

**THE GOVERNANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN AN
AUTHORITARIAN STATE: EVIDENCE FROM CHINESE FOUNDATIONS**

By

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Abstract

How are non-governmental organizations (NGOs) governed in the authoritarian context of China? Adopting a perspective of power, this thesis investigates in-depth the governance of Chinese NGOs at the macro-, meso- and micro-level in three chapters. Multiple statistical techniques are used to analyze primary as well as secondary data collected from philanthropic foundations in China. The first chapter focuses on the societal level, examining how the authoritarian government governs and steers the NGO sector at the macro level. Through multilevel modeling, the findings show that the Chinese government has adopted a more sophisticated, indirect approach rather than using direct control to govern and regulate NGOs in China. The second chapter focuses on the organizational level, examining the internal governance and particularly the leadership style within Chinese NGOs. Through box plots and ordinary least squares regression, the results suggest that leaders of Chinese NGOs have a more democratic-orientated leadership style than people from other types of organizations such as government agencies and private corporations; however, this leadership style becomes less democratic under the influence of public donations in China. The third chapter turns to the individual level, conceptualizing and measuring CEO power by proposing a two-dimensional (structural power and individual power) framework and multiple indicators. Through factor analysis and ordered logistic regression, the findings show that CEOs' individual power has no significant effects on financial performance, while structural power presents a double-edged effect: it is positively associated with one kind of organizational effectiveness (public donations) but has a negative impact on another (overhead costs). This thesis makes contributions to the literature in two ways: (1)

theoretically, this study takes an under-explored power perspective, which not only provides a more consistent and unified perspective for understanding the public governance and nonprofit governance of NGOs but also sheds new light on these longstanding topics; (2) empirically, primary data on Chinese NGOs, especially regarding internal governance and management, are scarce. This thesis develops different ways to operationalize governance and power and also provides new empirical evidence on the organizational governance of NGOs in China. In summary, this thesis establishes a comprehensive picture of how NGOs are governed in the authoritarian context of China. As a special kind of organization with a democratic mandate, NGO governance in the authoritarian context of China is under more pressure than we realize.

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Chapter 1 Introduction and Overview

1.1 Introduction

This dissertation offers an in-depth analysis of the governance of non-governmental organizations (NGOs) in the authoritarian context of China. Over the last couple of decades, the concept of “governance” has become a buzzword and a prominent research agenda in the social sciences. While this term has come to be used frequently, the study of governance has been both plagued and blessed by its multiple and sometimes ambiguous meanings (Levi-Faur 2012; Pierre and Peters 2000; Pollitt and Bouckaert 2011). On the one hand, the inclusive and flexible capacity of “governance” gives rise to creative ways to employ this concept in a variety of disciplines, but on the other hand, the use of the same term may have distinct implications under different contexts and leads to confusion. For instance, a large body of literature has examined “the governance of NGOs,” but I found that many studies use the same term “governance” with different meanings: some of them refer to how the state governs and regulates the NGO sector (Barr, Fafchamps, and Owens 2005; Hasmath and Hsu 2016), while others focus on management and operation within NGOs (Bradshaw 2009; de Andrés-Alonso, Cruz, and Romero-Merino 2006; Hasmath and Hsu 2008; Murray 1998; Ostrower 2007; Ostrower and Stone 2006, 2010; Saidel and Harlan 1998; Van Puyvelde et al. 2012; Willems et al. 2016).

Therefore, I attempt to elucidate the meaning of “governance” at the beginning of this thesis. I will first discuss the possible source leading to ambiguities in governance studies and proceed to propose a framework of power which helps to understand the essence of governance and clarify the confusion.

1.1.1 Governance at Different Levels

Firstly, one important source of confusion in governance research comes from the level of analysis. Governance is a multilevel and multifaceted concept and it is important to carefully distinguish its different dimensions to obtain a more accurate understanding.

There are actually two different meanings when we discuss this concept of governance.

