ROUTLEDGE COMPANIONS

The Routledge Companion to Nonprofit Management

Edited by Helmut K. Anheier and Stefan Toepler

THE ROUTLEDGE COMPANION TO NONPROFIT MANAGEMENT

Over the past three decades or so, the nonprofit, voluntary, or third sector has undergone a major transformation from a small cottage industry to a major economic force in virtually every part of the developed world as well as elsewhere around the globe. Nonprofit organizations are now major providers of public services working in close cooperation with governments at all levels and increasingly find themselves in competition with commercial firms across various social marketplaces. This transformation has come with ever-increasing demands for enhancing the organizational capacities and professionalizing the management of nonprofit institutions. *The Routledge Companion to Nonprofit Management* is the first internationally focused effort to capture the full breadth of current nonprofit management research and knowledge that has arisen in response to these developments.

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Helmut K. Anheier is a Professor at the Hertie School of Governance, Berlin, Germany, and the Luskin School of Public Affairs at UCLA. His most

recent books include *Nonprofit Organizations: Theory, Management, and Policy, Performance Measurement in Philanthropic Foundations: The Ambiguity of Success and Failure, Social Innovation – Comparative Perspectives,* and *Governance Indicators: Approaches, Progress, Promise.* Currently, he co-edits the *International Encyclopedia of Civil Society.*

Stefan Toepler is Professor of Nonprofit Studies and Director of the Master of Public Administration Program in the Schar School of Policy and Government, George Mason University, Arlington, VA. He has written broadly on nonprofit management and policy, philanthropy and global civil society. Among other books, he co-edited *Legitimacy of Philanthropic Foundations: United States and European Perspectives* and also co-edits the *International Encyclopedia of Civil Society.*

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CONTENTS

List of contributors

1 Nonprofit management: Introduction and overview
Stefan Toepler and Helmut K. Anheier

PART I Management context

2 A changing management context: The US, UK, Canada and Australia
Susan D. Phillips

3 Nonprofit management context: Continental Europe and Scandinavia
Georg von Schnurbein and Alice Hengevoss

4 Nonprofit management context: Central and Eastern Europe
Peter Vandor, Clara Moder, and Michaela Neumayr

5 Nonprofit management context: Russia and the FSU
Lev Jakobson, Irina Mersianova, and Natalya Ivanova

6 Nonprofit management in Asia
Tamaki Onishi and Naoto Yamauchi

7 Nonprofit management context: The Middle East and North Africa
Omar Bortolazzi

8 Nonprofit management context: Africa
Jacob Mwathi Mati

9 The Latin American context: The challenge of managing advocacy and impact inclusion
Urs Jäger, Felipe Symmes, and Roberto Gutiérrez

PART II Leading and planning

10 Composition of nonprofit boards: Summary of factors that account for who governs nonprofits
William A. Brown

11 Leadership
Ruth Simsa

12 Beyond codes: Values, virtues, and nonprofit ethics
Ki Joo Choi and Roseanne Mirabella

13 Strategic management
Michael Meyer

PART III Managing internally

14 Evaluation and performance measurement
Lehn M. Benjamin and David A. Campbell

15 Budgeting and financial management: A multi-year budgeting approach
Marcus Lam and Bob Beatty

16 The essential nature of internal controls
Nathan J. Grasse and Daniel Gordon Neely

17 Information and communications technology management
John McNutt

18 Nonprofit human resource management
Allison R. Russell, Marlene Walk, and Femida Handy

19 Volunteer management and the psychological contract
Mark A. Hager and Kathy T. Renfro

20 Co-production
Taco Brandsen, Trui Steen, and Bram Verschuere

21 Association and membership management
Mary Tschirhart

PART IV Managing externally

22 Collaborations and networks
David Suárez and Hokyu Hwang

23 Advocacy and lobbying
Jennifer E. Mosley, Tadeo Weiner-Davis, and Theresa Anasti

24 Nonprofits and political participation
Kelly LeRoux and Mary K. Feeney

25 Nonprofit marketing and branding
Jane Hudson

26 Relationship fundraising 2.0: Lessons from social psychology
Adrian Sargeant and Ian MacQuillin

PART V Funding sources

27 Individual giving and philanthropy
Beth Breeze

28 The nonprofit sector's 'rich relations'? Foundations and their grantmaking activities
Tobias Jung

29 Corporate philanthropy
Lonneke Roza and Lucas C.P.M. Meijs

30 Government funding

Michaela Neumayr and Astrid Pennerstorfer

PART VI The social enterprise space

31 Social enterprise
Janelle A. Kerlin

32 Social innovation: What it is, why it matters and how it can be studied
Gorgi Krlev and Georg Mildenberger

33 Social finance for nonprofits: Impact investing, social impact bonds, and crowdfunding
Jun Han, Wendy Chen, and Stefan Toepler

34 Hybridity: Origins and effects
Gorgi Krlev and Helmut K. Anheier

35 New legal forms for hybrid organizations
Alan J. Abramson and Kara C. Billings

Index

CONTRIBUTORS

Alan J. Abramson, Professor of Government and Politics, Schar School of Policy and Government, George Mason University, Arlington, VA, USA

Theresa Anasti, Assistant Professor, Department of Sociology, Anthropology, Social Work, and Criminal Justice, Oakland University, Rochester, MI, USA

Helmut K. Anheier, Professor, Hertie School of Governance, Berlin, Germany, and Luskin School of Public Affairs at UCLA, CA, USA

Bob Beatty, Adjunct Faculty, University of San Diego, School of Leadership and Education Sciences, Department of Leadership Studies, San Diego, CA, USA

Lehn M. Benjamin, Associate Professor, The Lilly Family School of Philanthropy, Indiana University-Purdue University-Indianapolis, Indianapolis, IN, USA

Kara C. Billings, Graduate Research Assistant, Schar School of Policy and Government, George Mason University, Arlington, VA, USA

Omar Bortolazzi, Assistant Professor of International Studies, School of Arts & Sciences, American University in Dubai, Dubai, United Arab Emirates

Taco Brandsen, Professor, Institute for Management Research, Radboud University, Nijmegen, The Netherlands

Beth Breeze, Director, Centre for Philanthropy, University of Kent, Canterbury, UK

Daniel Gordon Neely, Associate Professor, Sheldon B. Lubar School of Business, University of Wisconsin-Milwaukee, Milwaukee, WI, USA

Michaela Neumayr, Assistant Professor, Institute for Nonprofit Management, WU Vienna University of Economics and Business, Vienna, Austria

Tamaki Onishi, Associate Professor, Department of Political Science, University of North Carolina at Greensboro, Greensboro, NC, USA

Astrid Pennerstorfer, Assistant Professor, Institute for Social Policy, WU Vienna University of Economics and Business, Vienna, Austria

Susan D. Phillips, Professor and Supervisor, Master of Philanthropy and Nonprofit Leadership, School of Public Policy and Administration, Carleton University, Ottawa, ON, Canada

Kathy T. Renfro, Doctoral Student, School of Community Resources & Development, Arizona State University, Phoenix, AZ, USA

Lonneke Roza, Assistant Professor, Business-Society Management Department, Rotterdam School of Management, Erasmus University, Rotterdam, The Netherlands

Allison R. Russell, Postdoctoral Fellow, School of Social Policy and Practice, University of Pennsylvania, Philadelphia, PA, USA

Adrian Sargeant, Director, Institute for Sustainable Philanthropy, Plymouth, UK

Ruth Simsa, Associate Professor, Department of Socioeconomics and Head of the Institute for Nonprofit Organizations, WU Vienna University of Economics and Business, Vienna, Austria

Trui Steen, Professor, KU Leuven Public Governance Institute, KU Leuven, Leuven, Belgium

David Suárez, Associate Professor, Evans School of Public Policy and Governance, University of Washington, Seattle, WA, USA

Felipe Symmes, PhD Candidate, University of St. Gallen, Switzerland, and Senior Researcher VIVA Idea, Costa Rica

Stefan Toepler, Professor of Nonprofit Studies and MPA Director, Schar School of Policy and Government, George Mason University, Arlington, VA, USA

Mary Tschirhart, Director and Professor, The Trachtenberg School of Public Policy and Public Administration, The George Washington University, Washington, DC, USA

Peter Vandor, Senior Researcher and Co-Founder, Social Entrepreneurship Center, WU Vienna University of Economics and Business, Vienna, Austria

Bram Verschuere, Associate Professor, Department of Public Governance and Management, Ghent University, Ghent, Belgium

Georg von Schnurbein, Professor of Philanthropy Studies, Center for Philanthropy Studies, University of Basel, Basel, Switzerland

Marlene Walk, Assistant Professor, Paul H. O'Neill School of Public and Environmental Affairs, Indiana University-Purdue University, Indianapolis, IN, USA

Tadeo Weiner-Davis, Doctoral Student, School of Social Service Administration, University of Chicago, Chicago, IL, USA

Naoto Yamauchi, Professor, Osaka School of International Public Policy, Osaka University, Osaka, Japan

5
NONPROFIT MANAGEMENT CONTEXT

Russia and the FSU

Lev Jakobson
PROFESSOR AND VICE PRESIDENT OF THE NATIONAL RESEARCH UNIVERSITY HIGHER SCHOOL OF ECONOMICS, RESEARCH SUPERVISOR OF THE CENTER FOR STUDIES OF CIVIL SOCIETY AND THE NONPROFIT SECTOR, NATIONAL RESEARCH UNIVERSITY HIGHER SCHOOL OF ECONOMICS, MOSCOW, RUSSIA

Irina Mersianova
DIRECTOR OF THE CENTER FOR STUDIES OF CIVIL SOCIETY AND THE NONPROFIT SECTOR, HEAD OF THE CHAIR OF NPO ECONOMICS AND MANAGEMENT, NATIONAL RESEARCH UNIVERSITY HIGHER SCHOOL OF ECONOMICS, MOSCOW, RUSSIA

Natalya Ivanova
SENIOR RESEARCH FELLOW, CENTER FOR STUDIES OF CIVIL SOCIETY AND THE NONPROFIT SECTOR, NATIONAL RESEARCH UNIVERSITY HIGHER SCHOOL OF ECONOMICS, MOSCOW, RUSSIA

Introduction

The Russian third sector has been developing now for about three decades or so. Over the last five to seven years, growth has accelerated due to public policies aimed at supporting nonprofit entities as service providers in the social sphere, as well as the population's growing involvement in volunteering. While Russia's third sector had been stuck in a statist model with a generally limited scope, low level of volunteering, small financial support from the government, and a focus on advocacy, culture and leisure, it is now moving to another model with stronger volunteer participation, more government spending for NPOs and a higher profile of NPO as social service providers. This chapter will provide a description of the dynamically changing context of NPO governance which is important for understanding not only the Russian specifics but also for casting more light on developments relating to NPOs in other former Soviet Union (FSU) countries outside the Baltics, which are covered in Chapter 4.

Historical background and legal environment of third sector development in Russia

The Russian third sector in the post-Soviet period

The emergence of rudiments of social activities in Russia pursued by non-governmental entities not associated with the church dates back to the reign of Empress Catherine II (1762–1796). But the modern history of the Russian third sector had its starting point in the "perestroika" period when the economy dramatically stagnated and authorities faced a crisis of legitimacy, while the emerging discussions on the ways to reform the economic and political system of the Soviet society focused on reducing the government's intervention into the economic and social life. The late 1980s witnessed a fairly boisterous process of civil society self-organization at the grass-roots level. Environmental clubs, unheard of in Russia before, would number

several dozen in the late 1980s, with teenager and family clubs, charity groups, etc. emerging by the hundreds. According to some estimates, bottom-up initiatives involved 7–8 percent of the urban population (Zhukova et al. 1988).

Dramatically falling living standards of the population in the 1990s led to the creation of many mutual aid entities and groups. Shrinking social, cultural and humanitarian spending spurred the establishment of civil society associations to save culture, arts, education and science. Preferential policies for specific types of civil society associations (for example, those of disabled persons) encouraged their creation. The USSR Law "On Civil Society Associations" adopted in 1990 and Resolution of the Presidium of the RSFSR [Russian Soviet Federative Socialist Republic] Supreme Soviet "On the Procedure for Registration of Statutes of Political Parties, Trade Unions and Other Civil Society Associations in the RSFSR" of January 15, 1991, invited the population to create formal nonprofit entities. Meanwhile, local Soviets of people's deputies took the initiatives without waiting for the relevant RSFSR legislation to be developed. In the summer of 1990, for example, the Leningrad Soviet adopted provisional registration procedures, which increased the number of civil society associations in the city from 58 (March 1990) to 1,500 in February 2001 (Sungurov & Nezdyurov 2008: 218).

The 1990s were characterized by an 'import-dependent development model' of Russia's third sector in Russia. International donors acted as key agents for supply of both resources and institutions. They not only provided funds but also ensured – through training programs for activists, study tours, etc. – a transfer of the Western (primarily US) third sector culture to Russia. The government's role was largely reduced to benevolent non-interference in the third sector, given a very limited budget for NPO support (Jakobson & Sanovich 2010). By 2000–2001, the Russian third sector had grown quite numerous. As of January 1, 2000, according to Rosstat, the State Statistics Agency, there were a total of 144,000 civil society and religious organizations registered in the country, more than 17,000 foundations, and NPOs totaling 275,000 (Sevortian 2000: 1), although not all of them were operational.

The 2000s were characterized by a process of import substitution of the third sector institutions and resources in Russia: While domestic sources took up the role of foreign ones in providing NPOs with funding, the influence of international donors subsided, self-organization of individuals (associated primarily with the middle class) and charitable activities of businesses stepped up, thus laying the ground for consolidation of the third sector (Jakobson & Sanovich 2010).

