illustrated in Figure 1 below, utilizes data from Foundation Center’s Foundation Directory Online to categorize the recipients of these foundations’ giving.

Independent variables are all lagged one year prior to foundation giving. These include, first, measures of the density of disease advocacy organizations in the health sector (also from NCCS), giving by other foundations in the health sector in the same metropolitan area (“community” effects), and giving by other corporate foundations in the same health industry (for example, pharmaceuticals or insurers; these are “industry” effects). In addition, models control for the number of “outsiders” on a company’s board of directors,8 as well as the corporate parent’s employee size, gross profits, and assets. All models control for the size of the local population in the company’s headquarters metropolitan area – foundations in large metropolitan areas might feel pressured to give more to charity – although these coefficients are not shown in Table 1.

Findings: Charitable Giving

Table 1 presents the findings from a series of fixed-effects regressions of logged foundation contributions to charitable causes in a particular year. Fixed-effects models are appropriate for the present purposes because of the study’s interest in accounting for unobserved heterogeneity at the foundation level, while also accounting for variation within foundations across years of observation.9

Model 1 includes only the effects of health advocacy organizations and financials of the corporate parent. Model 2 replaces the advocacy organization measure with variables associated with giving by peers in the foundation’s interorganizational environment. Model 3 includes all variables in the final estimation.
First and foremost, the estimates in Table 1 suggest that giving does seem to be somewhat responsive to variation in the density of health advocacy groups in their local community. In particular, the coefficient for the disease advocacy measure shows that an expanding population of disease advocacy organizations is associated with a significant increase in the amount of corporate foundation giving in the following year, regardless of any fixed characteristics of a particular foundation. Although it is well established that SMOs respond to expanded resource pools (McCarthy and Zald, 1973; 1977), this evidence suggests that foundations also respond to changes in the advocacy organizing.

Still, a more important finding is that a larger share of variation is explained by interorganizational influences and factors associated with the foundation's corporate parent than with the influence of advocacy groups. In particular, foundations appear to be responsive to signals sent by other health-related foundations in their community that are not linked directly to a corporation.

Table 1  Fixed effects panel regressions of logged foundations giving on advocacy, interorganizational, and corporate parent characteristics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Advocacy Groups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disease advocacy group density</td>
<td>0.619* (0.269)</td>
<td>---</td>
<td>0.584* (0.250)</td>
</tr>
<tr>
<td>Interorganizational Pressures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community: Foundations in MSA (logged real $)</td>
<td>--- 0.906* (0.429)</td>
<td>0.849* (0.409)</td>
<td></td>
</tr>
<tr>
<td>Industry: Corp. Foundations in Industry (logged real $)</td>
<td>--- 0.270* (0.114)</td>
<td>0.239 (0.124)</td>
<td></td>
</tr>
<tr>
<td>Corporate Parent Characteristics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsiders on Board (proportion)</td>
<td>-2.732* (1.085)</td>
<td>-3.280** (1.129)</td>
<td>-3.472** (1.088)</td>
</tr>
<tr>
<td>Employees (logged)</td>
<td>1.151* (0.564)</td>
<td>0.367 (0.414)</td>
<td>0.257 (0.419)</td>
</tr>
<tr>
<td>Gross Profits (logged real $)</td>
<td>10.65 (5.534)</td>
<td>4.667 (3.789)</td>
<td>6.442 (3.642)</td>
</tr>
<tr>
<td>Assets (logged real $)</td>
<td>-1.789 (0.978)</td>
<td>-1.295 (0.880)</td>
<td>-1.551 (0.844)</td>
</tr>
<tr>
<td>Constant</td>
<td>-136.9 (72.13)</td>
<td>-77.71 (53.18)</td>
<td>-94.60 (52.49)</td>
</tr>
<tr>
<td>Fixed Effects?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year Dummies?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>N Observations</td>
<td>658</td>
<td>422</td>
<td>422</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.176 0.194</td>
<td>0.211</td>
<td></td>
</tr>
<tr>
<td>N Foundations</td>
<td>73 59</td>
<td>59</td>
<td></td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses
Significance Levels: *** = p < 0.001, ** = p < 0.01, * = p < 0.05
Corporate foundations, then, appear to take their signals from their noncorporate peers, and these estimates indicate that a 10 percent increase in giving by peer foundations in a firm’s community is associated with an increase of approximately 8.49 percent in the giving by corporate foundations. They are also especially responsive to one particular characteristic of their corporate parent: the number of members of the company’s board of directors who are “outside” members without a direct tie to the company’s executives (such as, for example, also serving as CEO). Each additional percentage point increase in outside board members is associated with a 3.6 percent drop in foundation giving in the following year. Thus, it appears that these foundations are also swayed to some extent by corporate practices and the ability of outside directors to press for the interests of shareholders in reducing the “agency cost” of philanthropic giving.