The first “governance” focuses on the macro level or the societal level, which has been equated with government, or patterns of government (Stone and Ostrower 2007).

Governance at this level is often referred to as political governance or public governance (Cornforth 2012). The second “governance” concentrates on a lower, or organizational level, referring to the system by which organizations are directed and managed (Cadbury 1992). Governance at this level is usually referred as corporate governance or organizational governance, which is defined as “systems and processes concerned with ensuring the overall direction, control and accountability of an organization” (Cornforth 2014, 4-5).

Distinguishing these two different levels of analysis makes one observation apparent: studies of public governance barely have any links with those of organizational governance, although they use the same term. Scholars have been calling for a broader definition of governance for years (Salamon 2002; Stone and Ostrower 2007), but little progress has been made until now. Addressing this challenge entails proposing a consistent framework that encompasses two seemingly unrelated dimensions of governance – public governance and organizational governance – and therefore I propose

that such a framework is the perspective of power. That is, the power perspective could provide a consistent and unified framework to understand governance across different levels of analysis.

Research on governance – whether public governance or organizational governance – is extensive, but studying governance through the lens of power is still an under-explored approach. In fact, the perspective of power has been largely overlooked and even marginalized within the large body of literature on governance. By taking the perspective of power to investigate governance, this thesis adds a connecting link between the sociological literature and the studies on public administration and management.

1.1.2 Understanding Governance from the Power Perspective

As mentioned, this thesis takes an under-explored but important perspective, namely, the perspective of power to investigate governance at macro-, meso-, and micro-level, respectively. Thus, the first question which needs to be discussed is: what new insights can the power perspective provide on governance research? Or, in other words, what will be missing from our knowledge of governance if we ignore the issues of power? This section will address this question from two aspects.

First, the lack of a power perspective prevents us from grasping the essence of governance. This point of view is evident if we take a look at the definition of governance. The English word “governance” stems from the Greek *kybernan*, which was translated into Latin as *gubernare*, meaning to steer, direct, guide or pilot (Levi-Faur

2012, 3). This concept of governance is defined as “the way in which power is assumed, conveyed, and exercised within a society or an organization” (Wyatt 2004, 6). In other words, how power is perceived and exercised in an entity, particularly by the dominant player, leads to different patterns of governance, ranging from a democratic style to an autocratic mode.

The term governance is seldom explicitly defined in previous literature (Cornforth 2012); most studies use it without defining it, probably because governance is a multifaceted concept that is difficult to define, especially when that definition includes two seemingly unrelated dimensions, public governance and organizational governance. However, this thesis argues that the perspective of power provides the key to understanding the essence of governance, regardless of which levels of analysis we focus on.

Let us first apply this power perspective to the societal level and uncover the essence of public governance. Generally speaking, the concept of “governance” used in a great deal of literature only refers to public governance (Pierre and Peters 2000; Pollitt and Bouckaert 2011). Consistent with the definition of governance, public governance can be defined as “the way in which power is assumed and exercised within a society.”

Furthermore, given that government is the dominant actor and the center of considerable political power (Pierre and Peters 2000), public governance essentially refers to how the government manages and exercises power within a society. For example, liberal democracy is one mode of governance which is based on a system of checks and balances to restrain and regularize the exercise of power by the government, so that citizens can

hold governmental authorities accountable to the people's interests (Fukuyama 2011). By contrast, authoritarian or autocratic regime is another mode of governance where few institutions are designed to prevent the concentration of a great deal of power in the hands of the government.

In the past decades, the rise of New Public Management (NPM) suggests that government should include a wider range of social actors – such as nonprofit organizations, private companies, or market mechanisms – in both policymaking and implementation to appear more effective and legitimate (Pollitt and Bouckaert 2011, 22). If we adopt the perspective of power and re-examine the idea of NPM, the essence of NPM lies in the government sharing power with more stakeholders in society, which also coincide with Foucault's (2007) theory about security as opposed to discipline and sovereignty/territoriality (see more discussion in section 1.1.3). Along the same lines, other prominent concepts such as “good governance” or “global governance” all reflect the same idea: including a wider range of stakeholders, in addition to the government, in the task of governing. Good governance in modern network society lies in the government sharing power with more constituencies and a shift in political systems from hierarchically organized, unitary systems of government to more horizontally organized and relatively fragmented systems of governance (Nickel and Eikenberry 2010, 269).