The legal environment of the third sector in Russia

The introduction of a new legal framework for nonprofits began in the early 1990s and has proceeded through a number of stages since (Abrosimova 2016). The right to association is guaranteed by the Russian Federation Constitution (Article 30). According to the Federal Law "On Nonprofit Organizations" of 1996, NPOs are established to achieve social, charitable, cultural, educational, research and governance objectives, as well as other purposes. Since 2014, the forms of incorporation of NPOs are listed in Article 50 of the Civil Code of Russia. Thus, nonprofit legal entities can be incorporated in the form of consumer cooperatives; civil society organizations and movements; associations (unions); state institutions; and religious organizations, among others.

The principal rules of NPO management are provided by the Civil Code. The management structure of an NPO will normally include two supervisory bodies: a supreme (governing) and executive (implementing) body. The supreme body in membership-based entities is a meeting or conference (congress) of participants to be attended by their elected representatives (delegates, proxies). For non-membership-based entities the functions of a supreme body are assumed by a special body determined in the incorporation documents; this can be a council of founders or specific persons appointed by it (supervisory and/or guardianship board). With some exceptions, no restriction as to the nominees to such a body is envisaged by law. Standing collective management bodies of this kind (guardianship and

supervisory councils, arts councils, partners' councils, etc.) can be also established at membership-based nonprofit entities. The structure and competence of executive bodies of the majority of nonprofit entities are prescribed by law only in general terms. The regulatory center of gravity is shifted towards incorporation documents of a specific organization. NPOs normally have a collective (presidium, board or council) and/or an individual executive to be appointed by, and accountable to, the entity's supreme body or the founder.

According to an All-Russia NPO survey,[1] 72 percent of respondent NPOs had a collective management body, of which 55 percent were managed by the collective body only, whereas 17 percent of NPOs had both a collective body plus a guardianship board. Among foundations obliged to have a guardianship board by law, only 43 percent of those sampled had it in practice. On average, collective management bodies are composed of eight members, and guardianship boards, six members. Members of the collective bodies would have a meeting seven times a year, members of guardianship boards, four times.

Sector parameters: size, revenues, contribution

NPO number, forms and focus areas

According to the Ministry of Justice (2018), a total of 220,154 nonprofit entities were registered in Russia, as of January 1, 2018. NPOs formally also include public and municipal institutions as well as state corporations. To distinguish those that pursue nonprofit purposes of social importance, a new category, socially oriented NPOs (SONPOs), was introduced by law in 2010. The range of purposes covered under this status is broad and roughly compatible with the charitable status in the US (Benevolenski and Toepler 2017), excluding state corporations. To qualify for this status, it is enough for

an NPO to note in its statute at least one of the qualifying activities. According to Rosstat's official estimates, nearly 143,000 SONPOs were in operation in 2017. All-Russia NPO survey data show the principal activity areas of nonprofits and SONPOs (Table 5.1) heavily focusing on the areas of culture and recreation, social services and advocacy and other social activities.

Table 5.1 Activity areas of Russian nonprofits and SONPOs in %

NPO activity areas	*All NPOs*	*SONPOs*
Culture and recreation (culture and arts, sports, recreation and social clubs, other in the area of culture and recreation)	22	20
Education and research (basic and secondary education, higher education, supplementary education, other types of education, research)	7	7
Health (rehabilitation, protection of mental health and effects of crises, other health services, other in the area of health care)	5	7
Social services (social services, extraordinary and emergency aid, income support and assurance, other social services)	14	20
Environment (environment, animal protection, other in the environmental area)	5	4
Development and housing (economic, social and community development, territorial social self-governance, housing, employment and vocational re-training, other in the area of development and housing)	6	5
Advocacy and other social activities (advocacy and other civil society entities, law and legal services, political organizations, other in the area of advocacy and social activities)	12	14
Charity and promotion of volunteering (grant-giving foundations, other organizations for charity and promotion of volunteering, other in the area of charitable activities)	2	3
Religion	7	6
Business and industry associations, unions (business associations, industry associations, trade unions, other business and industry associations and unions)	8	3
Other	11	11
No answer	1	1

Source: All-Russia NPO survey.

Note
CEO answers to the question: "What is the main activity area of your NPO?" (% of those polled for the sample as a whole n = 852, and % of those who believe their NPO to be socially focused).

Sector employment and resources

The nonprofit sector is a major part of the national economy as a whole and of the social infrastructure in particular. Thus, Rosstat estimated that SONPOs had an average total employment of 630,000 in 2017 (On the

Development . . . 2018: 31). According to our All-Russia NPO poll, 73 percent of NPOs had employees, but with only less than one in five having more than 11 employees.

SONPOs had total revenues of RUB 686 billion in 2015, 831 billion in 2016 and 848 billion in 2017 (On the Development . . . 2018). Table 5.2 shows findings of the All-Russia NPO poll, giving a sense of the respective relevance of various revenue sources. The largest average revenue amounts came from the following sources: paid services provision and the sale of goods; subsidies/grants from the federal authorities; and cash contributed by international NPOs. The smallest average amounts came from local governments' and regional authorities' subsidies/grants; and contributions by businesses.

Despite a fairly large and growing amount of revenues in the SONPO sector, a vast majority of CEOs believe that the available sources of funds (62 percent) and funding amounts (63 percent) are inadequate to continue operations. These data were confirmed by the same poll of CEOs asked to evaluate their economic situation. Only 26 percent of those polled did not experience problems due to a lack of funds. Four percent of NPOs currently have adequate funds for all their needs including the creation of financial reserves. Twenty-two percent generally have funds to implement all their plans. Approximately one-fourth (27 percent) have funds for an adequate performance but many new ideas remain unimplemented due to a shortage of resources. Sixteen percent of CEOs admitted that their NPO had enough funds to retain workers of relevant skill but not enough to upgrade a full-fledged technical inventory and cover other necessary costs. Three percent of NPOs had to hire lower skills workers due to a shortage of funds. Every fifth entity had financial problems due to a shortage of funds. Nine percent of CEOs said that to avoid closure, they spent too much effort on the search for funds to the detriment of the main mission. To 11 percent of NPOs operating largely due to good will of their personnel, a lack of funds means an eventual closure.

Table 5.2 Frequencies of various revenue sources of NPOs and SONPOs

Sources of funds	*All NPOs*	*SONPOs*
Membership fees	33	30
Contributions by founders or owners	21	21
Proceeds from sales of services (goods)	27	21
Personal funds of members, employees, founders (other than fees)	21	23
Subsidies, grants by federal authorities (including "presidential" grants and subsidies issued by the Ministry of Economic Development)	14	17
Subsidies, grants by regional authorities (from budgets of constituent territories)	19	25
Subsidies, grants by local governments (from local municipal budgets)	21	26
Funding from public extrabudgetary funds (pension fund, medical insurance fund, social insurance fund)	3	4
Private donations in cash	39	45
Cash contributed by domestic businesses	27	28
Cash contributed by international businesses	2	2
Cash/grants contributed by other Russian NPOs including foundations	8	10
Contributions by local community funds	6	6
Cash/grants contributed by other international NPOs including foundations	3	4
None	5	4
Other	3	4
No answer	4	3

Source: All-Russia NPO survey.

Note
Distribution of answers to the question: "What were the sources of funds of NPO over the last year?" for the NPO sample as a whole as well as among those who believe their NPO to be socially focused.

Volunteering

The past few years have witnessed a noticeable growth of volunteering. According to an All-Russia population poll conducted in 2018,[2] 35 percent of adults participated in unremunerated public activities over the past year (other than helping their family members or close relatives). However, despite President Putin's declaration of 2018 as the Year of Volunteering, the term volunteering is yet to be fully embraced by the population at large. While significant numbers of respondents indicated participation in various volunteer activities, only 11–16 percent of them self-identified as "volunteers." In part, this may be due to the fact that "community work" became somewhat discredited during the Soviet period.

According to findings of the All-Russia NPO poll, 66 percent of NPOs used volunteer labor. The use of volunteers is particularly prevalent among NPOs providing social services; those with a longer than 10-year record of

social services; those focused on people in hardship; those with an experience of raising charitable contributions and recruiting volunteers; those which provided services to 100 or more individuals. Most NPOs involve relatively small numbers of volunteers, with only one-fifth reporting more than 20 volunteers.

Public policies regarding NPOs

Perception of public policies regarding NPOs

Developing public support streams for NPOs is one form of institutionalizing the relationships between the government and civil society in this country (Mersianova & Jakobson 2011). Currently, a whole range of financial and non-financial support for NPOs has been developed. This includes subsidies to NPOs on a targeted and tender basis, tax benefits and access to government assets as well as informational, advisory and educational support.

The forms of cooperation between authorities and NPOs emerged initially on the municipal level, then were taken up at the regional level, and only the early 2000s witnessed a change of attitude in favor of supporting NPOs at the federal level (Sungurov & Nezdyurov 2008; Mersianova 2004). Since then, the amounts of public support have been constantly increasing (Gromova & Mersianova 2016). According to the All-Russia NPO poll, 50 percent of nonprofit CEOs believe that the government stance on NPOs is appropriate, whereas a little over a quarter believe that the government's position is wrong-headed. While most of Russian NPOs are supportive of the policies towards the sector, one-third of nonprofit leaders, particularly of smaller and under-resourced NPOs, still perceive a considerable gap between declared and actual public policies in respect of civil initiatives,

community-based and nonprofit entities. For another 30 percent, existing policies lack consistency.

Financial support for SONPOs

According to the Russian Ministry of Economic Development, the amount of federal budget financial support for SONPOs grew from RUB 5.2 billion in 2012 to RUB 12.9 billion in 2017 (Report on Performance . . . 2018: 1). The Presidential Grant Foundation established in early 2017 became a sole operator of federal grant support to nonprofit entities, which has been in existence since 2006. In the grant competitions of 2017–2018, 6,786 projects received support totaling RUB 14.5 billion (On the Development . . . 2018: 35). A number of federal ministries provide additional subsidies.

SONPOs are furthermore supported by regional and local governments from the executive authorities of the constituent territories and local governments. Following the federal impetus, government support programs are implemented in 74 regions (cf. Toepler et al. 2019). In 2017, regional support reached RUB 27 billion, but it is highly concentrated. The Moscow budget alone accounted for RUB 5.4 billion and St. Petersburg and an additional seven regions for another RUB 12.5 billion.

In-kind support

Governments are authorized to provide in-kind support in form of privileged leases of nonresidential spaces to grant SONPOs free or low-cost offices or space to provide programs. According to Rosstat, while almost 8,000 SONPOs in Russia own their property, nearly 32,000 enjoy a free lease of space owned by public, municipal or private organizations, with 26,000 more using non-residential space on a rental basis. Experts believe that a vast majority of SONPOs neither own nor have in use any property. Some

entities are constantly seeking space to hold specific events while others operate out of public and municipal agencies.

Tax benefits

The modern NPO taxation system has been taking shape in Russia over the last 20 years in a spontaneous process affected by political and economic considerations. For this reason, the taxation problems currently faced by Russian NPOs have not been, until recently, a product of deliberate policies (Grishchenko 2013). NPOs taxes include 1) corporate profit tax; 2) value-added tax; 3) insurance contributions; 4) unified tax (simplified taxation system); 5) corporate property tax; 6) transport tax; and 7) land tax. However, tax benefits provision depends on what NPOs actually do. Therefore, the determination of an organization's taxation regime depends on a variety of factors (Grischenko 2016: 63–64), including the type of organization, its field of operation, sources and types of funding, whether it has membership and others.

NPO management: trends and problems

Public trust in NPOs

The All-Russia representative population poll showed that two-thirds of all those polled (66 percent) expressed trust in specific types of NPOs. Gardening and datcha owner associations, veteran associations, and charitable initiatives tend to be more credible. Nationalist and patriotic movements, youth patriotic associations, ethnic communities and diasporas inspire the least degree of trust. Political parties inspire the highest mistrust among the respondents (29 percent). Various religious organizations and movements, associations of property owners also have a relatively low level

of credibility (12 percent). Officially registered NPOs inspired trust considerably more often than informal associations and civil society initiatives

It is worth noting though that despite the growing trust of Russians in nonprofits (Study: . . . 2017), NPOs are yet short of fully implementing their potential as a channel to mobilize charitable giving, including cash donations, which is the most widespread form (Mersianova & Korneeva 2017). People prefer to provide aid to those in need directly rather than channeling it through NPOs.

The problem of trust has acquired a new dimension lately as charitable organizations in Russia faced large-scale fraudulent practices of collecting donations on behalf of non-existing charitable foundations. Since charitable brand names (unlike commercial ones) are not protected by Russian law, there were frequent cases of illegal collection (mis)using the names of the well-known charities. Thus, up to 19 sham entities are reported to work on the Internet under the name "Gift of Life," which is a credible charitable foundation (Mursalieva 2017). The practices of collecting cash under the pretext of charitable aid in the streets, through the Internet and social media are also on the rise. The nonprofit sector responded to a lack of regulation of charitable donation procedures by self-organization of charities staging a campaign "Together Against Fraudsters." Ultimately over 290 charitable foundations signed the Declaration of Fairness stating that uncontrolled collection of cash undermined trust in charitable activities as a whole. Thus the Russian nonprofit sector, with its self-organization initiatives, is developing a clear understanding of the major role of trust as a guarantee of public support for NPOs.

Information transparency practices

Transparency is often identified as one of the conditions of building trust in NPOs. In the Russian sociopolitical context, the term "transparency" does not have the same connotations as in the US and Western Europe. For this

reason, NPO researchers and practitioners in Russia tend to mix the notions of transparency and openness and use them interchangeably in describing the disclosure practices at NPOs. For example, the Transparency International – R report (2013) equates information transparency and openness understood as the organization's desire to publish the information about it on the Internet to advise the public of its activities, retain volunteers and donors, as well as establish communication with stakeholders (A Study of Information Transparency: . . . 2013: 5).