Interestingly, the other measures show mixed results. Foundations with corporate parents who see changes in their employee bases, levels of profit, or overall assets do not experience significant changes in the amount they contribute in the following year. The models also show inconsistent effects of the interorganizational pressure represented by a firm’s industry peers, such that the variable is not significant in the final model. It appears that the key interorganizational pressure influencing foundation giving is found at the community level, consistent with previous work by Galaskiewicz and his collaborators (Galaskiewicz and Wasserman, 1989) and also with the conceptualization of Marquis, Glynn, and Davis (2007).

Findings: Recipients of Giving

To which causes do corporate foundations in the health sector give? Figure 1 utilizes the data from the Foundation Directory Online in order to illustrate how patterns of giving by substantive area differ across the four (of six) industries best represented in these data: pharmaceuticals, insurance firms, device manufacturers, and for-profit health-care provider organizations. The figure compares these industries across the five most common types of causes to which corporate foundations give: arts and culture (NTEE category A), educational institutions (B), health institutions (E; these are nonprofits active primarily in providing care), health advocacy organizations (G; advocacy organizations in the health sector, disease awareness and support groups, and other associations in the health sector), and philanthropic/voluntary associations (T). The rightmost column displays the percentage of grants within each industry to all other NTEE categories.
Importantly, these findings illustrate, as suggested above, that philanthropic giving by corporate foundations in the health sector is, although beneficial to society, often quite strategic in nature. Examining industry-level differences in giving to health advocacy groups, for instance, it becomes clear that the two manufacturing industries represented here – device and pharmaceutical firms – give much more to such associations. This finding is consistent with the work of Rothman et al. (2011), who find that major pharmaceutical firms tend to target their giving at patient advocacy organizations that promote a medicalized view of mental illness, in a fashion ultimately consistent with the marketing aims of the donor; the present research expands upon this by finding that foundations linked to device manufacturers are almost as likely as drug companies to fund advocacy groups that may indirectly facilitate the firm’s market aims, such as when device manufacturers hope to raise awareness of heart conditions that their devices can help to treat. Again, such giving is generally well within the law in terms of the self-dealing rules outlined by the IRS.

The giving patterns of health insurer-backed foundations are also noteworthy for their apparent strategic aims, in that they are the most likely to give to nonprofit health provider organizations, as these are often the providers through which their enrollees receive coverage; insurers are in regular negotiation with them over pricing. Insurers have a strong interest in encouraging providers to keep their costs down, such that premiums are kept as low as possible for subscribers. This evidence, then, suggests that
insurers’ foundations may offer such charitable donations as a means of rewarding those providers that do the most to keep their costs in check. Although important, this finding is preliminary and warrants further research.

