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RESEARCH ARTICLE

A study on corporate foundation and philanthropy: Does governance matter for organizational performance?

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Abstract

Given the increased social and strategic value of corporate philanthropy (CP) in businesses, a growing number of corporations have established associated corporate foundations to institutionalize and formalize their CP. Notably, CP has been channeled through team charitable foundations in professional sport, which are corporate foundations closely tied to their parent teams while having own (quasi) independent governance structure. However, these corporate foundations have received less scholarly attention. The study explores the relationship between corporate foundation governance and organizational performance in the context of professional sport. Specifically, this study focuses on how board structural characteristics, such as board size and board diversity, and board leadership, such as board chair affiliation with the parent team and the presence of a paid executive director, influence the team foundation's total received contributions. To empirically test our hypotheses, the study used longitudinal data of financial and personnel information of team foundations in the United States from 2011 to 2017. The results show that the team foundations with a larger board and paid executive director generate more significant revenues (received from contributions, grants, and gifts).

The study illuminates how the internal governing environment shapes and steers a corporate foundation's philanthropic practices and performance.

KEYWORDS
corporate philanthropy, fundraising performance, nonprofit governance, sport team charitable foundation

1 | INTRODUCTION

Corporate philanthropy (CP) – as one of the pillars of corporate social responsibility (CSR) – involves voluntary and unconditional charitable contributions by firms to social causes generally through financial contributions, in-kind donations, and the donation of other corporate resources (e.g., employee volunteering) (Gautier & Pache, 2015). With increased social and strategic pressures to encourage businesses to contribute to social welfare, a growing number of corporations have set up associated charitable foundations – corporate foundations – to institutionalize and formalize their CP (Rey-Garcia et al., 2018). Through these related foundations, companies can manage their CP with well-organized and efficient systems often directed by specialized professionals (Marquis & Lee, 2013). Typically, corporate foundations are nonprofit entities (either public charities or private foundations) that are established and/or supported by the corporate entity (von Schnurbein et al., 2016). Although corporate foundations are legally separate and self-governed like other nonprofit entities, they are often tightly connected to their parent company across multiple dimensions, such as name and branding, resource exchange (e.g., funding, human resources, physical space), governance (e.g., board of directors [trustees] representation), and through aligned strategic objectives (Rey-Garcia et al., 2018; Westhues & Einwiller, 2006).

Despite the growing visibility of corporate foundations as important philanthropic actors that facilitate CP, still little is known about the dynamics, exchanges, and interactions between companies and their corporate foundations. More importantly, we know less about corporate foundation governance and its consequences on organizational performance, such as revenue generation or fundraising performance. Given the importance of governance and strategic decision-making in the management processes and philanthropic practices of nonprofit organizations (Boesso et al., 2017; Renz et al., 2020), this is an area of scholarly opportunity to more deeply understand, enhance, and augment. A growing number of studies have examined the effect of governance mechanisms on CP or CSR outcomes at different levels, such as corporate ownership structures (Brown et al., 2006), corporate board structural characteristics (e.g., company board size and composition; Bear et al., 2010), or top management's individual characteristics (Marquis & Lee, 2013). However, these previous studies, although occasionally considering corporate foundations as a channel or tool of CP, generally focus on corporate governance perspectives of the company itself. Very few studies examine corporate foundation governance mechanisms and their effects on nonprofit performance.

Bethmann and von Schnurbein (2020) noted that to understand the governance of CP, it is essential to understand the nature of the relationship between the foundation and the parent company. Corporate foundations are often regarded as hybrid organizations that incorporate elements and logics of both private and social sectors (Smith, 2010). Indeed, these nonprofit entities pursue charitable goals, yet they also exhibit business-oriented practices and interests as they are linked to their parent company whose purpose is profit-maximizing (Rey-Garcia et al., 2018). Because of this distinctive relationship, corporate foundation governance is considered a more complex organizational dynamic than that of traditional nonprofit governance (Renz et al., 2020). Like other nonprofit organizations, corporate foundations are operated through a system of governance via a board of directors who are responsible for overseeing the foundation's financial management, determining the strategic aims of the organization, and guiding activities to align with the mission (Boesso et al., 2017; Miller-Millesen, 2003; Ott & Dicke, 2016; Stone & Ostrower, 2007).

In professional sport, charitable foundations have become a strategic channel to facilitate a team's philanthropic activities or community-oriented programs, often replacing the former in-house "community relations" function (Kolyperas et al., 2016). Since the establishment of the New York Yankees Foundation in 1963 (the first team charitable foundation in professional sport in the United States), the majority of professional sport teams in the U.S. have now established their own independent charitable foundations or have a connection to other nonprofit entities (e.g., team owner's foundation, sport entertainment group foundation; Sparvero & Kent, 2014; Yang & Babiak, 2021). Babiak and Wolfe (2013) noted that team foundations enable more strategic planning and effective coordination of philanthropic activities while capitalizing on the team's organizational resources. Although team foundations have been a central body of CP implementation in the field, these nonprofits have rarely been examined empirically. Moreover, given that the level of involvement and efforts delivering CP (e.g., fundraising revenues, the amount of grant giving, program service expenses) varies widely across professional sport teams and their team foundations (Inoue et al., 2011; Sparvero & Kent, 2014; Yang & Babiak, 2021), exploring the governance factors of team foundations will provide a potential explanation for this variance.