Several Russian studies, however, attempt to draw a distinction between openness and transparency but without a consistent basis. Overall, there is a trend to distinguish two aspects: Corporate efforts to publish information on the performance and opportunities available to the public to have the required information. However, there is no consistency in identifying these aspects. Thus, according to Nezhina et al. (2016: 17),

> a review of literature on NPO openness and transparency can be divided into two key theoretic areas. The first identifies the purpose of transparency as provision of information on how efficiently NPOs operate while the second regards openness and transparency instrumentally as an opportunity for donors, volunteers and service users to quickly find and assess the information on the entity and its activities.

According to some experts, openness means the availability of NPO reports while transparency means that they are accessible. Other experts believe that quality public reports fall within the notion of "transparency" to which they also add other corporate practices: availability of a corporate website, independent public assessment of corporate performance, voluntary financial and/or legal audit and internal assessment of performance, etc. The above practices describe external transparency of a nonprofit entity, to be accompanied by internal or managerial transparency, which is ensured by the existence of business procedures of the management and the guardianship board, accounting for staff opinions in the decision-making process, involving target groups into NPO work, etc. (Muravieva 2010).

To address this issue, an expert group launched the "Standards of NPO Information Openness" calling for NPOs to disclose information on their operations and the sources and amounts of their revenues/expenditures. The

disclosure of information includes three levels of openness – basic (structure and contacts), extended (performance and funding report) and full which assumes the disclosure of all information of the basic and extended levels as well as the description of managerial processes (NGO Disclosure Standards . . . 2018).

Empirical studies of the NPO disclosure practices in Russia are few. However, according to the All-Russia NPO poll, 88 percent of NPOs use various elements of information transparency (e.g., websites, social media, participation in public events, ensuring availability of various reports), which represents a 12-percentage point increase from 2014. Although debates around this issue continue, Russian NPOs are already becoming more transparent.

Official reporting

The progress of NPO reporting in Russia has to a large extent been determined by the evolving context of relationships between the nonprofit sector and the government throughout the last decade, ranging from conflict to close cooperation (Jakobson & Sanovich 2010). On the conflicting side, researchers noted that the amendments to the nonprofit sector legislation in 2006 and the introduction of Federal Law No. 18 dated January 10, 2006, "On Amending Specific Regulations of the Russian Federation," which complicated the process of registration and reporting for NPOs, led to high transaction costs (especially for smaller NPOs), reduction or transformation of their operations (for example, registration as commercial businesses) or the closure of some bona fide organizations due to high operating costs (Economic Implications . . . 2007). Formally designed to improve NPO transparency, the Federal Law of 2006 was a serious burden on the reporting and audit requirements for NPOs, tightening the government control in the sector (Benevolenski & Toepler 2017).

On the cooperative side, it is worth mentioning reform of the NPO legislation, in particular the removal of cumbersome administrative barriers

in critical areas of cooperation between the nonprofit sector and the government such as NPO registration, inspections and reporting. Thus, Federal Law No. 170-FZ "On Amending the Federal Law On Nonprofit Organizations" dated July 17, 2009, envisioned a simplified reporting procedure for organizations with annual revenues under RUB 3 million without foreign funds or any form of foreign participation in their budget. The simplified reporting meant that such entities had to provide information to confirm their status as a going concern, their management structure and their address once a year. This affects more than 80 percent of Russian nonprofits.

As noted by Jakobson et al. (2012), the resulting development vector suggests a movement towards harmonizing different aspects of accounting. This is largely helped by the increasingly active, albeit uneven, dissemination of information on Western technologies for accountability of the nonprofit sector among Russian NPOs. This indicates that the introduction of reporting practices in the nonprofit sector in Russia is driven to a certain extent by a desire to comply with the generally accepted Western standards (Jakobson et al. 2012: 18).

NPO management in the FSU

Similarly to Russia, NPOs started to emerge all over the former Soviet Union after the perestroika period, once the Soviet republics gained independence. However, the newly emerging civil society of the 1990s was to an extent shaped by its Soviet predecessors (Buxton 2017). Leaders of the new non-governmental entities were shaped as individuals at Komsomol, the Communist Party, trade unions and other social mass organizations. While the dissident movement was not as important in Central Asia as it was in Eastern Europe and Russia in the mid-1980s, it still seeded the emergence of new NPOs fostering a sense of the national identities and environmental activism, as well as the increasing role of women in society (Buxton 2017:

24–25). Environmental concerns for example became the breeding ground for the inception of NPOs in Armenia: The environmental movement emerging in Yerevan in 1989 resulted in the closure of harmful industrial facilities. These movements found their point of convergence in the national idea and a strife for independence and reunion with Artsakh (Nagorno-Karabakh Autonomous Region). These organizations as well as spontaneous initiatives aiding the victims of the earthquake which struck in Leninakan on December 7, 1988, eventually made up the mosaic of the civil society sector in Armenia by gradually laying down its legal and financial groundwork (Asoyan 2018: 405).

The NPO sector development in the FSU followed a path similar to that of the import substitution model in Russia, with international donors acting as the key agents for supply of the third sector resources and institutions. While international agencies issued grants to NPOs, they focused also on training NPO staff in operational, managerial and fundraising skills. At the time, the national law in the FSU countries generally encouraged and invited international funding through a favorable regulation and removal of administrative barriers to make foreign aid available to local organizations. Currently, despite legal restrictions of NPO access to foreign funding in a number of FSU countries,[3] it continues to play a significant role. Western foundations operating in Armenia, for example, play an important role in civil society development and implementing humanitarian, economic and intercultural cooperation programs (Tatsis 2017).

In the 1990s, large nationwide organizations also received, apart from international funds, direct funding from their governments (Legal Framework . . . 2017: 4). In the early 2000s, the arrangements for tender-based public financing of NPOs were introduced in a number of countries, once they understood the importance of involving NPOs in addressing social issues. For example, Kazakhstan, Kyrgyzstan and Tajikistan adopted laws on government-commissioned social services. In Uzbekistan, a special body – the Public Foundation for the Support of NPOs and other civil society institutions – was established to distribute grants and commission social services. These NPO funding mechanisms are based on a competitive

selection of social service providers from among NPOs. Government funding is becoming increasingly important for NPOs financial sustainability. However, both in the past and today, government funding is limited in all countries and cannot alone make NPOs financially sustainable. At the same time, traditional sources of revenues which are essential for NPOs elsewhere, such as business income and donations by local donors, are not yet significant for a majority of NPOs in the FSU countries.

In terms of NPO legal regulation, the FSU countries have much in common with Russia since their law was based on the Soviet law, at least in Central Asia. Thus, the term "managing body" defines NPO management bodies, with collective and sole bodies existing everywhere. There are differences though regarding the powers (or obligations) of management bodies. For example, in Tajikistan the management body of a civil society association is obliged to communicate its decisions to the Justice Ministry – not just a protocol but the actual decision-making procedure. Some details of NPO governance are linked to the area of their activities and the law applicable to the particular activity area/type – such as participation in government procurement, international cooperation and foreign funding, etc.

The progress of the modern NPO sector is country-dependent. For example, studies conducted in Belarus suggest that, according to rough estimates, the number of non-governmental organizations is around 3,000. This number seems extremely low for a country such as Belarus. Compared to other countries of the Eastern Partnership, Belarus has the lowest number of NPOs both in absolute terms and as per 100 thousand of the population (Yegorov et al. 2017: 5). Meanwhile, Turkmenistan has only 118 registered civil society associations for a population of more than 5 million. An opposite situation is observed in Armenia with its 4,000 NGOs and a population almost three times smaller than that of Belarus. Moreover, it takes just two people as the founders to register a civil society organization in Armenia. An NPO can be registered in any apartment or house. With no mandatory requirement to the statutory capital of a civil society oganization to be established, it is enough to pay a state duty. This liberal practice gives

rise to abuse as NGOs may be registered in an empty apartment to have access to government grants and subsidies (Tatsis 2017: 114).

Conclusion

The third sector in Russia and elsewhere in the FSU has been in existence for only a little more than a quarter of a century. However, it has become a major component of the national economy and social infrastructure. This is promoted by targeted public policies implemented throughout the executive hierarchy – from the federal down to the regional level – including a wide range of financial (subsidies, tax benefits) and non-financial (physical, information, advisory, educational) policies to support the nonprofit sector. It is only natural that two-thirds of CEOs polled by the Center for Civil Society and the Nonprofit Sector Studies believe the government support to be an important factor of the development of civil society in Russia.

The Russian population has grown more involved in volunteering lately. So it is especially important to have an adequate statistical accounting of how many nonprofit entities are actually in operation and how many volunteers constitute the sector's key resource. Thus, the shortcomings of statistical accounting for these key parameters are a major problem to be addressed by the public authorities and the expert community.

Empirical data suggest that the third sector in Russia has developed somewhat unevenly with considerable variations at the regional level regarding the number and the level of professionalism, cooperation with the authorities and public recognition. However, it is also evident that the NPO sector in Russia is undergoing the processes of self-organization to gain the public's trust, promote transparency and accountability although these processes penetrate various segments of the NPO sector to a different extent due to its considerable heterogeneity. But these processes are among the most crucial areas of nonprofit sector development currently.

At the same time and with few exceptions, such as the work of the Center for Civil Society and Nonprofit Sector Studies at the NRU "Higher School of Economic," nonprofit research in Russia and the region still lags behind in describing emergent practices and trends which determine the sector's development vectors, as well as in analyzing the specifics of adaptation of international approaches to building trust in the third sector and improving its transparency, accountability and the effectiveness of these approaches in the post-Soviet context.

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Notes

1 Throughout the chapter, we will reference findings of an All-Russia NPO poll conducted by the Center for Studies of Civil Society and the Nonprofit Sector under the National Research University (NRU) Higher School of Economics in 2017 in 33 constituent territories of Russia on a quota-based sample of 852 NPOs with representative quotas across NPO incorporation forms and years of registration. In accordance with the assigned quotas, heads of organizations in municipal districts, urban settlements and other municipal areas across the 33 territories were polled. The regions were selected on the basis of typology of constituent territories of Russia in three groups of parameters: the urban development index; the nonprofit sector development indicator (on quantitative terms); and the regional economic development expressed as per capita gross regional product (GRP) to countrywide average. Respondents were selected on the basis of registers of nonprofit entities and civil society associations in the given constituent

territories. The selection was mechanic. Not more than two-thirds of all respondents per region were polled at its administrative center (except Moscow and St. Petersburg).

2 The Center for Studies of Civil Society and the Nonprofit Sector at the NRU Higher School of Economics also conducted an All-Russia population poll, which will be occasionally referenced in the remainder of the chapter. From October 29 to November 14, 2018, a total of 2012 respondents were polled. The sample is representative of the adult population of Russia (older than 18) by sex, age, education attainment and type of settlement where the respondents have their residence. The poll involved the inhabitants of all federal districts of Russia, 80 regions, urban and rural population. Polling method: CATI-based telephone interviewing.

3 For example, it is quite difficult for NPOs in Uzbekistan and Turkmenistan to have access to foreign grants. Kazakhstan and Tajikistan introduced a requirement to advise the authorities on provision of foreign aid and to report on how it is used. Belarus has a criminal liability for violation of the procedure for access to and use of foreign aid effective since 2011.

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6
NONPROFIT MANAGEMENT IN ASIA

Tamaki Onishi
ASSOCIATE PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF NORTH CAROLINA AT GREENSBORO, GREENSBORO, NC, USA

Naoto Yamauchi
PROFESSOR, OSAKA SCHOOL OF INTERNATIONAL PUBLIC POLICY, OSAKA UNIVERSITY, OSAKA, JAPAN

Introduction

Asia is not only the most populous continent, with over 50 percent of the world's population, it also is becoming an influential economic power as the "world's growth center," producing more than half the world's GDP. Like other societal institutions, the state of nonprofit management in Asia is affected by these changes, specifically by the following factors. The first factor is rapid economic growth in the Asian region. As income per capita increases, it enhances the financial capacity of both individuals and businesses; we expect a significant growth in philanthropy, too. The second factor is the growing presence of high net-worth individuals (HNWIs). Today, HNWIs are prominent in China and Singapore, but the HNWI class is sprouting in Malaysia, Thailand, and Indonesia, also. The third factor is wealth inequality. The recent economic growth in Asia has contributed to widening income and asset disparities and aggravating poverty. Beyond these economic trends, Asian countries have distinct religious and cultural

traditions, which are deeply tied to the way of managing nonprofits and philanthropy.

Given these, we first examine the socio-cultural, political, and economic backgrounds of Asia. We then offer an overview of the nonprofit sector, philanthropy, and social enterprises of each nation, and discuss issues surrounding nonprofit management in Asia, including accountability, internal governance, and board management. The chapter concludes with a discussion about challenges, prospects, and future research.

Socio-cultural, political, and economic backgrounds

Religious traditions

Religions have underpinned a strong tradition of philanthropy, and with it, the nonprofit sector. As the world's largest, most populous continent, Asia encompasses a considerable diversity of cultural and religious traditions, with each country containing distinct religious and cultural characteristics. Table 6.1 summarizes the results of a recent Pew Research Center study regarding religious affiliations in the countries examined in this chapter. The prevailing religions in East Asia are eastern religions and thoughts, such as Buddhism, Confucianism, and Taoism. Islam and Christianity have also influenced Asian nations; while they are not the religion of the majority, they are often minority religions in the countries (Domingo, 2010).

