

Foundation-Owned News Media in Denmark

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The Arms-Length Principle

Since the 1970s, a growing number of Danish publishers chose to organize their newspapers as Foundation Owned Business. Currently, 58 percent is controlled by foundations. The typical motives have been consolidation aims and public benefit purposes, i.e. making money in order to publish newspapers – not the other way around.

JP/Politikens Hus may serve as an illustrative case: Not only is it the largest of the Danish media foundations. It is also the most diversified, publishing a left-wing paper (*Politiken*), a right-wing paper (*Jyllands-Posten*), an aggressive tabloid (*Ekstra Bladet*), supplemented by 50 per cent ownership of the leading financial newspaper (*Børsen*). This illustrates a general trend: Danish media-foundations enables professional journalism to act at arms-length from political party affiliations as well as commercial interests (1).

International Competition

Media systems of Scandinavia have never been based on pure market economy, where business considerations call the score; neither are they products of a planned economy where a political majority rules. Within a mixed system, foundation-owned newspapers compete not only with each other but also with license-based public service providing radio, television, and online media on a non-profit basis.

Until recently, this media system of checks and balances (combined with language barriers) played a guardian role of entry from outside players. Today, however, international competition from mega-corporations, e.g. Google, Facebook and YouTube, is changing the newspaper game. Multinational competition puts heavy pressure on media owners all over the world, looking desperately for better business models (2).

A Recipe for Survival

Foundation-based journalism can hardly be championed as the sole solution to the current media challenges. None the less, it offers a promising recipe for the mitigation of competitive disadvantages of esteemed newspaper in Denmark and abroad. This is particularly important, because crowdfunding of community content and other types of grass root experiments have failed after a brief blooming in the wake of the 2008-9 financial crisis (3).

Current research documents that media initiatives based on strict non-profit and voluntary norms are easy to initiate, but rarely make a long-term stand in their own accord. On this gloomy backdrop, the Danish (or more accurately: Scandinavian) foundation paradigm may be one of the few feasible alternatives, offering public service for private money.