Using longitudinal data of team foundations in the U.S. professional sport leagues, the study explores the relationship between corporate foundation governance and its organizational performance. Specifically, we examine how board attributes, such as board structural characteristics (i.e., board size and board diversity) and board leadership (i.e., board chair affiliation with the parent team and presence of a paid executive director), influence a team foundation's total received contributions. We believe that distinct characteristics of CP in professional sport provide a unique research context to consider and explore our questions. For example, the relationship between corporate foundations and their parent organizations may be stronger than that of corporate foundations in other businesses as the team foundation's philanthropic activities are integrated into their parent team operations (e.g., fundraising events during games, communication in stadia, use of players and other organizational assets for programming and fundraising, and cause-related marketing through team merchandise). This also means that the parent teams' organizational performance (e.g., home game attendance, game winning percentage, fan loyalty) may be linked to the philanthropic performance of team foundations. Furthermore, professional sport teams are regulated by their respective professional sport leagues regarding their business operation (e.g., game rules, revenue sharing, player contracts) as well as the implementation of CP (e.g., required league-wide philanthropic initiatives). Overall, our study is aimed to address the gap in the relationship between governance factors and organizational performance in corporate foundations, explicitly considering the unique context of professional sport CP.

2 | THEORETICAL FRAMEWORK AND HYPOTHESES

2.1 | Nonprofit governance and board of directors

Governance comprises "…the systems and processes concerned with ensuring the overall direction, control, and accountability of an organization" (Cornforth, 2014, p. 4). In the nonprofit literature, this overarching term has primarily considered the responsibilities and operations of the board of directors (Stone & Ostrower, 2007). The board of directors is legally responsible for the organizational actions taken by nonprofit organizations (Herman & Renz, 2000), and they monitor and support management and practices with the purpose of achieving organizational goals (de Andrés-Alonso et al., 2009; Miller-Millesen, 2003).

Board governance of nonprofit organizations has been explored from various theoretical perspectives. For example, agency theory has helped to explain the function of the board in terms of the need for the principal to monitor the agent (Huse, 2009; Jensen & Meckling, 1976). In the case of nonprofits, the agent or executive director is monitored by the principal – the board of directors – to prevent the agent from acting in their own interests, which may not be favorable to the interests of the principal (Miller-Millesen, 2003). A resource dependency perspective (Pfeffer & Salancik, 1978) argues that nonprofit boards play an essential role in supporting organizational practices by securing critical organizational resources (e.g., financial, human, and relational resources) and enhancing the legitimacy and credibility of the organization in the field (Cumberland et al., 2015; Miller-Millesen, 2003). Furthermore, stewardship theory has elaborated on how board members, as stewards of the organization, help to achieve the goals and missions of nonprofits by guiding organizational strategy and collaborating with management (Van Puyvelde et al., 2012).

Drawing on these perspectives of the role of board, previous research has examined the various aspects of nonprofit board governance, including composition, leadership, board dynamics, and board effectiveness (Brown, 2005; Ostrower & Stone, 2006). Moreover, some studies have focused on how different board attributes link to the organizational outcomes of nonprofits (Aggarwal et al., 2012; Callen et al., 2003; Gazley et al., 2010; Jaskyte, 2018). For example, Callen et al. (2003) investigated the relationship between board characteristics and organizational efficiency using annual financial reports of nonprofits in New York State. They found that an increase in board size was positively associated with an increase in the proportion of fundraising expenses to total expenses. In the context of community mediation services, Gazley et al. (2010) found that board diversity (i.e., board members' professional background) had a positive influence on gaining collaborative benefits (e.g., service improvement or securing funding). The authors argued that board diversity helps nonprofits to build inter-organizational relationships and secure resources.

Other scholars (Jaskyte, 2018) have explored the relationship between boards of directors and the adoption of innovative practices as an organizational outcome. Jaskyte's study found that board culture (critical questioning) and board human/social capital play a significant role in influencing organizational innovation (e.g., introducing a new way of service delivery). While these studies mentioned above have explored the critical role of boards of directors in guiding nonprofit practices as well as their impact on specific organizational outcomes, empirical research on the relationship between board attributes on organizational outcomes is still rather scarce (Hinna & Monteduro, 2017; Ostrower & Stone, 2006). Above all, there have been few studies exploring this issue in the context of CP/corporate foundation governance (Gehringer, 2021; Roza et al., 2020).

2.2 | Corporate foundation governance and organizational performance

In nonprofit organizations, it is often not clear who the primary principals are (Anheier, 2005) because these organizations engage with multiple stakeholders, such as founders, donors, beneficiaries, managers, staff, volunteers, local communities, and public agencies (Carver, 1997). Corporate foundations are characterized by their ownership or structural relationship with the parent company. Indeed, they are closely linked to their founding organization through the provision of financial resources (e.g., annual endowments in the case of private charities and employee or senior management contributions in the case of public foundations) and/or non-financial resources (e.g., brand, identity, employees, knowledge, physical space), and thus, the parent company is typically regarded as the principal of corporate foundations (Minciullo & Pedrini, 2020). Because of this unique link with the founding company, corporate foundations usually pursue social benefit and impact, yet they also display the organizational goals aligned with their parent firm's corporate practices and strategies (Kania et al., 2014).

From a corporate perspective, aligning a foundation's operations with the company's core business purpose is critical for profitability, legitimacy, employee engagement, and reputation (Pedrini & Minciullo, 2011; Porter & Kramer, 2002). However, as independent legal entities, foundations also have a certain degree of autonomy from the parent company to pursue their charitable mission for social value. Therefore, there can be potential tensions and even conflicts of interest when the parent company pursues business-oriented goals by having a "strategic" approach toward CP that collides with the social mission of the foundation (Renz et al., 2020). Bethmann and Von Schnurbein (2015) noted that the exploitation of a foundation by a firm for commercial purposes might hinder or limit a foundation's independence and focus on its charitable mission.

In corporate foundation governance, the board of directors oversees decision-making and strategy development for the foundation (Minciullo & Pedrini, 2020). This body typically functions as a structural linkage and communication channel between the foundation and the company (Westhues & Einwiller, 2006). Indeed, foundation boards are often comprised of senior executives (or the CEO) of the company (Renz et al., 2020), which implies that corporate leadership is strongly connected to the governance of the corporate foundation. Previous research has shown that business interests significantly impact the nature of the relationship between a company and its corporate foundation, which, in turn, impacts the foundation's governance structure, the direction of operations, and organizational outcomes (Bethmann & Von Schnurbein, 2015; Pedrini & Minciullo, 2011).