Table 6.1 Religious affiliation of selected Asian countries (%) (2010)

Country	*Buddhists**	*Christians**	*Folk religions*	*Hindus*	*Jews*	*Muslims*	*Other religions*	*Unaffiliated*
China	18.2	5.1	21.9	<1	<1	1.8	<1	**52.2**
Indonesia	<1	9.9	<1	1.7	<1	**87.2**	<1	<1
Japan	**36.2**	1.6	<1	<1	<1	<1	4.7	**57.0**
Korea	22.9	29.4	<1	<1	<1	<1	<1	**46.4**
Malaysia	17.7	9.4	2.3	6.0	<1	**63.7**	<1	<1
Philippines	<1	**92.6**	1.5	<1	<1	5.5	<1	<1
Singapore	**33.9**	18.2	2.3	5.2	<1	14.3	9.7	16.4
Taiwan	21.3	5.5	**44.2**	<1	<1	<1	16.2	12.7
Thailand	**93.2**	<1	<1	<1	<1	5.5	<1	<1
Vietnam	16.4	8.2	**45.3**	<1	<1	<1	<1	29.6

Source: The authors compiled the table based on the Pew-Templeton: Global Religious Futures Project data (Pew Research Center).

Notes
The largest group in each country is highlighted in bold. *The Pew-Templeton Global Religious Futures Project does not show breakdown of different Christian denominations and other Eastern religions. East Asian Buddhism is characterized by a number of different schools, and Buddhists often simultaneously practice other religions, such as Confucianism, Shintoism, or Taoism, which are often merged into folk religions. The data also do not contain information on religious upbringing, but just on current religious affiliation.

Buddhism is particularly influential in Thailand (93.2 percent). Other Buddhism-influenced countries include Japan (36.2 percent), Singapore (33.9 percent), South Korea (22.9 percent), Taiwan (21.3 percent), and China (18.2 percent), although other belief systems, such as Confucian thought, also have deeply shaped their traditional values. Yet, a religious profile of certain countries has been transforming. Singapore, Malaysia, China, and Taiwan are religiously more heterogeneous than might be expected. Table 6.1 indicates that the group identified as "unaffiliated" is the largest in China (52.2 percent), Japan (57.0 percent) and South Korea (46.4 percent). Despite about 50 percent of its population being religiously unaffiliated, South Korea has a significant presence of Protestant and Catholic communities, which surpass the Buddhist community (Pew Research Center, no date). Protestant and Catholic churches and individuals are the most active in supporting both religious and secular causes in South Korea (Kang, Auh, and Hur, 2015). The private nonprofit activities of Japan's ancient period were Buddhism-oriented (Yamaoka, 1998). Even today, the 2013 statistics of the Ministry of Education, Culture, Sports, Science, and Technology found that the dominant religions in Japan are Shinto, and Buddhism (78.7 percent and 66.1 percent of the total population, respectively) (Okuyama and Yamauchi,

2015). Yet, Japan has the largest group of the unaffiliated. Giving to temples and shrines are not necessarily a monetary expression of gratitude, but rather ritualized or almost obligatory (Okuyama and Yamauchi, 2015). Furthermore, folk beliefs, which are a combination of Buddhism, Taoism, and Confucianism, are the most popular informal religion in Taiwan: the 2009 Taiwan Social Change Survey revealed that 42.8 percent of those self-identified as religious have folk beliefs, followed by Buddhism (19.7 percent), Taoism (13.5 percent), Protestant (4 percent), and Roman Catholic (1.5 percent) (Lo and Wu, 2015).

Islam is the leading religion in Indonesia (87.2 percent) and Malaysia (63.7 percent). Islamic philanthropy in Asia takes the form of *zakat* (almsgiving, obligatory monetary payments), *sadaqa* (voluntary charitable acts which may be monetary or in-kind), and *waqaf* (religious endowment), as in other Islamic communities (Fauzia, 2013). Islamic philanthropy in Indonesia has been highly institutionalized through government policies (Domingo, 2010). Major examples include Badan Amil Zakat, Infak dan Sedekah (BAZIS), quasi-state agencies that President Suharto helped establish for the nationwide *zakat* collection in 1968 (Alfitri, 2005). Presidential decision further created the National Zakat Collector Body (BAZNAS) in 2001 as the highest body in the organizational structure of the semi-government *zakat* collectors in Indonesia (Alfitri, 2005). The highly institutionalized *zakat* collection system in Indonesia has contributed to rising religious donations and the emergence of nonprofit organizations (NPOs) engaged in the professional management of *zakat* to benefit public welfare (Mahmood and Santos, 2011). The state's prominent role in supporting Islamic philanthropy under regulation, however, has also become controversial (Wiepking and Handy, 2015). Conversely, *zakat* in Malaysia is collected through a private professional organization supervised by the Islamic Council, while a government agency distributes the funds to beneficiaries (Domingo, 2010).

The Philippines became the most Christian nation in Asia through its history as a colony first of Spain and then the United States (Lyons and Hasan, 2002), and the Catholic religion has permeated Filipino culture. Catholics in the Philippines give voluntary cash contributions during church

services. They also make donations in cash or in-kind whenever there is a solicitation for typhoon victims, the poor, the repair of the church, or other special projects (Domingo, 2010). The Roman Catholic Church has also contributed significantly to the development of Philippine's nonprofit sector, introducing and developing the organizational form (Cariño and PNSP Project Staff, 2001).

Political factors

In many Asian countries, the government traditionally has been a powerful actor providing social welfare to the public. The government's dominant role and policies historically have suppressed the growth of philanthropy and the nonprofit sector. For instance, the 1949 founding of the People's Republic of China halted philanthropy in the new socialist country, because the state was supposed to provide all social welfare for its citizens. This drastic shift also dissolved extant philanthropic organizations or assimilated them into the government because these organizations had been founded by missionaries, business owners, and social elites, who were unaffiliated with the new Socialist party. Consequently, non-state philanthropy did not revive in China until the 1990s, when the government started to allow NPOs to be more involved in disaster relief and other social services (Xinsong et al., 2015). Taiwan's martial law, imposed by the Kuomintang from 1949–1987, severely restricted civil rights, freedom of association, and free speech, thereby hindering the growth of NPOs (Wang, 2007). In Japan, due to state dominance established during the Meiji Restoration of 1868 (Yamamoto, 1998), coupled with the absence of a strong religious tradition, the nonprofit sector has been proportionately smaller (Salamon and Anheier, 1997).

More recent government policies and laws have promoted the growth of NPOs and philanthropy in Asia. One such example is the "New Order" (1967–1998) of Indonesia's Suharto government, which emphasized the importance of collaboration with NPOs in the areas of education, health, and environment for the purpose of program-cost sharing (Antlöv, Ibrahim,

and van Tuijl, 2006). In Taiwan, the 1987 abolishment of martial law contributed to the development of nonprofit activities (Lo and Wu, 2015).

The growth of the nonprofit sector was triggered by not only public perception of government inefficiency but also by a growing middle class during socioeconomic crises and regime change. In the 1980s, when Taiwan's first political opposition party was established, the democratic political environment raised awareness that the government was incapable of solving growing social problems (Lo and Wu, 2015). In Japan, the 1995 Kobe earthquake alerted the Japanese people to the greater effectiveness of nonprofit and voluntary groups, compared to government agencies, and provided the impetus for the growth of voluntarism and the nonprofit sector (Yamamoto, 1998; Yamauchi et al., 1999). South Korea's 1997–1998 economic crisis accelerated the public's challenge to the government monopoly of social services (Kim and Hwang, 2002). In the recent histories of the Philippines and Thailand, a widely ramified network of NPOs helped the middle classes overthrow unpopular regimes (Lyons and Hasan, 2002). When the People Power Revolution in 1986 ended 20 years of dictatorship under Ferdinand Marcos in the Philippines, its progressive legal and political environment, combined with a massive influx of foreign grants in the aftermath of the revolution, prompted the rapid growth of the Philippine's nonprofit sector (Cariño and PNSP Project Staff, 2001). The grassroots groups' call for constitutional recognition of civil society's contribution led to the 1987 Constitution of the Philippines that explicitly acknowledged civil society's vital role and affirmed its right to participate in decision-making (Anand, 2014).

Economic factors

National economies, often associated with state policies, have exerted multifaceted influences on Asian philanthropy and NPOs. Recent economic shocks, such as the 1997 Asian Financial Crisis, the 2005 Asian Tsunami, and the 2008 Global Financial Crisis, provided NPOs with both challenges and

opportunities in such areas as employment, poverty alleviation, health, and education (The Asia Foundation, 1998; Wiepking and Handy, 2015). A shift from planned to market economies in China and Vietnam has enabled grassroots activities and transformed party-controlled mass movements into an independent nonprofit sector (Antlöv et al., 2006). In Thailand, dramatic economic growth from 1977 to 1997 created a supportive environment for nonprofit activities, prompting rapid growth in the nonprofit sector during the 1980s–1990s (Asian Development Bank, 2011). Vietnam implemented a policy of reform ("Doi Moi") in 1986 and joined the World Trade Organization in 2008. Accordingly, steady economic development and exposure to international business practices have helped advance corporate giving and increased the number of domestic and international NPOs (Nguyen and Doan, 2015). In Singapore, total charitable giving nearly doubled between 2001 (US$ 308 million) and 2009 (US$ 556 million), due to the strong economy (Mahmood and Santos, 2011). Chinese philanthropy has witnessed a dramatic advancement recently; the number of private foundations rapidly increased from 436 in 2007 to 846 in 2009 (Mahmood and Santos, 2011).

Nonprofit sectors and social enterprises

Emerging nonprofit sectors

Although nonprofit sectors in Asian countries are not as mature as those in the UK and the US, scale and systems in Asia's nonprofit sectors have expanded more rapidly than have those in the UK and the US. Available data explicate this. The Hudson Institute released the Index of Philanthropic Freedom (IPF) for 64 countries, including 13 Asian countries, in 2015. The IPF consists of three main indicators: (1) ease of registering and operating civil society organizations (CSOs); (2) tax policies for deductions, credits,

and exemptions; and (3) ease of sending and receiving cash and in-kind goods across borders. Asian countries, with the exception of Japan and the Philippines, scored below average on all three indicators. As Table 6.2 shows, out of 64 surveyed countries, the US was ranked 2nd, Japan was ranked 9th, followed by the Philippines (19th), Thailand (36th), Malaysia (40th), China (52th), Vietnam (55th), and Indonesia (56th).

Table 6.2 Index of Philanthropic Freedom in Asian countries

Overall Rank	*Rank in Asia*	*Country*	*Overall Score*	*CSO*	*Taxes*	*Cross Border*	*GDP per capita*	*Ln(GDP)*
2	1	United States	4.7	4.7	5.0	4.5	52,392	10.9
9	2	Japan	4.4	4.7	4.5	4.0	38,528	10.6
19	3	Philippines	4.1	4.3	4.0	4.0	2,765	7.9
36	4	Thailand	3.5	3.2	3.8	3.5	6,270	8.7
35	5	Kyrgyz Republic	3.5	3.8	3.0	3.6	1,303	7.2
40	6	Malaysia	3.2	2.5	3.2	4.0	10,514	9.3
46	7	India	3.2	3.5	4.0	2.1	1,548	7.3
43	8	Kazakhstan	3.2	3.2	2.9	3.5	13,650	9.5
44	9	Pakistan	3.2	3.3	3.5	2.8	1,238	7.1
52	10	China	2.7	2.1	2.4	3.5	6,626	8.8
55	11	Vietnam	2.6	2.3	3.4	2.0	1,868	7.5
56	12	Indonesia	2.5	3.0	2.5	2.0	3,475	8.2
58	13	Myanmar	2.4	2.8	2.0	2.5	1,183	7.1
62	14	Nepal	1.9	2.1	1.9	1.7	654	6.5

Data: Hudson Institute (2015).

Figure 6.1 presents a considerably strong and positive correlation (coefficient of correlation higher than 0.5) between the IPF and per capita GDP (measured by the natural log). This indicates that the conditions surrounding NPOs and philanthropy are likely to improve as per capita income increases due to economic development in the Asian region. However, this varies from country to country. For instance, the Philippines' IPF was relatively high despite its low per capita GDP, while the IPF of Malaysia and China was relatively low (Figure 6.1).

A state's restrictions on NPO activities makes the registration process particularly difficult in most Asian countries. As the Hudson Institute (2015) has pointed out, while these registration fees are not high by North American or European standards, they can be a deterrent for applicants,

given the higher poverty rate in the Asian region. As such, more generous tax incentives are likely to lead to future growth of the nonprofit sector in Asia. Legal and policy frameworks for cross-border philanthropy are similarly underdeveloped. Consequently, most Asian countries offer few, if any, incentives for international donors to give to NPOs.

Japan's legal and tax systems for NPOs have been modernized by the 1999 NPO law and 2008 PIC reform (Okada, Ishida, Nakajima and Kotagiri, 2017). There are over 300,000 NPOs, out of which approximately 180,000 are religious corporations, 40,000 are medical corporations, 20,000 or fewer are social welfare corporations, 10,000 or fewer are school corporations, and 10,000 or fewer are public interest corporations. The number of general incorporated associations and foundations has increased significantly. The number of newly established general corporations after the PIC reform has already reached 40,000, whereas approximately 10,000 general corporations have been converted from public interest corporations built upon the old legal regime. The value generated by organizations broadly defined as NPOs (e.g., school corporations, social welfare corporations, and medical corporations) is estimated to be at least 4 percent of Japan's GDP.

