Knowledge transfer methods between founder firms and corporate foundations: upshots on orientation to effectiveness

Marco Minciullo - Matteo Pedrini
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Abstract

This article investigates a new topic of research on Corporate Foundations (CFs): the relation between knowledge transfer from founder firms to the Corporate Foundations and the CFs’ meaning of effectiveness. Starting from a typology of CF’s effectiveness (Ostrower 2006a), we managed a survey addressed to a sample of Italian CFs to address the impact of different knowledge transfer methods (KTM) on the dimensions of CFs’ orientation to effectiveness: proactive orientation, social advocacy and capacity building. The results of linear regression show different relations among KTM methods and CFs’ meaning of effectiveness. The research identified four different KTMs and pointed out that the methods adopted by founder firms have a significant influence on proactivity, competences, and on social advocacy of CFs.

JEL codes: M14
Keywords: Corporate Foundations, Philanthropy, Managerial Spillover, Effectiveness, Knowledge Transfer

A preliminary version of this paper has been presented and discussed at the “Third workshop on foundations” held in Torino (Italy) on June 28th, 2011. Research has been supported by the “International Research in Philanthropy Awards (IRPAs)”.

The “Workshop on foundations” is a joint effort of the “Dipartimento di Scienze economico-sociali e matematico-statistiche of the University of Torino” and the “Centro di Ricerche sulla Cooperazione e sul Nonprofit of the Catholic University of Milano”. The “Workshop on foundations” grants research fellowships through the “International Research in Philanthropy Awards (IRPAs)”, supported in 2011 by the Centro di Documentazione sulle Fondazioni of Torino.
1. Introduction
Corporate Social Responsibility has been considered by for-profit firms suitable for pursuing strategic objectives (Smith, 1994; Rumsey and White, 2009), for promoting their social reputation (Fry et al., 1982; Haley, 1991; Navarro, 1988; File and Prince, 1998; Saiia et al., 2003; Carter, 2006; Bronn and Vidaver-Cohen, 2009), for securing availability of critical resources controlled by stakeholders (Levy and Shatto, 1978; Frooman, 1999; Fombrun et al., 2000; Brayden and Whetten, 2008) and for inducing positive behaviors in consumers (Ellen et al., 2000). In the field of CSR a traditional role has been played by philanthropy (Porter and Kramer, 2002; Saiia, 2002; Seifert et al., 2004; Godfrey, 2005; Porter and Kramer, 2006), which is generally realized through direct giving programs or by a corporate foundations (Petrovits, 2006).

With the increasing attention to CSR, the relevance and the number of the so-called Corporate Foundations (CFs) have increased significantly (Marquardt, 2001; Morweiser, 2001; Voegele-Ebering, 2003; Anheier, 2003). CFs are being appreciated by for profit firms as a substantial philanthropic instrument for creating shared value (Porter and Kramer, 2011) especially through the increase of shared knowledge (Mitton et al., 2007).

Although CFs are increasingly gaining in importance and the academic research has been intense on the overall foundations, there is a lack of punctual knowledge on the main features of this kind of or-
ganizations and on the relationship between CFs and founder firms (Ostrower, 2006a).

Previous research on CFs has been focused on the definition of their peculiar characteristics (Anheier, 2001), on growth in terms of economic relevance (Morweiser, 2001; Voegele-Ebering, 2003) and total population (Anheier, 2003), and on different business models (Pedrini and Minciullo, 2011). In addition, significant tracks have been dedicated to the impact of CFs on founder firms’ reputations (Webb, 1994; Marquardt, 2001), on earnings management (Petrovits, 2006), on CSR activities (Westhues and Einwiller, 2006) and on taxation (Webb, 1992, 1994; Sensing and Yetman, 2005).

CFs are different from other foundations because of the ties with the founder firms, fed by frequent and repeated interactions, committed involvement and a high level of trust between the organizations (Rowley et al., 2000; Granovetter, 1973).

These ties may represent a significant opportunity both for the firms and for the CFs, as there are many advantages that can be exploited by activating effective transfer processes. Through this perspective, the opportunity to transfer knowledge between a CF and a founder firm deserves a particular reference from the on-going, sustained and repeated interactions and discussions between a CF and its founder firm (Gnyawali et al., 2009). Moreover, these flows of knowledge are meant to be useful for both the CFs and for the founder firms, which could also benefit from reverse flows from the CFs (Ambos et al., 2006).
Therefore, this study analyses the impact of knowledge transfer from for-profit firms to CFs on the CFs’ effectiveness. The object of the research is to contribute to the literature on CFs proposing that founder firms could consciously use knowledge transfer methods (KTM) in order to drive the CFs’ activities towards the desired effectiveness.