Ownership of Danish Newspapers 2016

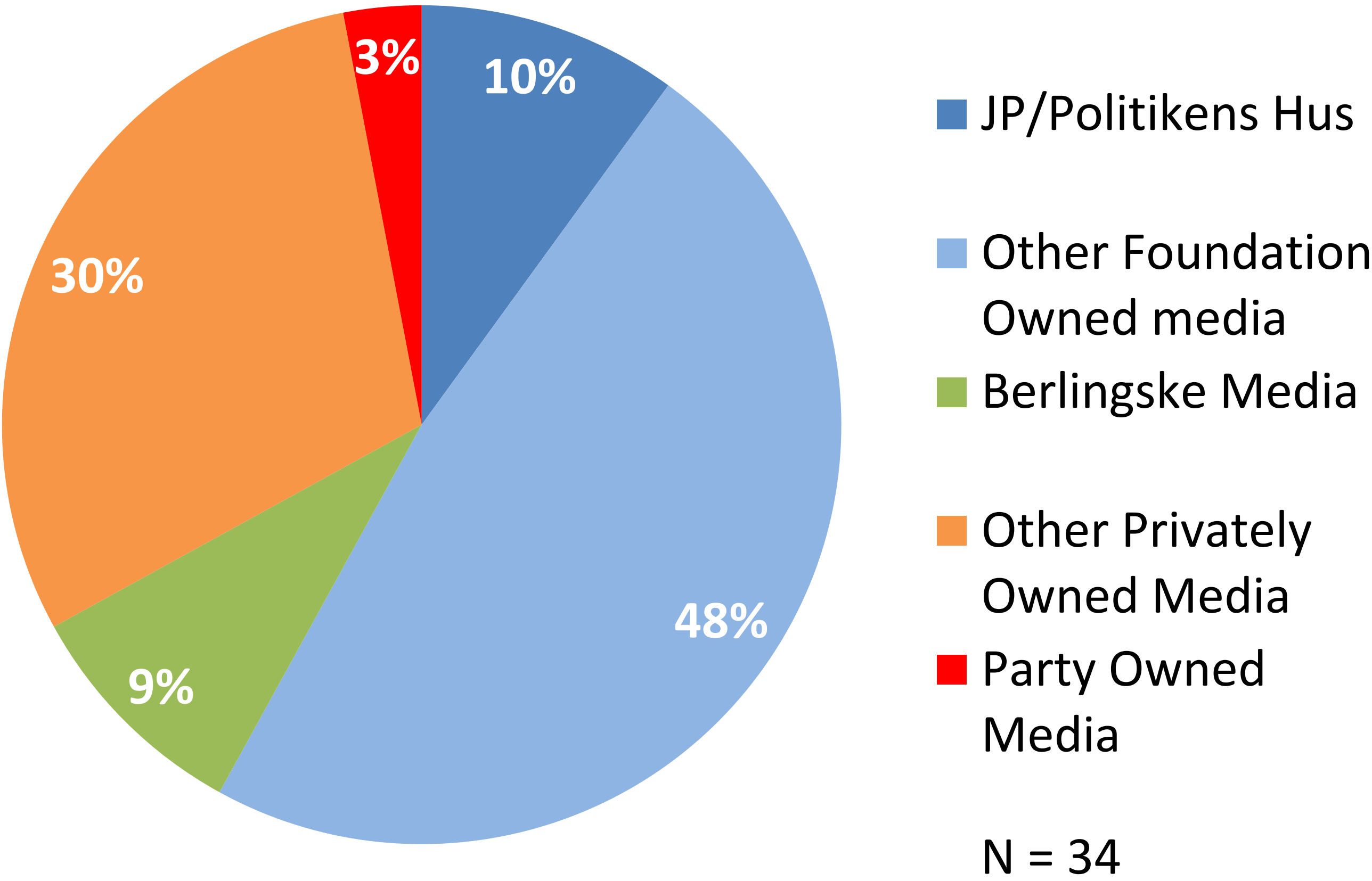


Figure 1. Source: (1)

Public Benefits Ignored

Amateur and user-generated media content does have democratic potentials, but may also contribute to the diffusion of dubious and even fake news, unless it is vetted by professional journalists. In this respect, old fashioned newspaper journalism still plays an important gatekeeper role. But it is expensive and cannot be maintained without risk taking and patient funding.

Few media systems, however, recognize professional journalism as a public benefit privileged by trust- and foundation-laws. This is a blocking factor in the development of for-profit newspapers operating in a non-profit fashion. On the other hand, subsidies provided by charitable trusts and other public benefit foundations are no magic bullet for news media. Consequently: More research is needed.

The Mortmain Problem

The data reported briefly in this poster is part of a work in progress taking place at CBS Center for Civil Society Studies in collaboration with colleagues from Finland, Norway, and Sweden. We have found little research published on how different types of media ownership actually works. Anecdotal evidence dominates and theoretical perspectives are underdeveloped. We attempt to address this knowledge gap by applying agency-theory (4), because the very concept of foundation ownership

challenges the premises of rational choice in an important way: Foundations are governed not only by the arms-length, but also by the mortmain principle, i.e. the ultimate principal usually long-time dead. According to agency theory this invites rent seeking and moral hazards.

Foundation-owned newspapers in Denmark, none the less, appear to avoid some of these managerial pitfalls. We want to find out why and how this is the case.

References

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Foundations in Denmark – A Stakeholder Approach

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€ 1.2 Billion Input

Denmark currently house app. 14.000 foundations - most of them Public Benefit Foundations with relatively small capitals and external donation. 1,360 are Foundation-owning Businesses (Industrial Foundations). The most persistent of the latter kind, Carlsberg Foundation, was established in 1876 as the sole owner of the Carlsberg Brewery with a charter directing proceeds for the benefit of arts and sciences.

A number of founders followed the example of Carlsberg, e.g. Novo Nordisk, A.P. Møller Maersk, Lundbeck. Currently, 90 per cent of Danish foundation giving is generated by Industrial Foundations. In 2016 a total of € 1.2 billion public benefit donations was externally distributed – primarily in the form of research grants, subsidies to arts & culture, and philanthropic support of social purposes.