Although nonprofit performance is multidimensional since different criteria can measure it, how well nonprofit organizations acquire their financial resources has been a crucial organizational performance enabling nonprofits to improve sustainability and accomplish their missions (An, 2021; Brown et al., 2016). Nonprofit organizations, including corporate foundations, receive revenues from various sources, such as individuals, corporations, nonprofits, and government (Qu, 2019). Especially if nonprofit organizations qualify as "public charities," they must receive substantial support from the general public or governmental entities (Internal Revenue Service, 2022). In general, corporate foundations are "private foundations" and do not operate as public charities (Tremblay-Boire, 2020); however, most professional sport team foundations are public charities as they substantially leverage revenues from public support beyond the financial source of their parent organizations (Sparvero & Kent, 2014). Indeed, team foundations reap the benefit of tens of thousands of passionate home fans for fundraising inside/

outside of the stadium. For example, Los Angeles Dodgers Foundation raised about 2.6 million dollars via their fundraising events (e.g., annual gala event, running event, online auction, stadium board message), which was about 64% of the foundation's total received contributions in 2017 (Los Angeles Dodgers Foundation, 2017, 2022). Furthermore, team foundations utilize other corporate giving as an essential revenue stream beyond the parent team's support. For example, New York Giants Foundation – as a private foundation – reported that about 73% of their received contributions were from other corporations (The Giants Foundation, 2017).

Considering the context of professional sport, fundraising performance (i.e., total received contributions) would be an essential performance indicator for team foundations as they tend to engage more in fundraising and revenue diversification, differentiating them from corporate foundations in other industry fields which receive their funds from a few or single source. While some scholars investigated the operations and organizational context of team foundations in general (See Anagnostopoulos & Winand, 2019; Kolyperas et al., 2016; Sparvero & Kent, 2014), the effect of team foundation governance (e.g., board attributes) on organizational performance (e.g., revenue generation, fundraising performance) is unexplored. We propose our hypotheses in the following section by adopting the relevant perspectives from nonprofit governance, corporate governance, and sport management.

2.3 | Board structural attributes and fundraising performance

2.3.1 | Board size

The effect of board size (i.e., the number of directors on the board) on CSR outcomes has been widely studied in the larger context of corporate governance (Brown et al., 2006; Huse et al., 2009; Kock et al., 2012). Using an agency theory perspective, scholars have found a positive relationship between publicly traded firms' board size and corporate philanthropy. That is, larger corporate boards are more likely to experience free-rider problems as there is more chance that board members may not fulfill their roles and responsibilities to their board, such as overseeing CEO behavior; as a consequence, a larger board has been found to be less effective in monitoring CEO's opportunistic behaviors (e.g., increasing corporate giving aligned with CEO's personal interest or reputation) (Brown et al., 2006).

However, in nonprofit governance, the role of the board is more focused on overseeing the decision-making process and organizational activities to ensure that a nonprofit organization is not diverging from its social mission (Brown & Guo, 2010). Considering the resource provision role of the board is more crucial to organizational success for nonprofits than in traditional corporations (LeRoux & Langer, 2016), the effect of board size might be viewed from a resource dependency theory perspective. Provan (1980) argued that larger boards had increased organizational performance as more board members can bring more external resources into the organization. In the same vein, Olson (2000) examined the relationship between board governance and financial performance at independent nonprofit colleges. The author found that increased board size was associated with an increase in total revenues and gift income, which highlights the resource acquisition role of the board. Aggarwal et al. (2012) studied the relationship between nonprofit board size and organizational performance using longitudinal data of nonprofit organizations from multiple sectors (e.g., human service, education, arts, and healthcare). The authors found a positive association between board size and donation revenues. Similarly, Vecco et al. (2021) found a positive (non-linear) relationship between board size and fundraising performance (i.e., total received contributions).

Although it would be common that some corporate representation exists on a company's foundation board, other stakeholders may also have representation, such as local community members, major donors, or nonprofit partners (Renz et al., 2020; Van Puyvelde et al., 2012). Board size grows when the foundation is responsive to more stakeholders (Abzug et al., 1994). Notably, it was argued that managing relationships with multiple stakeholders, such as fans, community organizations, public authorities, local governments, corporate and nonprofit partners, is one unique aspect of professional sport teams with respect to their CSR (Babiak & Kihl, 2018). The team foundation's management might be more attentive to various voices of stakeholders than other nonprofit foundations when they deliver CP practices to avoid potential backlash or criticism (Sparvero & Kent, 2014). Larger board would also have greater diversity in board members' functional backgrounds, interests, and personal values (Jaskyte, 2018; Siciliano, 1996). In other words, it may include a broader array of members with diverse social interests. Indeed, it was found that the board size is positively correlated with the number of social objectives (programs) that nonprofit organizations pursue (Aggarwal et al., 2012). Corporate foundations with larger board size are more likely to engage in various fundraising activities to fulfill various philanthropic objectives, bringing more contributed revenues. Following this reasoning, therefore, we predict that the board size of a team foundation is positively related to the foundation's total received contributions.

Hypothesis 1. Professional sport team foundations with larger boards of directors will have greater total received contributions.

2.3.2 | Board diversity: Gender composition of boards of directors

In corporate governance, gender diversity in the composition of corporate boards of directors has been a consideration of interest (Jain & Jamali, 2016). Previous research has demonstrated that a gender-diverse board (i.e., with a higher ratio of women directors) is likely to promote more impactful CSR outcomes for a company (Bear et al., 2010; Boulouta, 2013). Nielsen and Huse (2010) suggested that women directors are attentive to "the needs of others" and thus "may be particularly sensitive to – and may exercise influence on – decisions pertaining to certain organizational practices, such as corporate social responsibility" (p. 138). Burgess and Tharenou (2002) found that there is a gender-stereotypical belief that women are caring, more empathetic, and socially sensitive than men. Boulouta (2013) argued that women directors tend to enact this stereotypical feminine behavior when dealing with CSR issues, and thus, enhance corporate social performance.