The article is therefore structured as follows: in the first part we introduce the notions of CSR and corporate philanthropy, we analyze the relation between the CF and the founder firm, focusing on the firm’s KTM. Afterwards, we will analyze how previous research has defined and stressed the concept of ‘foundation’s effectiveness’, and we will then relate it to the phenomenon of KTM. The description of the methodology used will contribute to a better understanding of the results, which are derived from a regression model.

2. From corporate social responsibility to corporate foundations

Taking place from the 1950s onwards, starting with Bowen’s *Social Responsibilities of the Businessman* (1953), the debate on CSR developed into a larger domain (Garriga and Melé, 2004; Waddock, 2004). Among CSR activities, corporate philanthropy is one of the most important expressions, even though it has often been kept separate from the core business activities (Saiia, 2002; Seifert et al., 2004; Godfrey, 2005).
Although philanthropy is important for companies, the management of related activities could not be compatible with core business activities; this is why firms could prefer to reassign these activities to a dedicated body, which usually takes the form of a CF (Anheier, 2003).

Because of their origins, CFs are a specific sub-group of generic foundations with peculiar features: (1) they depend on a firm for funding (the “founder firm”); (2) they have close ties with this firm due to annual endowments and non-financial resource dependence (employees, staff support, relations, knowledge and know-how) (Frooman, 1999); and (3) they nearly always have corporate executives as members of their boards of directors (Webb, 1994; Anheier, 2001). Therefore, according to the approach of the British Charity Aid Foundations (2005), a CF is a ‘registered charity financially depending on a for-profit firm’.

Therefore, founder firms are interested in the effectiveness of their CFs, as the question has become increasingly important in the philanthropic sector. An increasing pressure is exerted on non-profit organizations to demonstrate their impact on complex social problems, and even CFs are involved in this situation (Sowa et al., 2004). Such ties allow for the consideration of CFs in the same way as subsidiaries of their founder firms. However, the peculiarity of the CFs’ activities, which are mostly not economical, produces a different ap-
approach in terms of a vertical relation, if compared with a business relationship between a headquarters and its subsidiaries.

As discussed, a CF represents for its founder firm a vehicle for carrying out philanthropic activities, and it can produce important effects on the founder firm (Strachwitz, 1994; Toepler, 1996).

Firms are, indeed, interested in advocating the CFs’ effectiveness (Herman and Renz, 2008) for monitoring and controlling both benefits and risks derived from their activities, and assuring the fit with the firm’s business and reputation (Minciullo and Pedrini, 2011).

3. Effectiveness of Corporate Foundations

Due to the intrinsic heterogeneity of aims, activities and outcomes of foundations, it is difficult to properly evaluate the effectiveness of a CF’s activities. A seminal study in this field (Ostrower, 2004c) pointed out that it is necessary to consider a large framework to capture overall effectiveness approaches, which represent a cognitive and subjective measures.

For foundations, it is possible to refer both to performance in the strict sense, even if it can only be well-defined depending on a precise target (Anheier, 2005; Jobome, 2006), and to ‘effectiveness’, but, in this case, there are many possible meanings (Wing, 2004; Herman and Renz, 2008). Considering the previous research, one of the most widely advocated practices in the literature on foundations’ effectiveness is focused on general grant-making foundations (Center for Effective Philanthropy, 2002; Porter and Kramer, 1999), on
community foundations (Ostrower, 2006b; Ostrower, 2006c; Ostrower, 2007), on the outcome of social enterprises (Bagnoli and Megali, 2011) and on multidimensional (capacity and outcomes) non-profit organizational effectiveness (Sowa et al., 2004). The major structured contribution to studies on the topic is the framework proposed by Ostrower (2006a), who suggests a multidimensional approach, which considers that founder firms can have multiple and different motivations for constituting a CF. In that framework, the foundations’ effectiveness is defined not according to a single characteristic, attitude or practice, but according to the overall approaches as reflected across a range of attitudes and behaviors; more precisely, it is defined by the evaluation of an orientation to effectiveness, rather than by a specific measurement. This typology has been based on three main scales: proactive orientation, capacity building and social policy/advocacy. Proactive orientation measures how foundations evaluate proactivity as an important factor for achieving effectiveness; capacity building measures foundation support for management and capacity development among its employees and partners; and social policy/advocacy measures how important foundations consider influencing social policy to achieve their goals. These scales can also be applied effectively to CFs, but it is necessary to take into consideration the relationship between a CF and its founder firm, focusing on the reciprocal flows of resources, with a main focus on flows of knowledge and competences, both technical
and managerial. As these factors are a direct expression of the founder firm, embodying its values and purpose, the KTM of the founder firms can be very valuable in influencing the CFs’ effectiveness. Previous research has shown, in fact, that KTM between two organizations have a positive effect on performance (van Wijk et al., 2008) as well as innovation (Lyles and Salk, 1996; Steensma and Lyles, 2000), developing organizational capabilities which lead to enhanced performance (Szulanski, 1996).