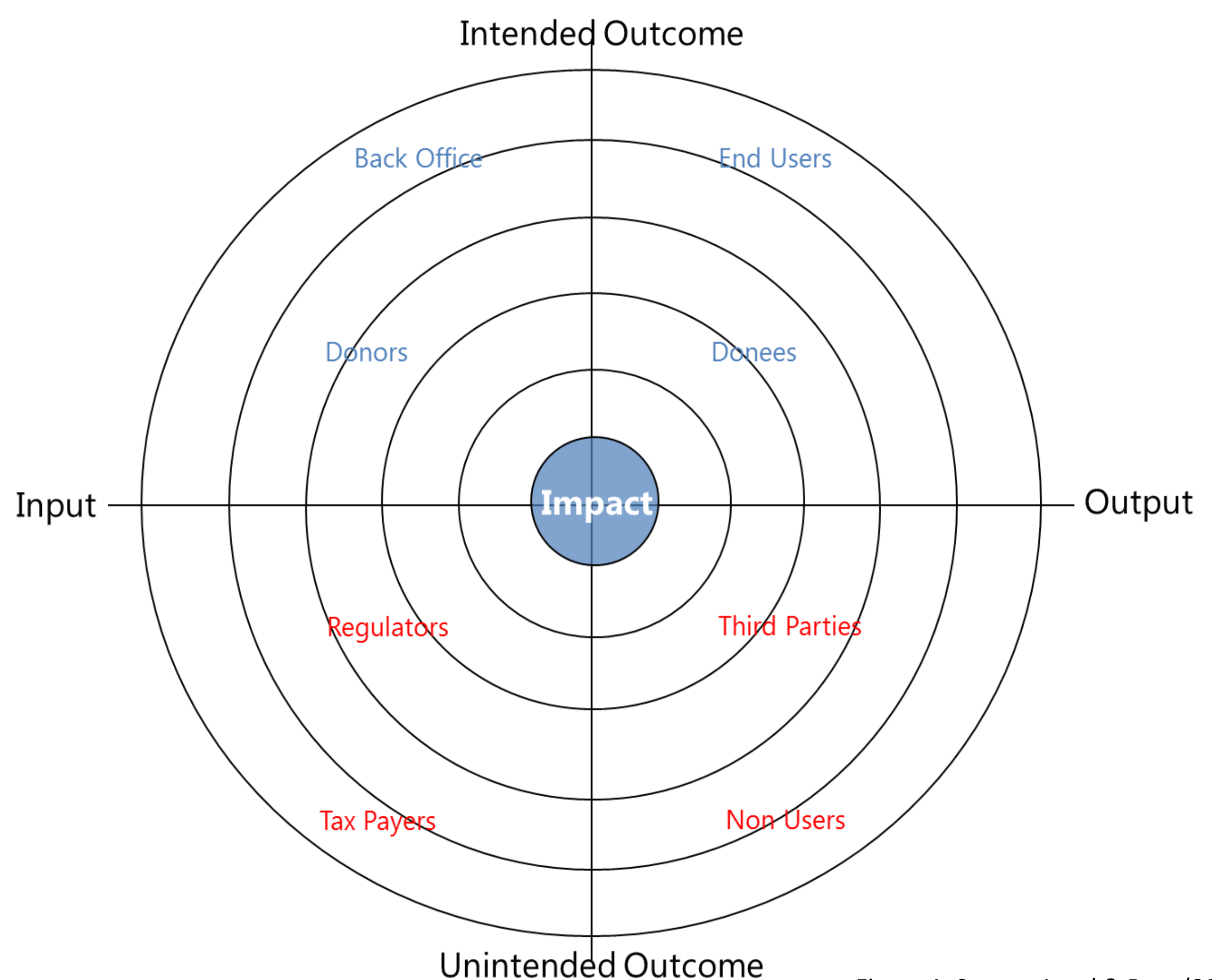


Figure 1. Source: Lund & Berg (2016: 147)

Softly Regulated

Dedicated foundation laws were implemented rather late in Denmark. Before 1985, organizations of this kind were informally regulated within an administrative framework based on royal charters and developed more by lawyers than law makers. An informal body of norms were generated, framing formal legislation continuing the practice of soft regulation.

Under current jurisdiction, Danish foundations must (1) have an independent board of officers, who (2) administers the registered capital (minimum € 40,000 for Industrial Foundations and € 135,000 for other foundations), which (3) must be effectively segregated from the fortune of the founder and (4) applied to the causes defined by the founder.

Intended Outcomes

The majority of Danish foundations has rather fluffy remits, and little has been done to evaluate the impact of public benefit donations on end users. Currently, *collective impact* has become a catch word, but *connective impact* appears to be more enduring, i.e. foundations co-create more value when collaboration with other private and public actors.

All in all, research conducted by CBS Center for Civil Society Studies highlights three general and intended foundation outcomes: (1) **pluralism**, offering stakeholders a variety of choices in a non-commercial and non-bureaucratic fashion; (2) **patriotism**, preferring domestic to international causes; (3) **perpetuity**, valuing long term impact over short term output.

Unintended Outcomes

Critics from the left have argued that foundations in general and industrial ones in particular are undemocratic and that public purposes could be better served by tax-based funding distributed by government and municipal agencies. Critics from the right argue that foundation-ownership may jeopardize minority shareholder interests and create unwarranted competitive advantages.

Combining commercial and charitable purposes, however, could also be regarded as a “cuddly” alternative to cut-throat capitalism, well suited for welfare state regimes of the Danish kind. Aside from their philanthropic contributions, Industrial Foundations account for more than half of the listed shareholder values in Denmark, employing 100.000 domestic staff plus 200.000 employees worldwide.

Work in Progress

In 2016, CBS Center for Civil Society Studies published the monograph *Dansk Fondshistorie*, presenting a research-based history of the Danish foundation development 1901-2015. Data on donations was collected from 121 leading public benefit foundations with the specific aim of documenting impact on arts and sciences over time.

Framed in valuation theory, a stakeholder approach was applied, addressing the research question: How may impact from public benefit input be measured in terms of output and outcome. Currently, we are widening the scope, inviting researcher all over Europe to contribute to a mutual mapping of Public Benefit Foundations.

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