In the same vein, when it comes to organizational governance, the key to grasping its meaning still lies in understanding how power is perceived and exercised within an

organization. In previous literature, studying nonprofit governance¹ has been equated with studying nonprofit boards for a long time (de Andrés-Alonso, Cruz, and Romero-Merino 2006; Ostrower and Stone 2006; Speckbacher 2008), but I believe the focus of this line of inquiry is too narrow and largely ignores the richer implication of governance. Even if we have a wide knowledge of the board, such as board composition, size, attribute and performance, there is still an obvious knowledge gap: we have a limited idea about how decisions of daily operations are made in an organization, and to address this question we need to understand how power is perceived and exercised by people, especially by leaders who are in charge of the daily management and operations within the organization.

Second, the neglect of power analysis prevents us from gaining a more complete understanding of governance. Previous literature on public governance overemphasized the “good” side of governance by highlighting its “collaborative nature” (Salamon 2002, 8), but this line of research overlooks the other side of the same coin: public governance or political governance is not only related to the sharing and dispersal of power, it can also refer to the concentration and exercising of power. Therefore, we should not limit our understanding of public governance to good governance which emphasizes steering society through sharing power with more constituencies, such as business corporations and social organizations. The power perspective allows us to explore more about the other side of governance, which highlights how the government steers society, including the NGO sector, by adopting different methods to exercise power and implement control.

¹ The term nonprofit governance has generally been defined as how nonprofit organizations are governed at the organizational level, rather than the societal level (Cornforth 2012; Zhang, Guo, and Cai 2011)

The same logic can be applied at the organizational level: examining nonprofit governance through the prism of power helps us understand it in a broader sense. The NGO sector is often assumed to be value-driven and has a less hierarchical and more participatory governance pattern than the private and governmental sector (Hailey and James 2004), but until now, empirical evidence in support of this claim is scarce, probably due to the lack of indicators used to measure governance patterns across different types of organizations. However, the perspective of power provides a flexible framework to operationalize the intangible concept of governance and within this framework, the concept of power distance is an effective tool producing data which is comparable across different organizational settings. Very few concepts and instruments can achieve this. By definition, power distance measures people's perception of unequal power distribution and leaders' power distance manifests itself in the leadership style and governance pattern in organizations (see more in Chapter 3). Based on this concept, this thesis aims to reveal Chinese NGOs' governance patterns by exploring the chief executive officer's (CEOs') power distance. Revealing NGO's governance patterns has two further purposes: (1) to test whether power modes in the NGO sector are different from power modes in other types of organizations such as government agencies and private corporations. More specifically, I intend to explore whether leaders in Chinese NGOs show a more democratic orientation than people in other organizations, such as managers from business corporations and public servants from government agencies; (2) to assess how the leadership style in Chinese NGOs changes under the influence of the environment. Every organization is embedded within a specific institutional context and power modes in organizations are deeply shaped by the influence of the environment.

Therefore, gaining a better knowledge of the interaction between the external environment and internal governance is of great importance.

Finally, the power perspective provides a broader understanding of governance by extending our knowledge to the micro (individual) level in addition to the societal level and the organizational level, by examining how much power the leader of an organization holds in practice. As discussed above, if we want to grasp the essence of governance, we need to understand how power is perceived and exercised, especially by the leaders who play a central role in controlling daily operations and governance in an organization. Nonprofit CEOs' power distance measures their perception of power and manifests their leadership style, while on the other hand, the power perspective also allows us to investigate the amount of power CEOs hold and its consequences, which helps to advance our knowledge of nonprofit governance to a more nuanced, individual level.