4. Knowledge Transfer Methods

Knowledge transfer is an interactive interchange of knowledge between one organization and another (Kiefer et al., 2005). This phenomenon has been studied with a special interest in the flows between headquarters and related subsidiaries of for-profit corporations (Mitton et al., 2007, Lee et al., 2008). Corporations are considered as networks of resources that operate in culturally and geographically different regions, with a considerable dispersion of resource endowments for subsidiaries. Therefore, this dispersion can lead to a certain degree of heterogeneity in the development of the subsidiaries’ competences (Hansen and Lovas, 2004; Phene et al., 2005), which could imply a potential interest for promoting knowledge transfers.

With relation to for-profit firms Knowledge transfer has been discussed in order to understand which practices may be truly adopted and to evaluate their potential impact on performance. This theme emerged in the 1990s (Mowery et al., 1996) and has been studied
more in depth recently (Tsai, 2001; Lavis et al., 2003a), with a focus on the role of knowledge characteristics (Birkinshaw et al., 2002), on the role of organizational characteristics (Gupta and Govindarajan, 2000) and on outcomes of knowledge recipient organizations (Ahuja, 2000; Katila and Ahuja, 2002). After two decades of research, however, a systematic overview of the underlying mechanisms and outcomes of knowledge transfer is still lacking, but there were some attempts to investigate this phenomenon more in depth (Thompson et al., 2006; Mitton et al., 2007, Lee et al., 2008; van Wijk et al., 2008).

The relationship between headquarters and subsidiaries is similar to that existing between founder firms and CFs, both subsidiaries and CFs are strictly dependent for resources, have frequent interactions and are influenced in strategic, financial and operative decisions (Bouquet and Birkinshaw, 2008). Therefore, considering that the advantages of knowledge transfer in corporations have been deeply investigated with significant findings (Argote and Ingram, 2000), we drew on this branch of research and on the previously stated similarities to analyze the impact of knowledge transfer between founder firms and CFs on the CFs’ effectiveness.

One of the main topics in knowledge transfer research is the effectiveness of implemented methods. In particular, some key KTM have been addressed in previous research (Mitton et al., 2007), including ‘Face-to-face exchange (consultation, regular meetings) between decision makers and researchers’, ‘Education sessions for decision
makers’, ‘Networks and communities of practice’, ‘Facilitated meetings between decision makers and researchers’, ‘Interactive, multidisciplinary workshops’, ‘Capacity building within health services and health delivery organizations’, ‘Web-based information, electronic communications’ and ‘Steering committees (to integrate views of local experts into design, conduct and interpretation of research)’.

The present article is the first attempt to address the topic of KTM between founder firms and CFs. This study aims at verifying if and how the CFs’ meaning of effectiveness could be influenced by the knowledge transfer from founder firms, by going over current studies’ perspectives. In order to do that, the study must identify the main conditions under which a competence knowledge transfer can occur, and verify if it implies an improvement in the CF’s performance.

5. Research sample and methodology

Sample and data collection

From January to April, 2011, we administered a telephone survey to Italian CFs. The sample was selected with a specific focus on Italy because of the difficulties in comparing countries whose normative contests are very different. Starting from the list of the 4,720 private foundations identified by the latest census of the Italian National Institute of Statistics (ISTAT, 2005), we selected CFs on the basis of three criteria: (1) they have a private for-profit firm as a main founder (ISTAT, 2005); (2) they derive the majority of their income from
the founder firm (UK Charity Commission, 2009); and (3) they are separate legal entities, although closely tied to the firm (Anheier, 2001). From the list of foundations, 117 fitted these three criteria, representing the overall list of CFs based in Italy to which we addressed the survey.

All the top managers of the 117 identified CFs were invited to participate in the research by an institutional email. After the invitation, we conducted three telephone recalls. At the end of the data collection period, we had gathered data from 50 foundations, a return of 42.7%. However, despite the recalls, 65 foundations refused to participate in the research, as some of the interviews occurred during the reporting season, and it increased the common scarce inclination to interviews of these organizations. However, we collected insights into the reasons for the rejection: 35 CFs stated that they have internal policies that preclude the participation in research activities, 26 pointed out that they did not have the time to answer questions and 4 did not declare a reason.