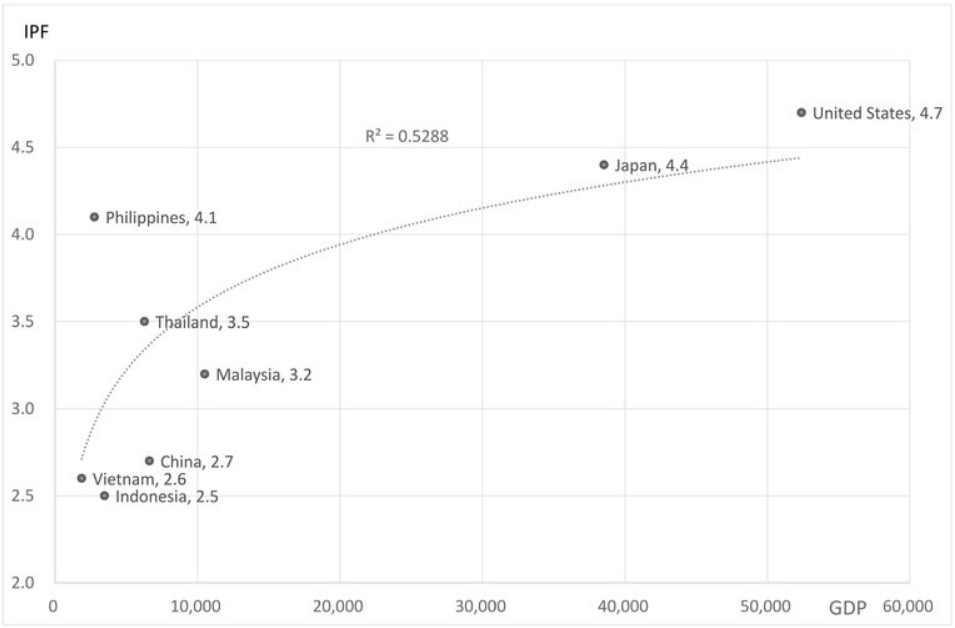

Figure 6.1 Relationship between IPF and per capita GDP *Data*: IPF from Hudson Institute (2015) and per capita GDP from UN Statistical Office.

South Korea's nonprofit sector consists of formally organized institutions supplementing government-provided services and informally organized social movement and highly political organizations intending to create social change through advocacy (Kang et al., 2015). The dramatic rise of these social movement organizations during the late 1980s and early 1990s was promoted by the rapid democratization beginning in the mid-1980s. The Korean nonprofit sector has grown steadily by various measures, such as giving levels and the number of nonprofit corporations (excluding school corporations and medical corporations), especially since the IMF crisis when NPOs became new actors in South Korean society (Kim and Hwang, 2002).

In China, where the government is a dominant power and enjoys a high level of trust from the public, NPOs are still unfamiliar concepts. Public trust of NPOs remains low, and the Chinese government strictly regulates NPOs' activities. However, grassroots organizations have emerged since the 2008 Great Sichuan Earthquake.

Taiwan offers two types of Civil Code nonprofit corporations: incorporated associations and foundations. The government's statistical data show over 40,000 social organizations, approximately 30,000 of which were registered with local governments. Social organizations have contributed approximately 4 percent of Taiwan's GDP.

The Philippines has the most advanced nonprofit sector in Southeast Asia; nonprofits are viewed as partners leading national development efforts. As such, legal and tax systems are well developed, granting favorable treatment to nonprofits, since democratization in 1986. The Philippine Council for NGO Certification evaluates financial reports and accountability of NPOs and grants them the status of receiving tax-deductible giving.

In Thailand, the 1970's democratization movements, along with Cambodian refugee problems, poverty issues, and government inability to solve social problems, have contributed to the nonprofit sector's development. Buddhism has influenced Thailand's nonprofit sector and

philanthropy. Both NPOs and people's organizations have played an instrumental role in Thailand's local communities.

The Indonesian nonprofit sector consists of foundations, NPOs, and grassroots organizations with no particular legal statuses. Most NPOs were founded in the 1980s and after; they are often small and suffer from a lack of funding.

Malaysia's nonprofit sector has been attracting attention in recent years due to its contribution to national development. NPOs must register within a specific category (e.g., culture, youth, women, charity, and mutual benefits). The Malaysian government competes with, and at the same time depends on, NPOs as a community-based vehicle expanding the provision of social services.

Singapore's nonprofit sector has been small, yet recently, it has been growing rapidly. There are over 2,000 registered NPOs, the majority of which are religious organizations. The nonprofit sector in Singapore consists of a small number of large NPOs and a large number of small NPOs; many rely on government grants.

In Vietnam, it is widely recognized that the nonprofit sector has been tackling certain social problems under the current political regime. Since the introduction of the Doi Moi policy, privately funded innovative programs have been underway, especially in the rural areas. Professional associations exist in the fields of sports, culture, business, and charity.

Giving and volunteering

Philanthropy, both monetary giving and volunteering, is vital for effective nonprofit management. While "chequebook charity" has been a common practice by the wealthy in many Asian countries, available data give evidence of recent dramatic growth in Asian philanthropy, thanks to growing economies.

The Johns Hopkins Comparative Nonprofit Sector Project (JHCNP) found, on average, the percentage of philanthropic support (the sum of donations

and the monetary value of volunteering) within the total revenue of NPOs is 53.1 percent in Pakistan, 43.2 percent in the Philippines, 39.9 percent in India, 14.9 percent in South Korea, and 10.7 percent in Japan. Charities Aid Foundation's 2017 study revealed a rather high World Giving Index in some Asian countries in recent years. In terms of the percentage of people donating money compared to the total population, Myanmar ranked first, Indonesia second, and Thailand ranked fifth among 139 countries. In terms of the number of people donating money, seven among the top ten countries were from Asia – India ranked first, followed by Indonesia (second), China (fourth), Pakistan (fifth), Thailand (seventh), Japan (eighth), and Myanmar (tenth). In terms of volunteer time, Indonesia ranked first, Myanmar third, and Tajikistan ranked fifth. For number of volunteers, India ranked first, followed by Indonesia (third), China (fourth), the Philippines (seventh), Japan (eighth), and Myanmar (ninth).

Corporate giving is an essential part of philanthropy and foundations also have a long history in many Asian countries. Asian philanthropy is becoming more strategic, addressing social issues in a more systematic manner (Anand, 2014). Some foundations are implementing professional management styles learned from US foundations and employing professional staff.

Japanese corporate and individual giving totals well over one trillion yen annually, which accounts for only 0.2 percent of the national GDP (Japan Fundraising Association, 2017). There are around 3,000 grant-making foundations in Japan (Japan Foundation Center, no date), and the number of community foundations and civic funds has grown in recent years. Grant sizes are small, relative to the size of foundations' assets, due to a long-term low-interest rate in Japan.

In South Korea, the total amount of giving has increased sharply since 2000, and crowd-funding has increasingly become popular. Unlike American foundations that develop a close partnership with NPOs, Korean foundations' partnerships with NPOs have been limited. They instead tend to give directly to individuals in the form of scholarships.

China's growing economy and recent large-scale disasters and events (e.g., the Sichuan Earthquake and the Beijing Olympics) have significantly advanced volunteering. The China Foundation Center has evaluated information disclosures of each foundation and calculated a transparency index.

In Taiwan, both the volunteer rate and giving have increased since the 2001 Volunteer Act enactment. Established under the civil code, foundations in Taiwan are relatively new phenomena. Many foundations are small (as measured by endowments and staff) and are located in Taipei.

The Philippines' philanthropic sector has been the most sophisticated in East Asia. The number of high net-worth individuals has increased due to economic growth. Two-thirds of their giving support human services (e.g., services for the poor), education, and healthcare. Most foundation giving comes from a small number of large foundations, while small community foundations actively support their local communities.

Thailand has highly advanced tax systems for giving; giving to registered NPOs is 100 percent deductible (200 percent deductible for educational organizations). Foundations, both grant-making and operating foundations, are incorporated to pursue public purposes. Many foundations are related to the royal family. Some international NGOs created foundations in Thailand to support local communities.

Indonesians are estimated to give more than 1 percent of their annual income (*zakat*). Volunteering is religiously motivated and based on mutual assistance (e.g., Gotong Royong). Although most Indonesian foundations are still in their infancy, the scale and management styles of some foundations are comparable to those in developed countries.

In Malaysia, Muslims give 2.5 percent of their income to charitable purposes and receive income deductions for their gifts; HNWIs' giving has increased. Corporations actively engage in corporate social responsibility (CSR) activities in order to reduce their tax liability and cultivate relationships with both government and consumers. Numerous family foundations were founded by successful corporate owners.

In Singapore, the increased number of HNWIs has boosted giving. Both giving and volunteering are typically daily activities and often informal in Singapore. While the number of foundations has increased since the 1970s, the amount of giving to foundations is rather small, despite high per capita income. While many existing foundations are family foundations, corporate and institutional giving and community foundations are becoming increasingly important.

Multiple Vietnamese corporations provide grants. While monetary giving is the most popular, in-kind donations may be easily managed to directly reach the recipients. It is estimated that over 1,000 foundations were created under the law allowing the establishment of social funds and charitable funds. A charitable fund, in particular, is typically established to help disaster victims, as well as patients with terminal illnesses and other difficult conditions.

Social enterprises

Overall, the Asian social enterprise landscape is marked by a strong influence of historical, sociopolitical, and cultural realities (Kerlin, 2009; Defourny and Kim, 2011; Sengupta and Sahay, 2017). Impetuses for the emergence of social enterprises include societal needs, public policies, and the development phase of each country, which in turn affects the nature of social enterprises' work. For instance, the 1997 financial crisis, followed by a rapidly increasing unemployment rate in South Korea and Taiwan, advanced the need to reform their welfare and employment policies and encourage the privatization of welfare services (Kerlin, 2010; Defourny and Kim, 2011). Social enterprises in these nations were created mostly to address unemployment and alleviate poverty (Chan, Kuan, and Wang, 2011). Japan is facing a rapidly aging population and the need for an inclusive labor market if it is to retain its economic clout. Consequently, some Japanese social enterprises – work integration social enterprises (WISEs) often called "workers' cooperatives" in Japan – provide not only long-term

care for the elderly and disabled but also childcare for working mothers. Many workers' collectives in Japan were established by married women who also had encountered obstacles when obtaining full-time jobs (Laratta, Nakagawa, and Sakurai, 2011). In resource-rich Indonesia and the Philippines, social enterprises may focus on environmental stewardship and management of a more inclusive value chain (Sengupta and Sahay, 2017). In China, the reformation from a communist system to a market-based economy triggered the emergence of social enterprises (Lan et al., 2014). Chinese social enterprises, usually located in rural areas, have implemented social welfare and economic transformation, as well as engaged in policy reformation in the post-reformation phase (Sengupta and Sahay, 2017).

Existing studies have found a variety of organizational forms among Asian social enterprises. Defourny and Kim (2011) observed: (1) traditional NPOs, (2) work-integration social enterprises (WISEs), (3) nonprofit cooperative enterprises, (4) hybrid nonprofit/for-profit partnerships, and (5) community development enterprises in China, Hong Kong, Taiwan, Japan, and South Korea. Santos and Macatangay (2009) suggested that social enterprises in the Philippines, Malaysia, Thailand, Singapore, Bangladesh, and Indonesia are grouped into four major categories: (1) cooperative enterprises, (2) civic foundations of corporations, (3) religious-based organizations, and (4) associations started by leading social entrepreneurs.

The major contemporary issues constraining social enterprises in Asia include the absence of a separate legal framework and policies dedicated to social enterprises. Asia has lagged behind Western Europe, the UK, and the US in developing such legal frameworks for social enterprises (Kerlin, 2010). Hence, many social entrepreneurs in Asia have structured their organizations by using one of the available legal statuses. Studies about countries like China (Yu, 2011) and Japan (Laratta et al., 2011) stress that using a conventional status may suppress their unique activities. Social enterprises registered as commercial businesses are forced to compete with well-financed mainstream businesses, whereas social enterprises structured as traditional NPOs may face restrictive government oversight and limited funding opportunities. The government support and institutional capabilities

assisting social enterprises are still in the nascent stages in Indonesia and Vietnam (Santos and Macatangay, 2009)

However, recent years have witnessed a considerable advancement in the legal and regulatory regimes for Asia's social enterprises. For instance, South Korea enacted the Social Enterprise Promotion Act (SEPA) in 2006 to facilitate the launch of social enterprises and to create a more favorable atmosphere for their successes (Jeong, 2017). The Philippine government has adopted policies and reforms to provide indirect support (e.g., decentralization, empowerment of local government units, and strengthening of government financial institutions and direct support) (Santos and Macatangay, 2009). Albeit limited, this support includes technical training, education, and funding.

Both individual and institutional funders in Asia are increasingly aware of the need for greater financial support for social enterprises. Mahmood and Santos (2011) found that 36 percent of survey respondents ranked social entrepreneurship as the most important trend affecting philanthropy in Asia, indicating a growing interest among philanthropists. The concepts of venture philanthropy and impact investing have also drawn great enthusiasm in Asia for the last decade. Leading network associations include the Asian Venture Philanthropy Network (AVPN), which was established in Singapore in 2011 to promote venture philanthropy and impact investing across Asia (Asian Venture Philanthropy Network, no date). Governments in countries such as Singapore, Thailand, South Korea, Malaysia, Taiwan, and Indonesia also launched new funds and support programs for social enterprises (Shapiro, 2018). Examples include Singapore's Ministry of Social and Family Development, which currently administers three funds for social enterprises – the ComCare Enterprise Fund, the Youth Social Entrepreneurship Programme for Start-Ups, and the Central Co-operative Fund (Chhina et al., 2014). Besides local impact investing and venture philanthropy investors, international impact investors, such as LGTV and Bamboo, have identified some Asian countries, such as Indonesia, as countries with significant market potential (Chhina et al., 2014).

Organizational management

Accountability and governance

Asia's nonprofit sectors did not have systematic self-regulation mechanisms before the late 1990s because the focus of NPOs in most countries was to fend off strict governmental regulation (Sidel, 2010). A growing presence of the nonprofit sector in Asia, however, prompted the public and other stakeholders to demand a higher standard of accountability from NPOs. As such, accountability and governance are among the most explored topics in extant studies about nonprofit management in Asia (and other regions). External/public accountability (Kim, 2003; Zhang, Guo, and Cai, 2011) takes a variety of forms, such as direct governmental regulatory enforcement and legal requirements for the sector and self-regulation systems adopted voluntarily by the nonprofit sector itself (Kim, 2003; Sidel, 2003, 2010; Zhang et al., 2011).