1.1.3 Relevant Theories of Power

If the key to understanding governance lies in power, then how to understand power? And particularly, what contributions does this thesis make to advance our understanding of power? Power is one of the most contested concepts and with it comes many ambiguities and ambivalences such that no indisputable and consistent definition has emerged. As Zhou, Ai, and Lian (2012, 84) claimed, “no concept in social sciences had had as many different interpretations, and as much controversy, as that of ‘power’.” One of the most widely accepted definitions of power is that proposed by Max Weber (1968[1922]), “Power (Macht) is the probability that one actor within a social relationship will be in a

position to carry out his own will despite resistance, regardless of the basis on which this probability rests” (53). Or, another commonly used definition is, in Dahl’s terms (1957, 202-203), “A has power over B to the extent that he can get B to do something B would not otherwise do.”

However, power is a multifaceted concept with multiple dimensions, so one broad definition is hard to fully capture the nature of power. To develop a more nuanced knowledge of power, Lukes (2005) took a further step to distinguish three dimensions of power: the first dimension is based on Dahl’s definition and focuses on observable behavior, which prevails in the process of decision making; the second dimension refers to power that sets the agenda; and the third dimension is ideological power “influencing, shaping, or determining [people’s] very wants” (27), even creating desires opposed to their self-interests. Haugaard (2014) summarized that Lukes’ three-dimensional power essentially suggests a negatively normative evaluation of power as domination from the conflictual perspective. In addition to the negative view of power, Haugaard (2015) also emphasized the positive potential of power as empowerment from the consensual perspective. Giddens (1989) echoed Haugaard’s argument and suggested that power does not have only one facet: structures for exercising power could be both enabling and constraining.

Different from these prominent theorists and their significant efforts to theorize power, this thesis has no intention to study power in a philosophical sense, or engage in this normative debate of whether the nature of power is negative or positive. Instead, this

thesis will treat power in a neutral way and allow the evidence to speak. So, the challenge and the contribution of this thesis lies in developing different approaches to operationalize power and in providing new empirical knowledge of power. Nevertheless, any empirical work has its theoretical roots and I will discuss three studies which inspire this thesis. In other words, the following discussion is not a comprehensive and exhaustive survey of how power is theorized by well-known authors from Hannah Arendt to Pierre Bourdieu, but focuses on those theories from which I take my inspiration.

The first theory of power I want to discuss is Michel Foucault's governmentality, which directly inspires this thesis' first chapter, which studies power at the macro level.

Foucault (2007) distinguished two² main mechanisms to regulate human behavior and argued how the technique to govern has evolved historically from "discipline" to "security." Discipline is a visible hand that allows nothing to escape and "circumscribes a space in which its power and the mechanisms of its power will function fully and without limit," while the apparatus of security, by contrast, grants individuals freedom and "lets things happen" (Foucault 2007, 45).

These two are completely different systems to manage and exercise power. Discipline is a relatively primitive and less advanced way to govern at the early stage of the modern society, while in the era of security, individuals are given the freedom to pursue their interests. According to Foucault, however, this freedom is nothing else but "the mutations

² Actually, there is another mechanism called "territoriality" according to Foucault. Territoriality or sovereignty refers to an apparatus of power which functions on an obedience relationship between a higher will of the sovereign and the wills of those subjected to his will. This sovereign power is less relevant to this thesis' argument, so I focus my discussion on the other two mechanisms.

and transformation of technologies of power” and furthermore, “an apparatus of security cannot operate well except on condition that it is given freedom” (2007, 48). Compared to discipline, the mechanism of security does not restrain or deprive individuals of freedom, but instead, this new technique of power functions in a more invisible and imperceptible way, with “a hold on things that seem far removed from the population, but which, through calculation, analysis, and reflection, one knows can really have an effect on it” (Foucault 2007, 72). This is the birth of absolutely new tactics and arts of power: governmentality. In Foucault’s account (2007, 72), governmentality takes “population as its target, political economy as its major form of knowledge, and apparatuses of security as its essential technical instrument.”