Three main sections composed the survey we used. In the first part, we collected data on activities realized and the main features of the CFs (size of staff, main topics of governance, year of constitution, total annual budget); in the second section, we gathered information on KTM between founder firms and CFs; the last section addressed the CFs’ meaning of effectiveness. In the following paragraph we describe the variables we included in the analysis.
Measures

The CFs’ meaning of effectiveness. To measure the meaning of effectiveness of the CFs we used the 18-item scale proposed by Ostrower (2006a), probably the most widely used scale to identify effectiveness models. Sample items include: ‘establish focused and limited areas of activity’, ‘maintain a broad program of activities’, ‘actively seek out social needs to address’, ‘respond to social needs identified by founders’, ‘engage in activities beyond grant making to increase impact’, ‘adhere to founder firm’s wishes’, ‘influence public policy’, ‘publicize the foundation and its work’, ‘conduct formal evaluations of projects’, ‘employ minimal staff’ and ‘collaborate with external groups/organizations. Self-rated responses were on a 5-point scale from 0 (‘Never’) to 4 (‘Always’).

The estimated internal reliability coefficients (Cronbach’s alpha) of three subscales under the CFs’ meaning of effectiveness and sampling adequacy (Kaiser-Mayer-Olkin coefficient) were evaluated. Starting from the 18 items, we identified 3 factors in line with Ostrower’s thesis: proactive orientation (KMO=0.624; α=0.719), which measures whether foundations consider proactivity important for achieving effectiveness and whether they believe that it is important to actively seek out social needs to address; capacity building (KMO=0.616; α=0.537), which measures foundation support for management and capacity development among partners; and social policy/advocacy (KMO=0.61; α=0.506), which demonstrates that
foundations that rank high on this scale believe that influencing social policy is important for being effective. Coefficient alpha was used to assess scale reliability. These reliabilities are acceptable since, as Nunnally (1978) suggested, an alpha of 0.5 or 0.6 is sufficient in the early stages of research.

*Knowledge transfer methods.* KTM were measured by the 11-item scale developed by Mitton et al. (2007). In order to assess the multidimensionality of the knowledge transfer scale, an exploratory factor analysis was performed. It was expected that the knowledge transfer scale would have more than one dimension since different methods could be adopted to transfer knowledge between two organizations. In order to simplify the findings, a varimax orthogonal rotation was performed on an initial factor solution. Following Hair et al., (1998, pp. 87–138), a four-factor solution explained 60.03% of total item variance. Before acceptance, the emerging factors were checked against the value of each eigenvalue greater than 1.0 (Zaltman and Burger, 1975, p. 509). Based on Churchill’s (1979) suggestions, items with low factor loadings (less than 0.40) or items with split loadings (loading 0.40 or more on more than one factor) were deleted. The sampling adequacy was measured by the Kaiser-Mayer-Olkin coefficient that demonstrates that variables belong together, with a coefficient of 0.781. These reliabilities are acceptable since Nunnally (1978) suggested an alpha of 0.5 or 0.6.
The four factors of knowledge transfer were labeled as ‘Interactive’ knowledge transfer, ‘Mutual’ knowledge transfer, ‘Vertical’ knowledge transfer and ‘Translation’ knowledge transfer. The factor loadings and items of each factor can be seen in Table I.

Table I – Results of exploratory factor analysis on knowledge transfer methods

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor 1 – ‘Interactive’ knowledge transfer method</strong></td>
<td></td>
</tr>
<tr>
<td>Create opportunity for face-to-face meeting between parent firm and foundation</td>
<td>0.72</td>
</tr>
<tr>
<td>Provide platforms and applications on computer to enable employees to share their experience</td>
<td>0.81</td>
</tr>
<tr>
<td>Steering committees</td>
<td>0.73</td>
</tr>
<tr>
<td><strong>Factor 2 – ‘Mutual’ knowledge transfer method</strong></td>
<td></td>
</tr>
<tr>
<td>Foundation sent workers to the parent company for an extended period</td>
<td>0.90</td>
</tr>
<tr>
<td>Parent company sent workers to the foundation for an extended period</td>
<td>0.74</td>
</tr>
<tr>
<td><strong>Factor 3 – ‘Vertical’ knowledge transfer method</strong></td>
<td></td>
</tr>
<tr>
<td>Parent firm educates foundation’s manager about managerial issues</td>
<td>0.73</td>
</tr>
<tr>
<td>Parent firm provides leadership courses to foundation’s manager</td>
<td>0.68</td>
</tr>
<tr>
<td>Hold regular executive meetings to track and evaluate the performance of the foundation</td>
<td>0.90</td>
</tr>
<tr>
<td>Interactive, multidisciplinary workshops</td>
<td>0.63</td>
</tr>
<tr>
<td><strong>Factor 4 – ‘Translation’ knowledge transfer method</strong></td>
<td></td>
</tr>
<tr>
<td>Parent company assigns managers to supervise foundation activities</td>
<td>0.83</td>
</tr>
<tr>
<td>Parent company conducts regular seminars to train foundation’s manager</td>
<td>0.54</td>
</tr>
</tbody>
</table>
The first method of knowledge transfer is defined as ‘Interactive’ ($\alpha=0.817$). This dimension consists of 3 items with factor loadings ranging from 0.81 to 0.72. The interactive model measures the importance of KTM based on the capacity of managers of two organizations to reciprocally influence, through meetings, shared technological resources and guidelines. In contrast to formal training or education, these interactive techniques help managers see things from different perspectives (Hong and Nguyen, 2009).