Nonprofit literature has noted that diversity in board attributes (including gender, race, and experience) may influence organizational practice and outcomes (Buse et al., 2016). For example, Siciliano (1996) found that board gender diversity in the Young Men's Christian Association (YMCA) positively affected social performance regarding fulfilling the organization's mission. Similarly, Harris (2014) noted that nonprofit boards with more women directors tended to focus on mission and financial outcomes. Hinna and Monteduro (2017) found that board diversity (i.e., gender and professional background) affected value creation (e.g., the set of activities improving organizational performance, such as the creation of special programs for beneficiaries or organizational research bodies) in grant-giving foundations. Wicker et al. (2022) have shown that board gender diversity influenced organizational problem-solving in the context of German nonprofit sport clubs. The authors found that a higher percentage of women directors significantly reduced human resources and financial issues in the organizations. Based on resource dependency theory, they pointed out that women directors have brought essential resources to the board, such as knowledge and experience in a specific area (e.g., finance and law), experience in governance, political contacts in the field, and thus enhanced the board capacity to alleviate such organizational issues.

Although few studies have examined the effect of board diversity on organizational performance in the context of corporate foundations, it could be that the boards with more women directors are philanthropically generous and have higher capability around resource acquisition, which will enhance the fundraising performance of the foundation. Thus, we hypothesize the following:

Hypothesis 2. Professional sport team foundations with more women directors on the board will have greater total received contributions.

2.4 | Board leadership and fundraising performance

2.4.1 | Board chair affiliation with the team

Since corporate foundations have become more visible in the philanthropic landscape, researchers have focused on the unique characteristic of corporate foundations – hybridity (Gehringer, 2021; Rey-Garcia et al., 2018). As Minciullo and Pedrini (2020) noted, corporate foundations are "nonprofit bodies within a for-profit context" (p. 223). Indeed, theses hybrid organizations appear to operate under multiple institutional logics, such as social welfare logic and market logic (Rey-Garcia et al., 2018). Corporate foundations primarily pursue their charitable purpose. At the same time, they need to be responsive to the demands of their parent companies which are driven by marketing-oriented goals.

At the organizational level, the hybridity nature of a corporate foundation is displayed by its governance structure (Gehringer, 2021), such as the institutional affiliation of board members to the founder and board leadership (i.e., board chairperson). For example, Xu et al. (2018) highlighted that about 90% of board members in Chinese corporate foundations were affiliated with founder companies, and the majority were top executives. Minciullo and Pedrini (2020) found that the board of directors is likely to act on behalf of the parent company to ensure the foundation's goals are aligned with the company's expectations rather than support the best interests of the foundation and its social mission. Furthermore, the board chair of corporate foundations is often assumed by the company's executives (Marquis & Lee, 2013), which increases the connection and oversight of the corporation over the foundation.

From a corporate perspective, it would be ideal that the philanthropic activities of corporate foundations are strategically designed to contribute to corporate identity and reputation, and ultimately advance a firm's business interest, rather than operating with a limited mission of fundraising or donation (Altuntas & Turker, 2015; Porter & Kramer, 2002). Thus, the board's leadership is even more critical in steering the organizational aim and strategies (Marquis & Lee, 2013), considering the hybridity of the corporate foundation. For example, Anagnostopoulos and Winand (2019)'s study on the English professional football team foundation found that board members representing the parent teams tend to link the foundation activities to the business objectives (e.g., the increase of ticket and merchandise sales, cause-related marketing). In this case, team foundations find it challenging to diversify their philanthropic programs or enhance fundraising performance, especially since the board derogatorily views the foundation management as a business means or PR vehicle (Westhues & Einwiller, 2006).

Based on the interconnectedness between the parent company and corporate foundation presented above, it may be that the board led by a chairperson representing the parent companies is more likely to guide foundation operations to serve corporate goals rather than charitable goals. Thus, we predict that a team foundation's total received contribution will be smaller when the team CEO/senior executive serves as the foundation's board chair.

Hypothesis 3. Professional sport team foundation's total received contributions will be smaller when a team executive serves as the chair of the board.

2.4.2 | Presence of an executive director paid by the foundation

Another critical aspect of the corporate foundation governance process is executive leadership. It is often the case that executive directors, managers, and other staff members of corporate foundations have paid positions with the parent company (Rey-Garcia, 2012). However, corporate foundations may encounter challenges in acting independently when they are not able to employ their own staff. Employees seconded or reassigned from the corporation often have limited professional charitable experience and knowledge of nonprofit management (Bethmann & Von Schnurbein, 2015; Westhues & Einwiller, 2006). It may also be the case that CEOs or corporate employees working at the firm's foundation might experience a blurring of identity and allegiance to the foundation (Renz et al., 2020).

Bethmann and Von Schnurbein (2020) suggested that corporate foundations with high independence from the parent company can enable "purpose-driven philanthropy" concentrating on fulfilling social goals. The authors noted that those foundations recruit professional staff members from outside the corporation, and the foundation pays them most often. Paulus and Lejeune (2013) described an executive director as a "governance entrepreneur" who plays an essential role in designing a nonprofit board composition and board activities, such as fundraising. Indeed, an executive director recruited (and paid) by the corporate foundation (versus the parent company) may have a greater focus and commitment toward expanding the scope and scale of revenue generation (e.g., fundraising) and amplifying the social mission. Therefore, we predict that a team foundation's total received contributions would increase when team foundations have executive directors hired, exclusively dedicated to, and compensated by the foundation.

Hypothesis 4. The presence of an executive director paid by a professional sport team foundation will increase total received contributions.