The idea of governmentality inspires the first chapter of thesis, in which I reveal how the authoritarian state has adopted a more advanced, invisible method as opposed to direct, overt measures to implement control on the sector of NGOs in China. I do not think that elites running the Chinese government have read the work of Foucault, but the reality highly coincides with the idea of governmentality. Evidence in the first chapter shows that the techniques the Chinese government uses to govern NGOs have been evolving: the methods to impose controls are less primitive, direct and overt, but more subtle, indirect and therefore more imperceptible.

The second concept I intend to review is power distance, proposed by Hofstede (1980a). In Foucault’s account, power is a highly structured concept so power in his theory “does not have a human face since it is embedded in structures” (Oleinik 2015, 11). In other

words, the Foucauldian approach to power is a structurally determinist one which predominantly focuses on the macro or structural level and leaves limited room for studying individuals vested in power. This weakness leads to two problems: on one hand, the Foucauldian approach overlooks the agency perspective of power, which is as important as the structural approach; on the other hand, faceless power makes it difficult to operationalize and measure this concept, resulting in scarce empirical evidence and thereby a major knowledge gap in our understanding of power, particularly at the micro level.

Different from Foucault studying power in an abstract or philosophical sense, Hofstede's power distance provides a highly measurable and operationalizable framework, which has enabled researchers to gather a significant amount of empirical evidence, especially in management literature. Power distance is defined as the degree to which individuals, groups, or societies expect and accept that power is distributed unequally (Hofstede 1980a, 2001). This concept can be applied to different levels of analysis and varies at the micro (individuals), meso (organizations or groups), and macro (countries) levels. Eckstein (1966) proposed a so-called "congruence theory" in this sense, which argues that a society will tend to be stable if power modes at different levels are congruent.

In Hofstede's original work, power distance is analyzed at the societal level to reveal a country's culture, not individual values or orientations. Particularly, he treated individuals as units of observation and clustered data collected from individuals to the national level.

Just as he claimed, “the five dimensions³ are derived from analyses of individual responses aggregated to the country level and therefore they apply to societies, not to individuals” (Hofstede 1995, 208-209). The measurement of power distance at the individual level and the organizational level requires the development of other instruments and considerable research has been done to extend our knowledge from the country level to the individual level (see more discussion in Chapter 3). This thesis focuses on an organization’s leadership style, which is manifested in organizational leaders’ power distance: individuals with high power distance value place more emphasis on respect, deference and loyalty to authority, whereas individuals with lower power distance are more accepting of decentralized organizations, participative decision making, and consultative leadership (Daniels and Greguras 2014, 1203).

Focusing on the meso level of power, the second paper of this thesis reveals the leadership style in Chinese NGOs by examining the leader’s power distance. The results suggest that the leadership style within NGOs in China is indeed more democratic than the leadership style within government agencies and private corporations. But this incongruence with the authoritarian culture of the government as well as the public in China leads to some serious consequences for the development of Chinese NGOs.

The last theory I want to discuss is sources of power developed by Pfeffer (1992). Essentially, Hofstede’s power distance is a perceptual measure based on people’s

³ The five dimensions are power distance, individualism VS collectivism, masculinity VS femininity, uncertainty avoidance, and long term VS short term orientation, which are identified by Hofstede (1991) to describe country cultures.

acceptance of inequality in the distribution of power (e.g., whether distributing a large amount of power to a particular group of people is acceptable or legitimate). In other words, power distance reveals people's attitudes towards power and inequality, but it cannot demonstrate how much power a leader actually wields in practice. In order to do this, we need to develop a more nuanced framework and relevant indicators to measure the amount of power at the individual level.