The second method was labeled ‘Mutual’ ($\alpha=0.761$). This dimension consists of 2 items with factor loadings ranging from 0.90 to 0.74. These items describe the importance of reciprocal transfers between the foundation and the founder firm, based on techniques similar to job rotation. The items measure the importance of KTM, understood as social interpretive processes collectively engaged and mutually influenced by the top managers to understand the current situation and envision some strategic and operational changes based on their own understandings (Maitlis and Lawrence, 2007).

The third method, ‘Vertical’ ($\alpha=0.857$), consists of four items with factor loadings ranging from 0.90 to 0.63. The items of this factor measure the intensity of practices of knowledge transfer that present a top-down approach from the founder-firm to the corporate foundation. The mechanisms which express a vertical approach are practices like the traditional managerial education, regular executive meeting or workshops.
The last method consists of 2 items with factor loadings ranging from 0.83 to 0.54. We called this factor ‘Translation’ ($\alpha=0.611$) because it is based on the idea of involving all necessary procedures and social arrangements to put the firms knowledge into action to deal with the idiosyncratic and novel conditions present in the CF (Carlile, 2002).

**Control variables.** Following previous studies, we included control dummies on the main characteristics of the CFs (De Andrès-Alonso et al., 2009). We defined the complexity of the foundations’ activities by using six variables related to the size of the foundations (amount of annual budget, total number of full-time equivalent in staff), the age of the foundation (year of constitution), governance (number of board seats held by non-officers) and the model of activities (grant model, operative model). These demographic characteristics are important, as empirical research demonstrates that they are correlated with many other attributes, attitudes and practices (e.g., Atienza and Altman, 2005; Boris, Renz and Hager, 2005; Council on Foundations, 2004; Ostrower, 2004a, 2004b, 2006a).

With regard to the models of activities, we collected information on the actions realized by the CFs on the basis of the typology developed by the United Nations (2003). For each of the six activities identified in the typology we collected a dummy variable, zero if the CF did not have any activities of that type or one if the CF realized it. The six activities we considered were: money grants for research
programs carried out by other organizations; money grants for philanthropic initiatives carried out by other organizations; money grants for non-profit organizations to support their activities; direct planning and implementation of public initiatives with external partners; direct planning and implementation of social services with high social value; and direct planning and implementation of initiatives for employees of the founder company. We summarized these sets of variables in two dummies: the operative model, which corresponds to zero if the CF did not realize any operative activities and to one if it was realized at least once; and the grant model, which corresponds to zero in the case of absent grant activities and to one if any grant activity was realized by the CF.

Moreover, because CFs supplied the data on both predictors and dependent variables, we examined the possibility of common method bias by conducting Harman’s one-factor test using a principal components varimax rotation factor analysis. The results of this analysis showed that all items used to measure the constructs loaded onto their expected factors, each with an eigenvalue greater than 1.0. These findings suggest that common method bias was not likely to be a significant problem (Podsakoff and Organ, 1986).