3 | METHODS

3.1 | Data and sample

Our primary data source was Internal Revenue Service (IRS) Form 990 s provided by professional sport team foundations in four sport leagues in the U.S. (i.e., the Major League Baseball

[MLB], National Basketball Association [NBA], National Football League [NFL], and National Hockey League [NHL]). Form 990 is an annual tax report filed by nonprofit organizations falling under IRS Section 501(c)(3), which contains financial information, such as revenues (e.g., contributions and grants received), expenses (e.g., grants and program-related spending) and assets, and personnel information of organization (e.g., board members, compensated employees). We compiled the data set of Form 990 s from Candid, a database of nonprofit organizations in the U.S. for the period under investigation, other team-related data were collected from Forbes Magazine's annual financial reports of U.S. professional sport teams and Rodney Fort's Sport Business Database (e.g., team revenues and expenses), the official website of each professional sport league (e.g., teams' regular season winning percentages), and ESPN attendance reports. Community demographic data (e.g., identification of team-located metropolitan statistical area [MSA] and local population/income) were gathered from the U.S. Census Bureau.

We collected data on 96 team foundations across the U.S. professional sport leagues during the period between 2011 and 2017. The sample includes team foundations (either public charities or private foundations) that were established by 27 MLB teams, 22 NBA teams, 28 NFL teams, and 19 NHL teams. We excluded Canadian team foundations given the different taxation and reporting structures for nonprofit organizations in Canada. Differing forms of charitable foundation (e.g., through team owner foundation, local community foundation, or entertainment company foundation) were also excluded from the sample because they did not meet the criteria of a team associated corporate foundation for this study. Additionally, observations were eliminated when some data (e.g., the list of board of directors) were unavailable for the independent variables. Thus, the complete sample included 621 team foundation-year observations.

3.2 | Measures

3.2.1 | Dependent variable

The dependent variable, *total received contributions*, was defined as the total contributions, grants, gifts, and other similar amounts that a team foundation received. This includes revenues from fundraising events and community programs as well as donations made to the team foundations by individuals, corporations, and nonprofit organizations (Aggarwal et al., 2012; Sparvero & Kent, 2014). As the amount of team foundation total received contributions were highly skewed to the right, we log-transformed the dependent variable.

3.2.2 | Independent variables

Based on precedence from prior research, the independent variables included: *Board size*, measured as the number of board of directors governing a team foundation (Jaskyte, 2018); *women directors*, recorded by calculating the proportion of women on the board (Buse et al., 2016; Walls et al., 2012); *board chair team affiliation*, measured using a dummy variable indicating whether the foundation board chair was also employed by or connected to the team itself (e.g., CEO, owner, senior executive, manager, staff); *foundation paid executive director* measured by the presence of an independent executive director paid by the team foundation.

3.2.3 | Control variables

To rigorously control for factors that might affect a team foundation's organizational performance, our analysis included several control variables at the team foundation and team level, considering the interconnectedness between the two entities. Specifically, team foundation factors included whether a team foundation was classified as either a private foundation or a public charity according to IRS denotation. Team foundations designated as public charities tend to engage more in fundraising activities than private foundations (Sparvero & Kent, 2014). Thus, we included a dummy variable (*private foundation*), indicating whether the organization was a private foundation or a public charity. Additionally, *foundation assets* were included in the model, measured by the total annual assets of the foundation. The assets indicate the overall economic resources available for the foundation. Finally, we controlled for *foundation age* as older team foundations would likely have a higher capacity for philanthrophic performance (Kim & Peng, 2018).

At the team level, *team revenues* weres measured through annual team revenues, which included revenues from ticket sales, local and national media broadcasting rights, sponsorship, concessions, and merchandise (Inoue et al., 2011). We operationalized a team's financial performance as *team operating efficiency*, which was the proportion of operating income over total annual revenues (Inoue et al., 2011). We controlled for *team age* (logged). In addition, *team winning percentage* (i.e., the percentage of regular-season games played by each team that was won) (Foster & Washington, 2009) was controlled for. We included *attendance percentage* (i.e., the team's annual home game attendance as a percentage of stadium capacity) to reflect team popularity and actual purchasing behaviors of sport fans (Inoue et al., 2011; McDonald & Rascher, 2000). Finally, a series of professional sport league indicators (i.e., *MLB*, *NBA*, *NFL*, and *NHL*) were included to capture the different league effects on the dependent variable.

Furthermore, we controlled for demographic characteristics of the community in which team foundations operate based on the MSA, which is the geographic area that consists of the city and surrounding community which typically have a high degree of social and economic integration (U.S. Department of Commerce, 2010). Therefore, *local income* (i.e., the per capita income of the community) and *local population* were included in the model to capture the overall economic situation and the size of the community in which team foundations operate (Marquis et al., 2013).

3.2.4 | Statistical model

To test the hypotheses with the panel data, we used a random effects model to account for multiple observations per team foundation. The random effects model was ideal for our model because we were interested in including the professional sport league effect (i.e., a time-invariant variable), which would be a significant determinant of philanthropy in the field. The structure of the full model is as follows:

$$\begin{aligned}\text{Total received contributions}_{it} = {} & \beta_0 + \beta_1 \text{Board size}_{it} + \beta_2 \text{Women directors}_{it} \\ & + \beta_3 \text{Board chair team affilation}_{it} + \beta_4 \text{Paid executive director}_{it} \\ & + \cdots + \beta_n (\text{Controls})_{it} + u_i + e_{it}\end{aligned}$$

where i is the individual team foundation, t is the observation year, u is the between-entity error, and e is the within-entity error. We ran the Breusch-Pagan Lagrange Multiplier (LM) test for testing random effects. Our model included year effects to control for any unobservable time effects and used cluster-adjusted robust standard errors (Stock & Watson, 2008). We also evaluated multicollinearity by calculating the variance inflation factor (VIF) based on the fully specified model. It was found that the VIFs for each independent variable were below 10 (ranged from 1.13 to 6.65), suggesting that the models had no issues regarding multicollinearity (Neter et al., 1985).