Government enforcement

The 2003 study commissioned by the Asia Pacific Philanthropy Consortium (Kim, 2003) noted that the varying levels of governmental regulatory enforcement and scrutiny of the nonprofit sector in Asia led to two different models of nonprofit governance: independent governance and heavily regulated models. In Indonesia, the Philippines, and Taiwan (independent governance models), the government rarely intervenes in setting standards for nonprofit accountability, affording almost free rein to each NPO in terms of organizational governance roles and structures. In contrast, the nonprofit sectors in China, Japan, Korea, and Thailand (heavily regulated models) have traditionally faced a high level of governmental control and scrutiny (Kim, 2003; Zhang et al., 2011), as described next.

Examining the heavily regulated models, Kim (2003) found that governing boards of Chinese NPOs exist, but their roles are highly restricted by the government, which selects 60 percent of the members, and they are required by law to hold regular meetings. Another restriction on NPO governance is strict donor rules imposed by the Regulation on the Administration of Foundations enacted in 2004, which allows only governmental or government-sponsored foundations to raise funds from the public (Zhang et al., 2011). However, the Chinese government has recently begun initiating policies to facilitate NPOs' work. The most significant case is the abolition of the dual administration system: NPOs for technology, social welfare, and community services are no longer required to affiliate with a professional supervisory agency before they register with the Ministry of Civil Affairs (Yang, Wilkinson, and Zhang, 2014). While this policy cedes greater autonomy to China's NPOs, it has brought many challenges for funding and self-governance (Yang et al. 2014).

In Japan, the government enforces NPO governance. For instance, NPOs must have more than three boards of directors in accordance with the NPO Law to obtain legal NPO status, which then contributes to a high level of internal governance (Yamauchi, Okuyama, and Matsushima, 2011). Disclosure rules vary for different types of NPOs. For instance, general NPOs, without tax-exempt status, are not required to submit their financial statements and activity reports to the government but are still required to keep these documents available for those interested. In contrast, Public Interest Corporations and Specified Nonprofit Corporations are required to submit those documents to the government as well as to keep them available for interested parties to view (Yoshioka and Onishi, 2018).

In the 1990s in South Korea – the decade often labeled the "age of civil society" – a deepened democracy enhanced the public expectation of greater accountability for NPOs than for the government (Jeong and Kearns, 2015). A series of high-profile scandals in the 2000s have also intensified public concerns about accountability in the growing nonprofit sector. Consequently, recent legislative initiatives have pushed for greater transparency and oversight of Korea's NPOs, including the Ministry of

Public Administration and Security's comprehensive measures to root out nonprofit grantees' inappropriate use of government grants (Ministry of Public Administration and Security 2014, cited in Jeong and Kearns, 2015).

In Thailand, the government has historically focused on controlling rather than promoting NPOs through cumbersome laws and regulations (The Asia Foundation, 1998). External accountability and reporting requirements include submission of annual reports and other documents. Among Thailand's registered NPOs, those registered as foundations are required to submit copies of their annual reports including financial statements prepared by an authorized auditor, along with copies of the agendas of committee meetings, to provincial offices of the Ministry of the Interior. In addition, associations or foundations designated as Public Charitable Institutions by the Ministry of Finance must submit their reports to the Revenue Department (Anand, 2014).

Self-regulation

Because the nonprofit sectors in many Asian countries have faced legitimacy problems due to a series of scandals, leading to diminished public trust (Zhou and Pan, 2016), the focus on self-regulation has increased since the late 1990s. A variety of nonprofit self-regulation measures were implemented to defend against intensifying state pressures and regulations, improve the perceptions of key stakeholders, and strengthen the quality of governance (Sidel, 2003). Main examples include accreditation, certification and validation, evaluation, ratings, rankings and grading, codes of conduct, self-regulatory registers or charity commissions, and disciplinary measures (Sidel, 2003). Table 6.3 presents examples of the countries this chapter examines, based on Sidel's classifications.

Table 6.3 Accountability and self-regulation mechanisms of the nonprofit sector in selected Asian countries

Category	*Description*	*Examples*
Accreditation/certification	Adopted either by the umbrella group, or the government for tax or other purposes	• Indonesia (The Satunama Foundation Certification of Indonesian NGOs) • Japan (Japan Fundraising Association certification) • Korea (Korea Society of Philanthropy CFRE certification) • Philippines (Philippine Council for Nonprofit Certification)
Evaluative measures	Ratings, rankings, or grading (may overlap with accreditation measures)	• Indonesia (YAPPIKA Civil Society Index) • Philippines (rating systems by Partnership for Philippine Service Agencies and the Association of Foundations)
Codes of conduct	Standards governing conduct, program or financial information disclosure	• China (Prof. Shang/Chinese NPO Network Nine Standards for NPO Self-Regulation) • Indonesia (NGO Code of Ethics by Agency for Research, Education, Economic and Social Development) • Japan (JANIC Code of Conduct for NGOs; JACO Non-Profit Organizations Database System "NOPODAS"; Japan NGO Center database) • Korea (Guidestar Korea accreditation criteria; Korea Society of Philanthropy Code of Governance) • Philippines (Code of Conduct for Development NGOs "Code-NGO"; The Philippine Association of Foundations Code of Ethics/NGO Mega Databank Project; the Children and Youth Foundation of the Philippines standards and self-assessment) • Singapore (National Council of Social Service Code of Governance and Management for voluntary welfare organizations) • Taiwan (United Way Taiwan) • Vietnam (Code of Practice on Transparency and Accountability for Civil Society Organizations in Vietnam)
Disciplinary measures	Measures used by the nonprofit sector with respect to nonprofits	• Found in the Philippines, and under discussion elsewhere (Sidel, 2003)

Sources: Concerning examples include Anand (2014); Antlöv, Ibrahim, and van Tuijl (2006); Breen, Dunn, and Sidel (2016); Cagney (2018); Kim (2003); Lee and Haque (2008); Mahmood and Santos (2011); Shigetomi (2002); Sidel (2003, 2010).

Note
Categories along with descriptions are based on Sidel's typology (2003).

The degree of experiments and initiatives in nonprofit self-regulation across Asian countries varies significantly. The Philippines is known for its success in pioneering self-regulation in Asia, especially the Philippine Council for NGO Certification (PCNC), a partnership program established in 1998 between national NGO networks, the Department of Finance and the

Bureau of Internal Revenue (Mahmood and Santos, 2011; Sidel, 2010). The PCNC reviews NGO credentials for receiving official "donee" status and tax incentives. Other government bodies (e.g., Department of Health, Department of Social Welfare and Development, Department of Environment and Natural Resources and the Department of Agriculture) have also developed their own NGO accreditation procedures (Mahmood and Santos, 2011). Sidel (2003) reported that China, Indonesia, and Thailand were among other Asian countries in which extensive discussions had taken place regarding nonprofit self-regulation and emerging efforts to develop new programs. Thailand's nonprofit sector lacks systematic explicit self-regulation systems but has been exploring formal self-regulation and accreditation systems (Sidel, 2003). Furthermore, the Ministry of Social Development and Human Security was reportedly forming working groups to develop standardization of development work, including NPO standards. A recent publication by BoardSource discussed cultural factors, such as unanimity in decision-making and in-group solidarity, as being so significant in Indonesia that traditional decision-making still outweighs nonprofit self-regulation (Cagney, 2018).

Korea and Japan established two major self-regulation programs based on US and UK models, especially a database that discloses financial and programs information and a certificate for professional fundraisers. GuideStar Korea, a development partner of GuideStar International, was founded by the Kids and Future Foundation in 2008. Japan Association of Charitable Organizations (JACO), too, has also followed the GuideStar system to launch the Non-Profit Organizations Database System (NOPODAS). GuideStar International and JACO are exploring the possibility of creating an English version of the database (GuideStar International, no date). For certification, Korea Society of Philanthropy and Japan Fundraising Association (JFRA) became participating organizations that endorse the Certified Fund Raising Executive (CFRE) certification. JFRA issues its own certification, Certified Fundraiser program as a CFRE's participating organization (CFRE International, no date). The 2018 publication by

BoardSource notes the public's demand for government to create a Korean charity commission (Cagney, 2018).

Internal governance and board management

Nonprofits' self-regulation also signifies the effort to develop their internal governance (Sidel, 2010). In some countries, a discourse on nonprofit governance has emerged from regime changes and the ensuing democratization process (e.g., Indonesia; in Antlöv et al., 2006; Kim, 2003). As such, effective management and governance have been discussed along with nonprofit accountability and self-regulation (Kim, 2003; Sidel, 2003, 2010). The burgeoning literature illustrates recent improvements in Asian NPOs' internal governance and management issues. Key topics include board structure, functions, efficiency, transparency and information disclosure, and representational capacity (Jeong and Kearns, 2015; Jiangang, Xiaojun, Univesrity, and Yifei, 2014; Zhang et al., 2011). The nonprofit sector has begun focusing on internal governance in many Asian countries. This trend is reflected in the focus of institutional funders on supporting capacity building (e.g., The Asia Foundation, Kemitraan, and Tifa Foundation in democratic Indonesia; Peace and Equity Foundation in the Philippines) and training programs(e.g., Centre for Philanthropy and Civil Society in Thailand) (Anand, 2014).

While the quality of nonprofit governance varies among countries and findings are often mixed (e.g., China; Zhang et al., 2011), general patterns emerge from recent studies. First, considering that boards are among the top stakeholders, many NPOs in Asia (e.g., South Korea in Jeong and Kearns, 2015) are keenly aware of the importance of internal governance, and often set up a board of directors to improve their internal governance. Yamauchi et al. (2011) found that 95.3 percent of the surveyed NPOs in Japan followed the NPO Law to obtain legal nonprofit status by establishing a board of directors or formal steering committee. A 2009 study by Japan's Cabinet Office (cited by Yamauchi et al., 2011) also identified the same pattern among

organizations without legal status. Yamauchi et al. (2011) further found that NPOs in Japan think highly of their well-established and well-functioning internal governance. Jiangang et al. (2014) surveyed Chinese NPOs and found 69.20 percent of participants had established a board of directors, and 66.66 percent evaluated their board positively, while 12.90 percent evaluated it as "poor." Zhang et al. (2011) further found that in China, the board's roles and responsibilities are wide-ranging from program development and oversight to resource acquisition. In some countries (e.g., Korea), NPOs have utilized Internet-based technology to facilitate more effective and active communication for improving internal governance and collective decision-making systems (Kim, 2003).

Second, studies have also revealed that NPOs' governing boards are often ineffective in Asian countries. A study by JACO (cited in Kim, 2003) found that the governing boards of Japanese NPOs were more of a mere formality, without properly fulfilling their fiduciary duties. Jiangang et al. (2014) found that 4.09 percent, and 55.97 percent of Chinese NPOs surveyed never held a meeting, or held meetings on an irregular basis, respectively. Other recent studies about Chinese NPOs (Huang, Deng, Wang, and Edwards, 2013; Jiangang et al., 2014) suggest that the majority of grassroots NPOs, especially those established prior to 2000, lack proper internal governance. Perhaps because the Chinese government's intervention is limited and foreign funders make administrative decisions for their fundees, the NPO boards' functions, such as decision-making, supervising, and supporting the organization, are generally not fully realized. NPOs in Indonesia have not implemented many of the principles of good internal governance despite their awareness of them (YAPPIKA, 2006). The boards of Korean NPOs, too, often function poorly (Kim, 2003). In Korea, charismatic founders tend to seize significant decision-making power. Due to a lack of systematic self-regulation mechanisms to ensure transparency in Korea's nonprofit sector, government regulation and supervision is the strongest factor in ensuring NPOs' financial transparency. Such long-term government controls have also hindered Korean NPOs from developing internal governance (Kim, 2003).

Prospects, challenges, and future research

Medium and long-term prospects

While the pace of Asia's economic growth may slow in the near future, we still expect Asian economies to continue to grow and maintain overall economic trends and the number of Asian HNWIs to increase, contributing to increased philanthropic giving and volunteering.

Just like the United States today, in Asian countries with growing aging populations, inter-generational wealth transfers are likely in coming years. This will provide the nonprofit sector with a viable fundraising opportunity. The demands of social services, such as healthcare, social welfare, nursing care, and education, will intensify due to an increase in the poverty rate and population inflow to metropolitan areas.

As discussed previously, the development of the nonprofit sector, at least in terms of IPF, will highly depend on economic development (e.g., per capita income). Political systems (e.g., China and Vietnam) and state–nonprofit relationships (e.g., the Philippines and Malaysia) should be considered as factors affecting the growth of the nonprofit sector in Asia. History, religions, and culture are other important factors contributing to the different growth patterns of Asia's nonprofit sectors.

Challenges to NPOs and social enterprises

When the government is unable to manage highly diverse demands of social services, the role of NPOs, social enterprises, and foundations become even more critical in Asia. To meet this need, NPOs must strengthen their organizational capacity for effective fundraising and professional staff training. Partnerships among NPOs, government, and business will become more important. The government should invest in modernizing legal and tax systems to facilitate the development of the nonprofit sector. Currently,

many foundations in Asia are small family foundations, but they are likely to become more professionalized by acquiring advanced grant-making and management skills in the future.

The absence of a specific legal framework can create the sectoral blur between NPOs and for-profits in some Asian countries, unlike those based in the highly institutionalized social sector of developed countries. This condition, in turn, may facilitate activities of social enterprises and impact investing, thereby offering novel financing opportunities for social enterprises through market-based tools, such as equity investment and loans.

Challenges to nonprofit management

As the role of NPOs and social enterprises is becoming more prominent, public accountability and effective governance will continue to be a major focus of nonprofit management in Asian countries. However, formulating and implementing self-regulation experiments are often longer and slower processes (Sidel, 2010). A hasty expansion of self-regulatory initiatives can unintentionally create obstacles that would be more problematic in the long term. To avoid this, self-regulatory initiatives should be developed and implemented through collaborative and collective efforts between NPOs and different stakeholder groups, such as government and community leaders. As aforementioned, certain self-regulation methods have been brought from US and UK models (e.g., GuideStar International). Using a method proven in the United States can help make the development processes more efficient, but a nation's cultural and historical factors should always be considered.