6. Analysis and results

In order to address the relation between KTM factors and the CFs’ effectiveness, a correlation analysis was performed. Results of the correlation are shown in Table II.
<table>
<thead>
<tr>
<th>Variables</th>
<th>M.</th>
<th>S.D.</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Year of constitution</td>
<td>1996</td>
<td>10.55</td>
<td>-0.09</td>
<td>0.06</td>
<td>-0.11</td>
<td>0.24</td>
<td>-</td>
<td>-0.19</td>
<td>0.13</td>
<td>0.07</td>
<td>0.24</td>
<td>0.20</td>
<td>0.17</td>
<td>0.19</td>
</tr>
<tr>
<td>2. Annual budget</td>
<td>5.94</td>
<td>24.10</td>
<td>-0.10</td>
<td>0.40</td>
<td>-0.31</td>
<td>0.11</td>
<td>0.11</td>
<td>-0.24</td>
<td>-0.06</td>
<td>-0.04</td>
<td>-0.14</td>
<td>0.01</td>
<td>-0.09</td>
<td>-0.22</td>
</tr>
<tr>
<td>3. Governance</td>
<td>2.55</td>
<td>3.27</td>
<td></td>
<td>0.18</td>
<td>0.05</td>
<td>-</td>
<td>-0.12</td>
<td>0.29</td>
<td>-0.04</td>
<td>0.40*</td>
<td>0.01</td>
<td>-0.15</td>
<td>0.18</td>
<td></td>
</tr>
<tr>
<td>4. Staff</td>
<td>9.67</td>
<td>25.09</td>
<td>-0.37</td>
<td>0.13</td>
<td>-0.17</td>
<td>-0.05</td>
<td>-0.05</td>
<td>0.04</td>
<td>-0.18</td>
<td>0.19</td>
<td>0.01</td>
<td>0.28</td>
<td>0.12</td>
<td>0.19</td>
</tr>
<tr>
<td>5. Grant model</td>
<td>0.76</td>
<td>0.43</td>
<td></td>
<td>-</td>
<td>0.28</td>
<td>0.12</td>
<td>0.06</td>
<td>0.11</td>
<td>0.25</td>
<td>0.12</td>
<td>-0.14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Operative model</td>
<td>0.80</td>
<td>0.40</td>
<td></td>
<td>-0.05</td>
<td>0.19</td>
<td>-0.21</td>
<td>0.00</td>
<td>0.21</td>
<td>0.19</td>
<td>0.12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. ‘Interactive’</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.29</td>
<td>0.29</td>
<td>-0.09</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>8. ‘Mutual’</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.12</td>
<td>0.17</td>
<td>0.15</td>
<td></td>
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<tr>
<td>9. ‘Vertical’</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>-0.01</td>
<td>-0.34*</td>
<td>0.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>10. ‘Translation’</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.27</td>
<td>0.11</td>
<td>0.64*</td>
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<tr>
<td>11. Proactive orientation</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.45*</td>
<td>0.15</td>
<td></td>
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<td>12. Capacity building</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.07</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>13. Social policy/advocacy</td>
<td>0.00</td>
<td>0.98</td>
<td></td>
<td>0.07</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**=p-value <0.01; *= p-value < 0.05"
VARIABLES

1. Year of constitution: Year of constitution of the CF
2. Annual budget: total annual budget
3. Governance: Member of Founder Firms representatives in CFs’ Governance
4. Staff: Size of Staff Unit
5. Operative Model: corresponds to zero if the CF did not realize any operative activities and to one if it was realized at least once
6. Grant model: corresponds to zero in the case of absent grant activities and to one if any grant activity was realized by the CF.
7. Interactive: capacity of managers of two organizations to reciprocally influence, through meetings, shared technological resources and guidelines.
8. Mutual: reciprocal transfers between the foundation and the founder firm, based on techniques similar to job rotation.
9. Vertical: practices of knowledge transfer with a top-down approach from the founder-firm to the corporate foundation.
10. Translation: procedures and social arrangements aiming at putting firm’s knowledge into action
11. Proactive orientation: how foundations evaluate proactiveness as an important factor for achieving effectiveness
12. Capacity building: foundation support for management and capacity development among its employees and partners
13. Social policy/advocacy: how important foundations consider influencing social policy to achieve their goals.
The correlation analysis shows that ‘Interactive’ KTM is significantly and positively associated with proactive orientation \( (r^2=0.29, \ p<0.1) \) and capacity building \( (r^2=0.29, \ p<0.05) \). The ‘Vertical’ KTM is significantly and negatively related with capacity building \( (r^2=-0.34, \ p<0.05) \) and the ‘Translation’ KTM is positively related with social policy/advocacy \( (r^2=0.64, \ p<0.05) \).

In order to address the relationship between KTM and effectiveness dimensions, a regression analysis was employed in three steps. A linear regression was run for each of the dimensions of effectiveness, which represent the dependent variables. A multiple regression was used to test the increase of explained variance moving from a basic model, including only the control variables and a KTM. We also tested each regression for multicollinearity; these tests revealed that the variance inflation factors for all variables ranged between 1.0 and 2.0, well below the acceptable threshold level of 10.0, indicating that multicollinearity was not a serious issue in our analyses (Hair et al., 1998). Table III shows the results of multiple regressions.