Provider-backed foundations, for their part, differ in marked ways from the other foundations included in this study, as they are the industry that is most closely rooted in local communities and their parent companies also face the most direct competition from nonprofit organizations within their subfield (Schlesinger et al., 1996). Accordingly, providers’ foundations give very little to other health providers, with only a few rare exceptions. Providers’ largesse is directed instead primarily to educational institutions at a dramatically higher rate than any other health industry; nearly 60 percent of all charitable gifts by providers go to education. Providers, importantly, are much more dependent than other industries upon educational institutions for training the next generation of their sizable staffs. Indeed, whereas the median provider firm in the data has over 20,000 employees, median firms in the other three respective large industries have no greater than 12,500 employees. Thus, giving to education by providers’ foundations may be strategic in facilitating high quality human capital flows into their organizations. On a less strategic level, however, providers of care give notably more to local arts and cultural causes than any other health industry, as they seek to maintain goodwill in the communities where their operations are rooted.

Conclusion

Consistent with the other contributions in this volume, this chapter sought to illustrate how a fuller understanding of foundations in collective arenas can be reached by moving beyond movement-centric perspectives. Such perspectives, while generally quite illuminating, overemphasize dynamics of channeling and professionalization among the SMOs and other advocacy groups that receive support from foundations.

The contribution of this study is both to shift the perspective away from the movement by investigating foundation practices more broadly and also to illustrate how social movement groups may unintentionally help to fulfill the strategic interests of the foundations who support them (and those of foundations’ donors).

To these ends, the study illustrated that within the domain of corporate foundations in the health sector, charitable contributions are only somewhat responsive to changes in advocacy. Stronger influences on foundation
giving come instead from their foundation peers (especially other noncorporate foundations in the health sector, who are more influential players than corporate foundations) and also from the financial and governance characteristics of their corporate parents (especially the proportion of the corporate parent’s board that is controlled by outside directors).

The study also illustrated that these corporate foundations tend to be strategic in aligning their giving with the marketing interests of their corporate parents. Much of the money for patient advocacy groups comes from pharmaceutical firms and device manufacturers, who have an interest in supporting those who raise public awareness of the conditions their products treat. Drug-maker Eli Lilly, for instance, is a major supporter of the National Alliance on Mental Illness, which promotes a medicalized view of mental illness (Rothman et al., 2011). I also found that corporate foundations associated with for-profit health-care providers, as the industry most in need of vast pools of employees to staff hospitals and treatment centers, give disproportionately to education, and that insurers give most to nonprofit health-care provider organizations. It appears that these donations effectively skirt the narrowly written IRS regulations concerning self-dealing by corporate foundations, which, surprisingly, allow corporate foundations to serve covert marketing ends for their parent companies.

Foundations, then, appear to act as strategic players in their own right. While foundations do respond to SMOs, they are much more responsive to other pressures in their environments. These pressures especially include those emerging from their peers and from those who provide resources passed through as contributions, just as policy-makers are often much more attentive to factors such as overall public opinion rather than the mobilization of SMOs (Soule and King, 2006). A less movement-centric understanding of foundations leads to a less distorted view of those who provide resources to support collective action, and one that more adequately acknowledges their role as strategic actors.

Notes

4. Foundations that use the wealth of former health industry executives or directors are not considered corporate foundations, as they are not directly linked to the company, its brands, or its interest in promoting its market interests.
Note that the requirement that foundations distribute at least 5 percent of their assets, described earlier, tends to set a floor (although an imperfect one) on foundation giving in a particular year.

The discrepancy between this mean (9) and the period of observation (13 years) is due largely to the fact that certain firms did not establish their foundations until the later years of this window.

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Studies of corporate philanthropy suggest that outside directors, as more independent agents of shareholders (Brown et al., 2006), should have a significant negative influence on giving. Thus, corporate parents should be more likely to rein in the charitable giving of their corporate foundation when the board has a heavier presence of outside directors.

Further, Hausman test results were significant in the final model, thereby indicating that a random-effects model would be incorrectly estimated. The necessity of a fixed-effects specification ruled out the inclusion of industry-level controls, as industry is completely determined by the identity of the foundation’s corporate parent. In additional random-effects models (available by request) carried out as a check on the findings, industry-level dummy measures were not significant predictors of logged giving.

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Note that this variable is more encompassing than the independent variable used for the models in Table 1, which focused on disease advocacy in particular.

References