Need for continued comparative research

Launched by Lester Salamon and Helmut Anheier in the late 1980s, the Johns Hopkins Comparative Nonprofit Sector Project (JHCNP) has covered approximately 40 countries, including a few Asian countries. CIVICUS Civil

Society Index Project also covered over 40 countries, including several Asian countries. Those comparative studies have been instrumental in advancing nonprofit and philanthropy scholarship. However, there are not as many comparative studies today as during the 1990s and 2000s.

Founded in 1994, Asia Pacific Philanthropy Consortium (APPC) strengthened the philanthropy network in the Asia Pacific region under the leadership of Barnett Baron, former president and CEO of Give2Asia and previous executive vice president of the Asia Foundation, and Tadashi Yamamoto, founder and former president of the Japan Center for International Exchange. APPC was in the process of organizing APPIN (Asia Pacific Philanthropy Information Network) as a clearinghouse for philanthropic and NPO data in Asia. However, their research programs were eliminated several years ago. Currently, there are few major research projects studying Asian NPOs and philanthropy.

The nonprofit sector in Asia, especially those in developing countries, will benefit from interaction with developed countries, such as the United States, and vice versa. Hence, continued efforts should be made to gather data for comparative research in Asia, including Asian countries that have not been part of the JHCNP. We suggest that a portal site or a data center can be instrumental in active discourses and sharing information about the state and challenges that NPOs face in the different countries of Asia.

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29
CORPORATE PHILANTHROPY

Lonneke Roza
ASSISTANT PROFESSOR, BUSINESS-SOCIETY MANAGEMENT DEPARTMENT, ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY, ROTTERDAM, THE NETHERLANDS

Lucas C.P.M. Meijs
PROFESSOR OF STRATEGIC PHILANTHROPY AND VOLUNTEERING, BUSINESS-SOCIETY MANAGEMENT DEPARTMENT, ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY, ROTTERDAM, THE NETHERLANDS

Introduction

Corporate Social Responsibility (CSR) has become indispensable in modern business. As early as the late 1920s, scholars started to suggest the necessity for businesspeople to assume some responsibility for the well-being of the community (Donham, 1927, 1929). It was, however, not until the 1950s that CSR found its more popular beginnings, especially in the wake of the publication of the book *Social Responsibilities of the Businessman* (Bowen, 1953). Since the 1970s, many different definitions have emerged for the concept of CSR. Some definitions (e.g., Carroll, 1979) focus on types of responsibility (i.e., financial, legal, ethical, and philanthropic); others (e.g., Freeman, 1984) focus on the relationship with and responsibility to stakeholders, and still others focus on the responsible actions taken (Aguinis and Glavas, 2012). Mostly, CSR is considered as a broad umbrella term that encompasses "a broad, integrated and strategic vision on the roles and

responsibilities of a company in every society, national as well as international" (Wartick and Wood, 1998, p. 70).

Over the past half-century, the concept has received increasing attention in both research and practice. This is not surprising given the increasing urgency of CSR, due to the changing role of companies but also governments in social issues and a widely held belief among consumers, employees, and other stakeholders that CSR should be regarded as part of overall business performance. Though some might argue that CSR was considered illegitimate in the early days of the development of this concept, it seems in contemporary society it is rather illegitimate for corporations *not* to engage in CSR activities (Seghers, 2007).

Within the realm of CSR, Corporate Philanthropy (CP) is the most implemented CSR strategy in large multinational as well as in small- and medium-sized companies worldwide. CP is understood as "the voluntary business of giving of money, time or in-kind goods, without any *direct* commercial benefit, to one or more organizations whose core purpose is to benefit the community's welfare" (Madden et al., 2006, p. 49, italics in the original). According to Meijs and Van der Voort (2004), CP can be operationalized based on five Ms: (1) Money: donating financial resources directly or through supporting pay roll giving, (2) Means: donating products or tangible goods such as sharing office space and equipment, (3) Manpower: which refers to corporate volunteering, (4) Mass: sharing corporate networks and creating influence by introducing the nonprofit organization to the company's stakeholders, and (5) Media: Cause Related Marketing (CRM) and other joint media exposure that supports the nonprofit to campaign on, or promote a particular social issue.

Companies are increasingly allocating their resources to CP (Campbell et al., 2002). In both the United States and Europe, more than 20 billion dollars was given by companies (Giving USA, 2019; Giving in Europe, 2017). However, the relative importance of the contributions does differ between the two regions. Whereas giving by corporations is relatively low compared to other forms of giving in the United States (only 5 per cent of total giving), it is relatively high in Europe (25 per cent of total giving). [1] It is expected

that the numbers will only rise, as the investments in corporate philanthropy have been rising since 2007 (Charities Aid Foundation, 2014). In addition, research among 261 international companies confirms that a majority of these companies (64 per cent) had increased their total community contributions between 2010 and 2013 (Stroik, 2014).

Moreover, there is a growing interest among companies to engage in corporate volunteering. Corporate volunteering (also known as employee volunteering, employer-supported volunteering, and workplace volunteering) refers to volunteer activities that are performed by employees and encouraged (or even facilitated) by their employing organizations (Roza, 2016). Corporate volunteering can be performed either in the employee's own time (e.g., with unpaid leave or other support from the employer) or during official working hours. For this reason, companies are likely to adopt formal and informal policies that involve volunteering. Corporate volunteering practices vary widely. For instance, some organizations adopt turnkey activities, such as employees volunteering to paint classrooms and plant flowers at a local elementary school. Others focus more on customized activities. For example, IBM sends individual employees on overseas sabbaticals where they use their business skills to advance technological capacity in other countries (Raffaelli and Glynn, 2014).

Motivations to engage in corporate philanthropy

Clearly, business and nonprofit organizations have their own motives to engage in CP. Even though the operationalization of the motives might differ, for each of the actors, the motives for engaging in CP can be segmented into four approaches: descriptive, instrumental, normative, and reactive (Liu et al., 2013). These four approaches are discussed for both companies and nonprofits.

Corporate motivations

First, the descriptive approach explains corporate managers' attempt to present their organizations to the outside world. In this approach to CP, managers focus on identifying who the community stakeholders are, what their claims are on the corporation, and how the potential nonprofit partner proposes to address these claims to act in accordance with their shared values; not at the least the value that is highly weighted by the community stakeholders (Liu et al., 2013). Here, managers can build a corporation's identity, and express their corporate values to a company's community stakeholders by protecting and promoting the welfare of the community (Bartel, 2001; Maignan and Ferrell, 2001). Alignment between the corporate values and the nonprofit partner's values can help a company to strengthen its relationship with its local community, because the nonprofits feel that companies are part of the same community (Roza, 2016).

Second, in the instrumental approach, which is the prevailing motive in business literature (Liket and Simaens, 2015), managers view CP as a means to an end (Liu et al., 2013). In other words, they use CP to reach certain organizational goals. In this quest, managers focus on how and whether engagement with nonprofit organizations can benefit the company and thereby strengthen organizational performance. This approach resonates with the growing attention in literature on strategic CP (Porter and Kramer, 2002). Strategic CP argues that CP should only be executed if companies can use their charitable efforts to simultaneously create social value as well as strengthening the competitive context of their company. For example, companies should allocate their CP into creating a favourable business climate in the direct surroundings of their company. Investing their resources into these specific projects in local communities creates value for the community while also benefiting the company. There is a clear business case for e.g., corporate volunteering in this, as a strong connection between employees and their working environments creates employer branding and leads to potential personal and professional development while volunteering. Although direct effects on the financial bottom line are less obvious, as CP

excludes sponsoring and cause-related marketing, they do exist when local consumers favour locally embedded companies. CP from an instrumental perspective is thus linked to the company directly benefiting from it.

Third, the normative approach casts the motives of CP as based on it being the right thing to do (Liu et al., 2013). Managers take action based on the interests of the community stakeholders as a moral obligation, although it may not necessarily be in immediate business interest of the corporation. This could include supporting local nonprofit organizations to strengthen the community in which the company operates or benefit certain groups that are not able to be served commercially, such as supporting organizations that serve the homeless.

Lastly, there is a reactive approach to CP where companies engage in these interactions simply because they are pressured to do so (e.g., Van der Voort et al., 2009). Increasingly, governments, local communities, consumers, and even employees are putting pressure on companies to be active in the community to strengthen civil society and to resolve government and market failures. In some countries such as India (Gupta, 2014), CP is even required and enforced by law, raising conceptual questions of whether such legally coerced activity is truly CP, at least according to Western standards and academic definitions.

Nonprofit motivations

Nonprofit organizations can likewise have motivations based on the descriptive approach as to why they engage in partnerships with companies. As this approach is very much value-driven, nonprofit organizations engage in corporate philanthropic relations to express and further their own values. Here, nonprofit organizations feel that collaborating with companies is simply what they must do. These are nonprofit organizations that entirely build their business model on corporate giving and partnerships, simply because they believe that this is in their mutual interest. For example, organizations that support youngsters in deprived areas towards

employment collaborate with corporate coaches because they represent the business community in which the nonprofit organizations would like to see their clients employed.

Similar to how companies could instrumentally approach their CP, nonprofit organizations also use CP instrumentally (Roza et al., 2017). For instance, they could use it as a signal to other donors, to enhance their legitimacy in society, obtain more resources for their mission, or even to serve their clients better. From a nonprofit perspective, strategic CP is defined as "utilizing the contributions of any 'responsible' activity of companies to allow a nonprofit organization to achieve its mission" (Roza, 2016, p. 330). In this perspective, nonprofit organizations should only engage in relationships based on CP that are directly – albeit perhaps only in the long term – beneficial for their organization. This challenges the general assumption that prevails in business literature and business practice that nonprofit organizations benefit from CP, regardless of which resources companies share and under which conditions. What might be strategic and instrumental for the company might not be strategic or instrumental for the nonprofit organization (Roza, 2016). Just like companies stay away from certain political and religious nonprofit organizations, nonprofit organizations stay away from companies in contested businesses such as tobacco and weapons.

Although perhaps less morally inclined, nonprofit organizations also engage in accepting CP because it is the right thing to do, for instance for their beneficiaries. This is the normative approach in which they feel the obligation towards their primary stakeholders to involve companies to provide their services. Organizations that focus on the employability of veterans or disadvantaged youth utilize their relationships based on CP with companies to directly serve the mission and the beneficiaries.

Lastly, nonprofit organizations sometimes feel they are being pressured to collaborate with companies (Shachar et al., 2018). This could resonate from corporate executives who are board members themselves, which is common in the United States. However, in countries where corporate giving is not yet a longstanding tradition (e.g., the Netherlands) and where CP is seen as an

opportunity on the rise for nonprofit organizations, donors such as grant-making foundations and governmental institutions increasingly stimulate nonprofit organizations to work with companies and to seek their support (Roza, 2016). In addition, changing roles of governments in welfare states such as in the European Union increasingly pressures nonprofit organizations to seek their support elsewhere. Moreover, the general public (i.e., private donors) expects more entrepreneurial behaviour and cross-sectoral collaboration from nonprofit organizations.

Allocation of responsibility for corporate philanthropy

Companies organize their CP in various ways. First, firms choose to allocate the responsibility for CP to one (or multiple) company agent(s), such as the CEO or another member of upper management. This agent makes voluntary donations in the form of direct grants towards social, charitable, or nonprofit organizations (Gautier and Pache, 2015). This model is certainly still true for owners of small- and medium-sized (family) companies (Fitzgerald et al., 2010). The advantage of such an approach is that it is very clear to internal (e.g., employees, boards) and some external stakeholders (charitable organizations) who is making decisions on CP spending. Nevertheless, this might be problematic for the company, as it creates issues of transparency and accountability when agents' decision-making is entirely discretionary rather than based on firm guidelines. As CP is oftentimes still assigned to corporate elites with little involvement of employees (Breeze and Wiepking, 2017), there is little oversight of their spending. As such, there is a fair chance that they allocate the company's resources to their self-interested pet causes, disregarding any interest of corporate stakeholders internally and/or externally. Despite the potentially problematic nature of allocating CP to particular agents within the company, it offers opportunities for nonprofits that involve corporate representatives in their boards. These nonprofits have

the benefit to have close relationships with a potential (large) donor, and therefore solicitation for grants are easily made and potentially very successful (Walker, 2002).

Second, companies allocate CP to an in-house department, such as the Corporate Social Responsibility department or the Public Relations department (e.g., Altuntas and Turker, 2015; Husted, 2003). Here, the aim is to centralize all corporate giving and reduce issues around transparency and accountability. These departments have policies, strategies, and guidelines in place to be clear on the philanthropic rules of the game. Here, the difference between philanthropy, other corporate social responsibility activities, and corporate sponsoring will be clearly articulated and responsibilities will be allocated accordingly (Seitanidi and Ryan, 2007). For nonprofit organizations, it should be easier to select their partners, as they can select them based on the match with the company's philanthropic goals.

In addition, rather than allocating the responsibility for CP to a specific department, companies may set up a separate entity with a public benefit mission, e.g., a corporate foundation (Gautier and Pache, 2015; Petrovits, 2006; Webb, 1994). Here, the corporate foundation is responsible for the decision-making on allocating money, time, products, services, or other resources that have been allocated to them by the firm. These foundations are often linked to the founding company through their name, funding, trustees, administration, and potential employee involvement (Westhues and Einwiller, 2006). Corporate foundations are complex partners for nonprofits, as it is unclear how to approach them: as a company or as a foundation. Corporate foundations are not operating as regular grant-making foundations, nor as government institutions, business departments, or other traditional private foundations. Indeed, corporate foundations are hybrid entities in which they – in various degrees – adopt the logic (e.g., governance frames, language, value orientation) of both private foundations as well as businesses. Furthermore, although some corporate foundations may seem to be fully philanthropic (Swen et al., 2019), they are never truly independent from companies, again reinforcing the hybrid nature of corporate foundations.