4 | RESULTS

Table 1 presents descriptive statistics, including means, standard deviations, and correlations of all variables. The average total received contributions of team foundations was about \$1.3 million (ranged from \$346 to \$17.1 million) per year during the data period (\$1.7 million for MLB, \$0.9 million for NBA, \$1.4 million for NFL, \$0.7 million for NHL). The average board size was approximately 8.7 directors per board (ranged from 1 to 37) and the average proportion of women directors was 28.4%. We also found that about 73.9% of team foundation's board chairs had an affiliation with the parent team and about 20.5% of team foundation boards had an independent executive director paid by the respective foundations.

We present a test of the hypotheses in Table 2. Models 1 through 4 are mainly informational, showing the main effects of each of the hypothesized variables with control variables. Model 5 presents the full model with all main effects, which we use for the conclusions of the hypotheses testing. Hypothesis 1 predicted that professional sport team foundations with larger boards of directors would have greater total received contributions. Model 5 strongly supports this prediction. In particular, Model 5 estimated that, on average, a one person increase in board size is associated with an approximately 2.9% increase in team foundation total received contributions. Because our dependent variable was log-transformed, it was assumed that a one-unit change in the independent variable was associated with $\left(e^{\beta}-1\right)\cdot 100\%$ change in the dependent variable in interpreting the estimated coefficient (β). The effects of board gender diversity we predicted in Hypothesis 2 was not supported in our models. Meanwhile, the effect of board chair's team affiliation was supported in the reduced models (Model 3) but not in the full model (Model 5). Hypothesis 4, predicting that having a paid foundation executive director would increase team foundation total received contributions, was supported in Model 5. Specifically, the model suggests that, on average, having an executive director paid by a team foundation was associated with about a 51.7% increase in total received contributions.

Although examining the control variables was not our primary focus, some relationships were noteworthy. Regarding team-level factors, we found a positive association between team operating efficiency and total received contributions, which is not surprising because corporate foundations often obtain financial resources from their parent company. From a corporate perspective, donating profits to the foundation can reduce taxable income, especially, in highly profitable years (Giving Works, n.d.). It was also found that team winning percentage (i.e., sporting performance) and home game attendance percentage (i.e., team popularity) positively affect the team foundation's received contributions, supporting our prior speculation that philanthropic activities of the team foundation are often integrated into the team's operation (e.g., in-game/fan fest fundraising). Finally, we found that a professional sport league effect

TABLE 1 Descriptive statistics and correlations.

Variables	Mean	SD	1	2	3	4	5	6	7
1. Total received contributions	1.300	1.815							
2. Board size	8.688	5.395	0.229						
3. Women directors	0.284	0.188	0.006	0.286					
4. Board chair team affiliation	0.739	0.439	−0.081	−0.280	−0.284				
5. Paid executive director	0.205	0.404	0.300	0.173	0.113	−0.035			
6. Private foundation	0.213	0.409	−0.077	−0.247	−0.076	0.031	−0.088		
7. Foundation assets	2.185	3.073	0.417	0.077	−0.035	−0.019	0.104	0.081	
8. Foundation age	18.15	10.30	0.069	−0.015	−0.015	0.028	−0.241	0.216	0.160
9. Team revenues	245.2	116.1	0.364	−0.006	−0.000	0.026	0.013	0.122	0.283
10. Team operating efficiency	0.117	0.128	0.268	−0.021	0.039	0.026	0.058	0.137	0.177
11. Team age	50.43	32.71	0.215	0.089	−0.011	0.004	0.057	−0.028	0.328
12. Team winning %	0.504	0.143	0.130	0.020	0.015	0.040	0.050	−0.077	0.071
13. Attendance %	0.875	0.160	0.095	0.167	0.117	−0.051	0.137	−0.061	0.033
14. Local income	32.77	5.66	0.204	0.117	0.095	−0.057	0.295	0.038	0.087
15. Local population	5.77	5.12	0.031	−0.147	−0.168	−0.016	−0.166	0.064	0.013

Variables	Mean	SD	8	9	10	11	12	13	14
9. Team revenues			0.264						
10. Team operating efficiency			0.037	0.563					
11. Team age			0.267	0.346	0.185				
12. Team winning %			−0.090	0.023	0.027	0.023			
13. Attendance %			−0.203	0.163	0.288	−0.085	0.174		
14. Local income			0.153	0.341	0.227	0.155	0.122	0.067	
15. Local population			0.202	0.173	−0.034	0.157	0.007	0.043	0.189

Note: This table reports means and standard deviations using the original untransformed variables (total received contributions, foundation assets, team revenues in millions of dollars; foundation and team age in years; local populations in millions; local income in thousands of dollars).

(i.e., MLB) has a significant coefficient, supporting a possible league effect around the implementation of CP (e.g., fundraising campaigns initiated by the league).

5 | DISCUSSION AND CONCLUSIONS

Our study examined the relationship between corporate foundation governance and their organizational performance in the context of professional sport team foundations. To this end, the study analyzed longitudinal data of team foundation governance attributes, including structural characteristics (i.e., board size and board gender diversity) and leadership relevant to a foundation's independence (i.e., board chair's affiliation with the parent team and presence of a paid foundation executive director). The results suggest that larger board size and the presence of a

TABLE 2 The effects of team foundation governance on total received contributions.