It appears that each of the models including KTM explained more than 0.42 of the variance (adjusted \( R^2 \)) of all effectiveness dimensions.

Referring to the proactive orientation of effectiveness, Table III shows that model 1A assessed the impact of control variables with an amount of 0.25 of explained variance. Results for the model 1B, which include KTM, show that explained variance was 0.42 with an
additional explained variance of 0.17. The results indicate that the ‘Translation’ KTM (b=0.42, p<0.01) and the grant model (b=0.74, p<0.1) are positively related to the proactive orientation of a CF.

Table III – Regression models: Impact of KTM on a corporate foundation’s effectiveness

<table>
<thead>
<tr>
<th></th>
<th>Proactive orientation</th>
<th>Capacity building</th>
<th>Social policy/advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-31.52</td>
<td>-16.80</td>
<td>-38.29</td>
</tr>
<tr>
<td></td>
<td>-2.23</td>
<td>13.83</td>
<td></td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Year of const.</td>
<td>0.02</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>2. Annual budget</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>3. Governance</td>
<td>0.04</td>
<td>-0.01</td>
<td>-0.05</td>
</tr>
<tr>
<td>4. Staff</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>5. Grant model</td>
<td>0.81</td>
<td>0.74</td>
<td>0.44</td>
</tr>
<tr>
<td>6. Operative model</td>
<td>0.55</td>
<td>0.40</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KTM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. ‘Interactive’</td>
<td>0.05</td>
<td>0.26</td>
<td>0.00</td>
</tr>
<tr>
<td>8. ‘Mutual’</td>
<td>0.10</td>
<td>0.31</td>
<td>0.22*</td>
</tr>
<tr>
<td>9. ‘Vertical’</td>
<td>0.13</td>
<td>-0.37*</td>
<td>0.10</td>
</tr>
<tr>
<td>10. ‘Translation’</td>
<td>0.42**</td>
<td>0.30</td>
<td>0.54**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>1.77</td>
<td>2.04</td>
<td>1.03</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>0.25</td>
<td>0.42</td>
<td>0.16</td>
</tr>
</tbody>
</table>

**=p-value <0.01; *= p-value < 0.05

The inclusion of KTM in the regression, related to capacity building, would explain an additional amount of variance of 0.27, with a total amount of explained variance of 0.43 (model 2B) compared to the
0.16 of the basic model, with KTM significantly related to capacity building. The number of people on staff (b=-0.12, p<0.05) and the ‘Mutual’ (b=0.31, p<0.1) and ‘Translation’ KTM (b=0.30, p>0.05) are positively related to the dependent variable, with the ‘Vertical’ KTM (b=-0.37, p<0.05) significantly and negatively related to capacity building.

The last multiple regression uses as a dependent variable the social policy/advocacy effectiveness factor. Model 3A, which includes the control variables, shows an R² of 0.12, and model 3B, which includes the variables related to KTM, explain the 0.56 of the dependent variable variance. The inclusion of KTM shows an increase in explained variance of 0.44. In this model, two factors are significantly and positively related with the ‘Mutual’ (b=0.22, p<0.05) and ‘Translation’ KTM (b=0.54, p<0.01).

7. Discussion

This study proposed to address KTM between founder firms and CFs as potential drivers of the CFs’ meaning of effectiveness. After having presented the results we introduce some considerations on the main findings.

Findings show that KTM used by founder firms produce different effects on the CFs’ meaning of effectiveness. The OLS regression confirms, in fact, that a model of a CF set up with a KTM has statistically a better alignment with effectiveness factors, as confirmed by
a significant variance for proactive orientation (R²=0.42), capacity building (R²=0.43) and social policy/advocacy orientation (R²=0.56). The ‘Vertical’ KTM has a negative influence on the development of capacities orientation in the CF (b= -0.37). The ‘Mutual’ is characterized by a positive effect on the development of capacities (b= 0.31) and has a significant impact on the foundations’ interest in influencing social policy in order to achieve their goals (b= 0.22). The ‘Translation’ shows a significant influence on all the effectiveness factors, especially on proactivity orientation (b= 0.42), but also in capacity building (b= 0.30) and social policy/advocacy (b= 0.54). The fourth method, the ‘Interactive’, does not show any significant correlation with the effectiveness dimensions.

Results demonstrate that KTM are relevant and should not be neglected, as they represent a significant instrument for ensuring the strategic fit between the founder firm’s interests and the CF’s activities. Moreover, KTM are adequately significant to be considered as vehicles for addressing eventual problems or negative alignments between the firm and the CF.