Finally, firms can allocate the implementation of CP to an outside agent, such as an intermediary, broker, or matchmaker (Lee, 2011, 2015; Maas and Meijs, 2018). These third parties or intermediaries form the bridge between companies and nonprofit organizations, and also act as mediating agents between these organizations. Most of these intermediary organizations are familiar, experienced, and well known with the business and nonprofit rationales and able to bridge the interests and needs of both actors.

Business strategies for corporate philanthropy

Companies have various strategies to operationalize their CP. Generally, there are four strategies: a "cluster strategy," a "diffuse strategy," a "focused strategy," and a "coalition strategy" (see also Hills and Bockstette, 2015; Roza, 2017). Each approach comes with a different set of objectives and challenges.

Cluster strategy

A cluster strategy involves companies first determining which types or categories of social issues fit best with their core values and then selecting nonprofit partners that can help them to catalyse change on these social issues. In the cluster strategy, the company determines multiple social issues (usually two to four) which fit best with their core values and seek nonprofit partners that can help them to catalyse change on these social issues. For instance, Google allocates 1 billion dollars and 1 million employee volunteer hours in three clusters which are close to their corporate values: Education, Economic Opportunity, and Inclusion. Aligning on corporate values plays a key role in aligning CP with internal and external stakeholders (Roza, 2016). Here, alignment between the values of the organization and its employees has shown various benefits for both the company and the employee, including higher employee engagement and a better connection between the

employees and the working environment, such as with their organization, their jobs, and their colleagues (Roza, 2016). Alignment between the company and nonprofit organizations based on shared values also leads to positive outcomes for both organizations involved, such as transformative learning (e.g., adapting individual worldviews). Furthermore, by jointly reaching goals based on shared beliefs, this strategy enhances satisfaction and pride, which strengthens the relationship between both organizations.

This type of strategy has the potential for developing long-term partnerships between companies and nonprofit organizations. For instance, the internationally renowned Dutch Rijksmuseum has had partnerships with Dutch multinational company Philips for more than 15 years (in 2018) because Philips values the convening power of the Dutch cultural history. Similarly, ABN AMRO, a financial services company, has multiyear alliances between the ABN AMRO Foundation and youth organizations that support children in developing their talents, which is one of the core values of the company. In addition, by living their core values through CP, this strategy has a great potential to engage employees in their efforts, at the very least by supporting those who share an affinity with the organization's core values (Haski-Leventhal et al., 2017).

Diffuse strategy

In a diffuse strategy, the focus of CP is not so much on a specific theme or cluster of issues, but rather on what certain stakeholders, e.g., employees or consumers, expect or require of nonprofit organizations or even governments. Many workplace volunteering programmes and matched giving programmes are an example of this. Here, the activities the companies support are very diverse, because the strategy is aimed at encouraging people to volunteer in areas that match their personal interests (Roza, 2016). Another type of diffuse strategy occurs when CP focuses on individuals or (potential) consumers and the social initiatives these individuals undertake to strengthen civil society. Here, the company could

award grants to highly diverse projects based on the interest of their (potential) consumers – as determined, for example, by organizing voting schemes amongst consumers that award many small donations for projects proposed by other consumers. In fact, part of the diffuse strategy is to share with many stakeholders the decision on what to support and only set broad guidelines for what is not eligible for support. For instance, ING Nederland Fonds (corporate foundation of ING Group) includes a diffuse strategy in which they ask grassroots organizations in the Netherlands to apply for a grant, stimulating them to get support from their communities by letting them vote for the organization. Ultimately, these votes determine how much is granted to the grassroots organizations.

This strategy is effective if a company seeks to be actively facilitating a certain group of stakeholders. This results in a favourable image from these stakeholders. The challenge in such a strategy is to ensure that the company or corporate foundation receives sufficient high-quality applications, and/or gets its people (e.g., employees or consumers) to take action on their own accord and/or (partially) organize their volunteer or fundraising efforts themselves.

Focused strategy

In the focused strategy, the company focuses on one social issue and allocates all of its CP resources to this single issue. This strategy is the strategy most commonly used when a company's CP programme is linked to its core business. Such companies will often issue statements such as "we give according to what we do best" and either donate money and or/products related to what they produce themselves (e.g., donating medication, technological solutions) or let their employees apply their knowledge and expertise. For instance, many financial services organizations support financial literacy programmes. The advantages of this strategy are that there is great potential in the amount and diversity of resources the company can use and that it is an easy story to explain to external parties.

After all, if you are a company in cell phones, it is logical to others that your CP also focuses on connecting people.

The challenge here is that people – including even a company's own employees – may be a little sceptical of the intentions and actual methods of such programmes. For instance, CP could be used to explore new markets, and might even serve commercial purposes which may harm the perceived authenticity of the philanthropic efforts. Take for instance Microsoft, which introduces their products to potential future customers through school programmes. Similarly, an insurance company may send trainees to a less developed country to introduce new systems of claiming damages that have not yet been tested in other markets.

Coalition strategy

In a coalition strategy, several parties enter into a partnership to be able to address a specific social issue. For instance, a Dutch corporate foundation called "From Debts to Chances" (formerly known as Delta Lloyd Foundation) aims to reduce poverty, in particular debts that poor people oftentimes have. They initiated "The Debt Coalition," in which governmental actors, companies and foundations, nonprofit organizations and educational institutions join forces to reduce debts and poverty. In practice, such a strategy may involve actual business rivals collaborating in order to solve a social problem. Although this strategy is also a single-issue strategy, the fact that there is a multiparty commitment on a jointly formulated social mission sets such a strategy apart from the "focused strategy," in which there is just one company committed to helping resolve a certain problem.

The advantage of such a strategy is the potential for social impact and innovation, which is greater if multiple stakeholders or problem owners are united. However, collaboration sometimes involves waiting for the various parties to arrive at a consensus, which means the process can be slow. Management of coalitions born out of such partnerships tends to be very time-intensive and complex due to the involvement of different parties

which all have their own interests and priorities. Moreover, the various parties often all have their own jargon and corporate cultures, which can be hard to unite.

Once a strategy has been implemented, it is vital that companies (re)consider the pros and cons of said strategy every once in a while. For instance, it is quite possible that a particular strategy works well for a period of time and helps the company realize its CP aspirations and objectives, but has to be revised anyway due to changes in society, in the company, or regarding the company's relationship with major stakeholders, such as nonprofit organizations, shareholders, or government.

Nonprofit strategies to corporate philanthropic partner selection

Traditionally, when nonprofit organizations were seeking corporate partners, they oftentimes posed a moral appeal to the company to contribute to their social mission. This worked very well in situations in which one particular person within the company was responsible for CP, without any formal strategy and vision in place on the corporate level. However, as CP has become increasingly professionalized, this is no longer effective. Now, nonprofit organizations need to look at the (strategic) fit between the nonprofit organization and the company. This fit can be based on three logics: business fit, familiarity fit, and activity fit (Kim et al., 2010).

First, nonprofit organizations could select their partners based on similarities in their "business." This does not have to do with the core business of the company and the nonprofit, but rather with the purpose or mission of both organizations. Imagine a community restaurant that aspires to create social cohesion and aims to connect people in a certain geographical area. For a business fit, they should solicit for collaborations with companies with the same aspiration. For instance, a telecom company that defined their purpose as connecting people through their services would

fit well. Here, nonprofit organizations appeal to companies with having similar goals in society, albeit for different audiences.

Another logical fit that nonprofit organizations might seek is based on joint brand recognition (i.e., familiarity fit). Here, well-known nonprofit organizations seek corporate partners that have the same familiarity as they do and appeal to them based on the notion of bettering their reputation. Many renowned museums around the world attract large companies because companies perceive famous cultural heritage as a brand that they want to be associated with. Very local nonprofit organizations seek local companies as they appeal to the joint familiarity in their community, which also opens up a broader audience for local companies.

Third, nonprofit organizations can seek an activity fit. Here, nonprofit organizations appeal to companies based on a specific need that can be fulfilled by the core business or major business unit within the company. Here the solicitation is based on "we need what you can do best." For instance, Philips Foundation aims to improve access to quality healthcare. In this light, the Dutch Heart Foundation collaborates with Philips Foundation to make the Netherlands a "six-minute cardiac arrest" zone by helping to expand the network of community first responders and automated external defibrillators (AEDs) across the entire country, especially in more remote areas.

Business and nonprofit case for corporate philanthropy

As mentioned earlier in this chapter, most studies on CP are based on instrumental theories, which treat CP as a tool with which to achieve direct or indirect economic results for the company. Many companies justify their CP based on the business case they can create. Indeed, much research has been dedicated and has built strong evidence for companies to claim a business case for CP (Liket and Simaens, 2015). For instance, CP has been

found to strengthen marketing efforts by enhancing corporate reputation (Brammer and Pavelin, 2006), consumer evaluations (Kim et al., 2010), and consumer loyalty (Maignan et al., 1999).

Recently, there has also been more attention on the contribution of CP to human resource management (Roza, 2016) and issues such as attracting a talented workforce (Kim and Park, 2011; Roza, 2016), organizational socialization (Gully et al., 2013; Rupp et al., 2013), and cultivating employee engagement, organizational commitment, and organizational identification (Caligiuri et al., 2013; Grant et al., 2008; Kim et al., 2010; Turker, 2009). Additional ways in which companies can benefit from CP involve the reinforcement of community relations and legitimacy amongst stakeholders (Porter and Kramer, 2002). For example, corporate giving may strengthen the trust that local communities have in particular companies, thereby bestowing or enhancing legitimacy (Chen et al., 2008). Other studies have suggested that community involvement can improve community networks, trust, and the willingness to cooperate (Muthuri et al., 2009).

Far too little attention has been given to how CP impacts nonprofit organizations. Many academics and practitioners seem to assume that whatever companies give is useful and welcome for nonprofit organizations. Although financial support is in many cases most welcome, the particular restrictions, expectations, and project orientation of many companies may cause additional burdens to operational staff or even mission drift (Shachar et al., 2018). Indeed, CP incurs transaction and direct costs for nonprofits that may exceed the benefits. In many cases, nonprofit organizations must adapt their regular tasks to customize to the demands of corporate donors.

Specific attention in this nonprofit business case should be given particularly to corporate volunteering, as this complicates the relationship by a shift from a simple technical monetary transaction between two organizations to one which brings in the personal involvement of corporate employees, nonprofit employees and oftentimes their beneficiaries (Roza, 2016; Roza et al., 2017). Austin and Seitanidi (2012) claim that the relation becomes more complicated – though potentially also more rewarding for the nonprofit – when the corporate volunteering programme moves from a

simple one-day event to more complex involvement schemes. Following Roza et al. (2017), the nonprofit case for CP and corporate volunteering should be viewed as multilevel: what are the consequences (positive and negative) for the nonprofit organization, employees, and beneficiaries? In other words, to really access the value of CP, we need a multi-stakeholder assessment of a CP case including both benefits and challenges (Roza et al., 2017).

On an organizational level, engaging employees in corporate volunteering at nonprofit organizations can also be seen as a stepping stone to being able to influence the company in different ways. Through transformative learning experiences (or experiential learning), employees can take their experiences back into their roles within a company. Second, it can be used to enhance recruitability of potential volunteers and financial donors (Haski-Leventhal et al., 2010; Roza et al., 2017), since engaging in CP also creates additional personal networks for the nonprofit organization. Third, corporate involvement broadens and deepens also the legitimacy of the nonprofit organization in society. Nevertheless, there are also organizational-level risks involved. Partnerships can lead to reputational damage for nonprofit organizations if the corporate donor receives bad publicity, gets involved in public scandals, or if the partnership is received by the general public as unauthentic. The latter happened to the Word Wide Fund for Nature (WWF) in Germany, although the short-term consequences seemed to be limited (Anheier et al., 2013).

On the individual level, corporate volunteering may lead to personal and professional development of the nonprofit employees, work relief, appreciation for their jobs, and, in many cases, they can provide additional services to their beneficiaries. Nevertheless, in many cases corporate volunteers are (albeit unintentionally) cherry picking, allowed to do all the fun activities with beneficiaries. Sometimes corporate volunteers replace paid jobs or regular volunteers as the nonprofit realizes that they can either cut their budget by these areas or increase budgets in corporate volunteers, which also brings along additional resources. Perhaps most damaging is when services provided by corporate volunteers do not meet the level of

quality needed by the nonprofit organization. For instance, there is a health risk when incapable corporate volunteers are allowed to work with people with mental or physical challenges (Samuel et al., 2016).

Conclusions

CP seems increasingly important for both the corporate and the nonprofit world. On the sector level, both actors are essentially motivated through similar structures, but the operationalization and visibility of those motivations differ greatly between the two actors. Also, strategies for CP differ greatly: companies are more oriented toward business stakeholders in shaping their strategy, whereas nonprofit organizations orient their strategy primarily on finding the logical business partner. On the organizational level the picture becomes more diverse, as companies and nonprofit organizations make their own decisions on what motives and organizational practices fit them best. Both companies and nonprofit organizations are currently searching for new forms of collaboration, particularly in terms of allocating alternative ways of distributing resources beyond the traditional (financial) support, such as impact investing. Additionally, companies worldwide are experimenting with new or alternative forms to distribute their philanthropic giving such as the increasing interest of developing corporate foundations in Europe, Russia, and China (Roza et al., 2019, or creating corporate social impact funds. These organizations function as intermediary organizations, controlled by the company at arm's length. This makes CP more complex, but also with many more opportunities for both parties than ever before.

Note

1 Unfortunately, the numbers in Europe and the United States are not entirely comparable as the measurement of what is giving differs among the research. However, it does give a good indication of the size of the subsector in philanthropy.

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