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Board size	0.034*** (0.010)				0.029** (0.010)
Women directors		−0.001 (0.003)			−0.004 (0.003)
Board chair team affiliation			−0.295* (0.170)		−0.244 (0.161)
Paid executive director				0.442** (0.166)	0.417** (0.162)
Private foundation	−0.250 (0.265)	−0.336 (0.257)	−0.319 (0.255)	−0.321 (0.249)	−0.242 (0.248)
Foundation asset	0.051 (0.033)	0.045 (0.033)	0.048 (0.033)	0.052 (0.033)	0.051 (0.033)
Foundation age	−0.001 (0.008)	0.002 (0.007)	0.001 (0.007)	0.005 (0.007)	0.002 (0.007)
Team revenues	0.001 (0.001)	0.001 (0.001)	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)
Team operating efficiency	0.697+ (0.400)	0.705* (0.404)	0.744+ (0.411)	0.690+ (0.399)	0.724+ (0.395)
Team age	0.000 (0.003)	0.001 (0.003)	0.001 (0.003)	0.000 (0.003)	0.000 (0.003)
Team winning %	0.588* (0.285)	0.557* (0.28)	0.526* (0.275)	0.561* (0.280)	0.600* (0.275)
Attendance %	0.011* (0.004)	0.012** (0.004)	0.011** (0.004)	0.010* (0.004)	0.009* (0.004)
Local income	0.007 (0.016)	0.011 (0.015)	0.009 (0.015)	0.001 (0.016)	−0.003 (0.017)
Local population	−0.001 (0.025)	−0.010 (0.024)	−0.010 (0.024)	−0.001 (0.024)	0.003 (0.024)
MLB	0.809* (0.313)	0.750* (0.321)	0.698* (0.313)	0.739* (0.313)	0.765* (0.301)
NBA	0.033 (0.289)	−0.039 (0.279)	−0.103 (0.278)	−0.016 (0.277)	0.020 (0.263)
NFL	0.240 (0.353)	0.093 (0.353)	0.010 (0.348)	0.157 (0.352)	0.223 (0.337)
Constant	10.73*** (0.585)	10.86*** (0.609)	11.20*** (0.613)	11.11*** (0.593)	11.30*** (0.574)
Observations	621	621	621	621	621
Number of team foundations	96	96	96	96	96

Note: Robust standard errors in parentheses. All models include league and year effects.
$^{+}p < 0.1$;
$^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$ (one-tailed for hypothesized, two-tailed for controls).

paid foundation executive director increase the total received contributions of team foundations. However, the effects of board gender diversity and board chair team affiliation on the foundation received contributions were not found.

Our finding confirmed that board size has a positive impact on the total received contributions of team foundation. This result is consistent with the previous research suggesting that larger nonprofit boards are more likely to have a greater capacity for resource acquisition and provision, which may lead to increased philanthropic performance (e.g., fundraising, the amount of grants, program-related spending, and the number of social programs that nonprofit organizations pursue) (Aggarwal et al., 2012; Miller-Millesen, 2003; Vecco et al., 2021). A larger board with diverse members with various functional backgrounds and professional networks would enable a foundation's better access to external resources and information that might support corporate nonprofits' activities (Jaskyte, 2018). Moreover, nonprofit organizations might utilize the networks of board members to increase their organizational visibility and status (e.g., network centrality) within the nonprofit markets, which will increase the probability of acquiring philanthropic contributions (Faulk et al., 2017).

In addition, most professional sport team foundations are established as public charities. As public charities, team foundations may have a greater potential to engage and spend in/on fundraising activities and mission-related programs to seek broad public support (beyond from the parent team) (Sparvero & Kent, 2014). If that is the case, it would be favorable for team foundations to have a wide array of board members (e.g., former athletes/sport stars, public figures from the community, and local business actors) that can attract more contributions beyond the support from the parent team.

While our study hypothesized that a higher representation of women in a team foundation board would increase the foundation's total received contributions, the results did not support the effect of board gender diversity. Previous research in CP has noted that the increased presence of women directors on corporate boards leads the company to be more attentive to corporate social performance in general (Boulouta, 2013). However, our findings were not consistent with these previous studies.

We did not find that board gender diversity influenced the total received contributions of professional sport team foundations. However, it would be desirable if future research could further examine how gender diversity of corporate foundation boards may impact different aspects of organizational performance, such as strategy development, diversification of program focus, attention to emerging social issues, and network building with local nonprofits. Further research could also look into how gender components influence the board's effectiveness. For example, gender-diverse boards tend to make decisions based on information from diverse resources available (Cunningham, 2008). Dula et al. (2020) also noted that the presence of women directors enhances the various aspect of nonprofit board dynamics and eventually increases cultural-oriented board performance (e.g., quality of relations among board members) and strategic-oriented board performance (e.g., effectiveness at aligning resources with strategic needs). Additionally, future studies could investigate other aspects of board composition in a team foundation. For example, examining board members' networks (e.g., serving as the board of trustees of local nonprofits) and how these networks enhance fundraising performance will be a fruitful area for future research.

Our study investigated the relationship between board chair team affiliation and team foundation's total received contributions. We expected that having a board chair affiliated with the parent company would constrain the philanthropic performance of a corporate foundation as the company representatives may be more likely to be controlled by corporate interests and be more conservative in pursuing social goals (Minciullo & Pedrini, 2020). Although the reduced model supported the hypothesis, the full model with all the main effects did not support it. One explanation for this finding may be the contingency effect of powerful individuals (Galaskiewicz, 1997; Petrenko et al., 2016), such as the parent company CEO or owner, holding the role of foundation board chair. Presumably, a company leader's personal engagement, commitment, actions, and preferences significantly impact CP if they serve as the foundation board chair. Personal commitment toward philanthropy and interest in social performance may vary from leader to leader (Gao et al., 2017). Hence, they might place more or less emphasis on CP and thus guide foundation management in different directions. Indeed, our analysis found that approximately 46% of the team foundation's board chairs were team owners (or team owners' family members). It is plausible that the presence of a team owner in the role of the foundation board chair may considerably alleviate the effect of the board chair predicted in the study.