Through a firm’s perspective, our findings pointed out some major considerations on the behavior that a firm should follow for adopting an effective KTM as it has a direct effect on the CF’s meaning of effectiveness. According to our study, in fact, a firm interested in having an important influence on the related CF should act proactively. As a consequence, if a founder firm aims at setting up a CF with a
robust proactivity orientation, the more effective approach is the ‘Translation’. Conversely, a ‘Vertical’ approach is neither suitable for fostering a proactive attitude in the CF, nor a social advocacy strategy. In fact, if the firm is directly involved in the education process of the CF’s employees, this might generate lower attention to the theme of capacity development, mainly at the organizational level; the firm’s involvement could be perceived in the CF with a substitutive effect and could shift the focus more on a business perspective than on ethical purposes. Alternatively, the founder firm could be stimulated to adopt this approach for reasons related to cost-efficiency purposes, as the firm has its own internal policies for KTM, and for reasons related to the degree of control and alignment required for the CF.

It would be possible, then, to solve these complications and to avoid a substitutive effect by adopting an approach which guarantees a sufficient degree of autonomy to the CF, like the previously mentioned ‘Translation’ or ‘Mutual’. The ‘Mutual’ approach includes an extended internship for the CF’s employees at the founder firm, aimed at letting them understand the culture, organization and activities of the firm, and regular seminars for the CF’s managers. This method enhances the interest of the CF in improving internal competences, stimulates an organic development and approaches the crucial theme of capacity building according to an ‘empowerment model’ rather than a ‘deficit model’ (Harrow, 2001; Cornforth et al., 2001), as the
emphasis is on empowering actors to identify and address problems they face themselves and not on external intervention.

The founder firm recognizes the importance of the CF for its reputational influence; therefore, the firm is interested in shaping the CF as a direct symbol of its social activities, which then operates in order to promote its development. As a consequence, the ability of inducing social change appears as a central issue to be developed (0.22). The choice of the approach of KTM influences in determining how the CF will manage its activities to obtain a significant meaning of effectiveness. However, what emerges from the findings is that a firm that aspires to shape a CF oriented to effectiveness should consider implementing a KTM.

8. Conclusion

Our results confirm previous research on KTM (Argote and Ingram, 2000; Miao, Choe and Song, 2011; Yamin, Tsai and Holm, 2011) showing that the adoption of a model has a substantial influence on effectiveness, with many consequences on the proactivity, competences and social influence of CFs. We contributed to the research on CFs showing that the choice between KTMs is considerably oriented by the idea of the CF that the founder firm is fostering and by the purposes reached, and that it is not possible to identify an absolutely desirable KTM, as it depends by the main goal pursued. It is preferable, indeed, to choose among the possible KTM that have a better
and more significant influence on the CFs’ desired meaning of effectiveness.

According to the ‘Translation’ approach it is possible to generate equilibrium among all the effectiveness conditions, certainly with a major impact on proactive orientation and on social policy/advocacy, but also with an adequate effect on capacity building. Contrarily, the ‘Mutual’ model is characterized by an irrelevant effect on proactivity orientation, but this is compensated by a good influence on the other effectiveness conditions.

In addition, what emerges from the research is that a proactive effectiveness of CFs can be developed if the KTM implemented require a committed involvement of the founder firm, through the presence of a supervisor or through regular seminars. While interacting with the founder firm, CFs, in fact, seem to be more motivated to replicate the behavior and the culture of the founder firm if it is possible for them to act with an adequate degree of autonomy. In particular, CFs tend to replicate with an even major grade of attention those mechanisms concerning their internal dimension, from the organizational structure to the training. Indeed, the dimension of competence and capacities become definitively crucial for the development of the CFs, which point to the improvement of capacity building and to the support for employees and grantees in order to improve their effectiveness.
The results have some interesting consequences for both academics and practitioners. They suggest that the issue analyzed is consistent and it would be suitable to foster new studies for analyzing more in depth the impact of KTM on the CFs’ behavior. Even if the research has already proposed some useful indications, the limits of the data collection suggest the opportunity to realize a possible future field of research on CFs. The limitations of this study deal with a geographical limit, since the sample is remarkably significant but focused exclusively on Italian foundations. Future research might plan to improve it by addressing the same issues in different countries to validate the results. Moreover, it could be interesting to replicate these results with a better detail on corporate functions and with more quantitative measures. Finally, future studies could focus on the capacity development dimensions, by investigating the correlation with KTM, especially for what concerns managerial competences and organizational learning, as well as the relationship between KTM and social impact, reputational benefits and employee motivation.
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Marco Minciullo - Matteo Pedrini