Furthermore, we speculated that the nature of organizational hybridity in corporate foundations is related to two primary logics – the market logic and social logic (Rey-Garcia et al., 2018) – and the board chair's corporate affiliation displays the extent to which the market logic is predominant. However, it is possible that multiple institutional logics exist within hybrid organizations (Battilana & Lee, 2014), and corporate foundations may have to manage different logics or values (Smith, 2016). If that is the case, how the board leadership grapples with this complexity would be another critical factor influencing the philanthropic performance of the corporate foundations. Team foundations also need to manage different logics of stakeholders shaping their CP, such as local communities and government, sport fan groups, and league associations (Babiak & Kihl, 2018). For instance, some sport team foundations have engaged and developed strong connections with the community through 'Community Benefit Agreements', which are contracts between teams and local governments in terms of the delivery of community benefits in exchange for public financing of their stadia construction (Garrison, 2018). In such cases, the community development logic may increase the scale and intensity of team foundation CP to fulfill their obligations toward the social contracts with their communities.

Our finding that the presence of foundation paid executive director increases total received contributions supported the critical role of the executive director in team foundation management and organizational performance. In particular, the executive director who possesses specific professional competence and knowledge in nonprofit management may improve corporate foundation performance and outcomes (Westhues & Einwiller, 2006). Moreover, the professionals paid by and exclusively working for the team foundation are comparably free from parent team influence and place priority on the social mission of the foundation and focus on maximizing social impact. It was noted that the executive director of a team foundation can lead the team to make a higher commitment to a social mission by effectively evidencing how social performance links to business performance (Anagnostopoulos & Winand, 2019). Furthermore, our analysis identified that the team foundation's contributed revenues are associated with the parent's team performance (e.g., winning percentage, game attendance percentage). However, these team factors are based on uncertainty (e.g., a poor season can lead to a decrease in game attendance), which is a unique feature of the spectator sport industry. In this situation, the competence of the (independent) executive director would be even more crucial in managing and facilitating resources for the foundation to achieve its social mission. Therefore, hiring executive directors with a strategic awareness of how team foundation can maximize revenues would be significant.

Overall, our study contributes to corporate foundation governance and CP research in several ways. First, considering the peculiar characteristics of corporate foundations, this study explores the relationship between specific governance aspects of corporate foundation and their organizational performance. The findings imply that the governance structure of corporate foundations is a powerful mechanism for enacting strategic CP. Second, with increasing interest in the strategic value of corporate foundations in CP, scholars have called for research on the hybridity nature of corporate foundations (Gehringer, 2021). Through this study, we empirically examine the consequences of hybridity on the governance level for corporate foundations' organizational performance. Third, despite the growth in professional sport team charitable foundations over the past 20 years, there has been limited understanding of team foundation governance and its impact on organizational performance. Our findings help understand a key component of team foundation governance, but further illuminate professional sport-specific organizational and field-level conditions regarding CP. Furthermore, this consideration of specific institutional and organizational environments would help examine the nuance of the corporate foundation governance process and dynamics in future research.

6 | LIMITATIONS AND FUTURE RESEARCH

There are several limitations to the current research. First, the study examined specific board attributes (i.e., board size, board gender diversity, board chair affiliation with the parent team, and presence of a paid executive director) of corporate foundations and their relationship to organizational performance. However, there might be additional board factors that influence organizational performance. For example, future research could explore greater nuance in corporate foundation board composition, such as the functional backgrounds of board members or the ratio of outside board members (who are independent of team/parent firm management), and investigate how these factors shape organizational outcomes. Regarding team foundation, it would be fascinating to explore how unique and – potentially – competing interests of various board members (e.g., team executives, team owners, community representatives, and other nonprofit executives) are navigated in the boardroom. For example, what if a community representative proposes a philanthropic focus or practice that is not aligned with the team owner's interest or focus? How might a board chair grapple with this situation?

Second, our findings provided a picture only of professional sport team foundations in the United States. However, it would be possible that corporate foundations in other institutional environments might face different organizational contingencies that affect board attributes and their effects. For instance, the nature of hybridity in corporate foundation governance may vary across industries, depending on expectations, norms, logic, and culture around CP in a specific field. Also, this organizational hybridity will influence the strategic directions of corporate foundations (e.g., corporate benefits vs. social benefits) impact as well as their philanthropic performance. Therefore, future research can be extended by investigating corporate foundation governance in different contexts (Renz et al., 2020).

Third, although this study explored the team foundation board chair, we did not examine the effect of other influential or powerful actors within the board, such as team owners. For example, upper echelons theory highlights that individual attributes of the leaders (e.g., CEO, owner, senior executives), such as age, gender, personal value, functional background, and experience, might influence strategic decisions of an organization (Hambrick, 2007; Juravich et al., 2017). Marquis and Lee (2013) argue that understanding the leaders' influence helps to understand organizational contingencies which enable and constrain CP. Unlike most business owners who prioritize profit-seeking, it has been noted that the purpose of owning a team may vary from owner to owner. The array of motivations for team ownership may range from seeking profit to sporting performance and success (e.g., winning championships), enhancing personal profile, protecting the team as a community asset, or realizing a personal passion for sport (Foster et al., 2016). Thus, future research might consider examining the influence of team owners in team foundation governance and board dynamics, whether through quantitative or qualitative methods.

Finally, this exploratory study provides a first step in understanding the relationship between corporate foundation governance and organizational performance explicitly using team foundation data. However, nonprofit performance can be measured from different aspects of CP, such as the major focus area of the foundation, the ratio/number of grants/programs, the characteristics of beneficiaries (e.g., individuals vs. organizations), or the sustainability of charitable programs and initiatives. Furthermore, the landscape of CP has rapidly changed as society demands greater responsibility of businesses in their social roles. The COVID-19 pandemic, recent environmental disasters, and the focus on social justice have highlighted the urgency of issues related to social change and brought into sharp relief the role business can play in affecting change. Thus, future work might examine how corporate foundation governance influences responses to emerging pressures and environmental disruption.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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