Pfeffer proposed (1992) two approaches – structural positions and individual attributes – to understand where power comes from. That is, there are two fundamental sources of power: one source derives from structural positions and the other source comes from individual actions/attributes. This taxonomy is also consistent with two longstanding competing perspectives in social science regarding the primacy of structure or agency in determining human behavior. The structural perspective emphasizes that human behaviors are shaped and even determined by certain social structures, whereas the agency approach stresses the human capacity to behave proactively, not just as dictated by structures.

Based on Pfeffer's two approaches, the third paper of this thesis proposes a two-dimensional framework – structural power and individual power – to conceptualize the leader's power in Chinese NGOs. Furthermore, this paper introduces multiple indicators to operationalize leaders' structural power and individual power respectively. In doing this, this study contributes a new understanding of how much power an organizational leader holds at the individual level.

1.2 Research Questions

Distinguishing different levels of analysis and examining governance through the prism of power pave the way to develop a series of research questions which guide this thesis on NGO governance in the authoritarian context of China. Following the classification of public governance and organizational governance, this thesis will cover macro and meso levels as well as the micro level to investigate the governance of NGOs in China from the perspective of power. More specifically, this thesis will explore the following three sets of questions in three chapters respectively:

RQ 1: How do we understand the Chinese government's new tacit techniques to govern and control NGOs in contemporary China?

RQ 2: What is the leadership style in Chinese NGOs? How does the public, one of the most important actors in the institutional environment, shape the leadership style of Chinese NGOs?

RQ 3: How much power does the CEO of a Chinese NGO have? Does the CEO's power affect the nonprofit organizational performance, and if so, to what extent?

By addressing question 1 to question 3, the governance of Chinese NGOs is analyzed through the lens of power, and more specifically from a higher level to a lower level. The first question concentrates on the macro level, exploring how the authoritarian

government implements control over NGOs in China. In this sense, the governance of NGOs in question 1 refers to the public governance at the societal level, i.e., how the state adopts different approaches to govern and steer the society.

With the second question, I take a further step in the level of analysis from macro to meso and the meaning of NGO governance also changes to the governance pattern within an organization, rather than how the government governs NGOs. Specifically, question 2 focuses on the organizational level, examining the leadership style within Chinese NGOs as well as the interaction between external funding from individual donors and internal governance within NGOs.

Finally, the last question turns to the micro level, studying governance and power from a completely intra-organizational perspective. Answering this question entails investigating NGO leaders' power under the microscope, including analyzing different dimensions of power, measuring how much power a CEO holds and assessing how CEO power influences the organizational performance of NGOs in China.

In sum, these three sets of questions are related to one main problem dealing with the governance of Chinese NGOs from the perspective of power. The analysis of governance is advanced by each question from an overall view of the adverse environment in which NGOs operate to a close-up of internal governance within Chinese NGOs. By addressing these research questions, I believe this dissertation contributes valuable new understandings of how Chinese NGOs are governed in an authoritarian country.

1.3 Defining Terms

Before proceeding to the main body, some important concepts used in this thesis need to be discussed and defined. This dissertation focuses on the sector of NGOs in China and particularly, I will use evidence collected from Chinese philanthropic foundations.

However, there is a wide range of terminologies used to describe the intermediate entities between the public sector (government) and the private sector (business), including nonprofit organizations (NPOs), voluntary organizations, civil society organizations (CSOs), non-governmental organizations (NGOs), philanthropic organizations and so forth. These different labels are often used synonymously with one another, which may confuse some readers and therefore deserve further elaboration.

Consider first the differences between these terms. First, the variety of labels reflect different practices of phrasing across multiple disciplines: for example, political science literature usually uses the term NGO, while in public administration literature the term NPO is more common (Lecy et al. 2012, 436). Second and more importantly, each of these terms focuses on “one aspect of the reality represented by these organizations” (Salamon and Anheier 1992, 128). Nonprofit organization, for instance, is a term defined by the structure of ownership (Steinberg and Powell 2006, 3); voluntary organization emphasizes the significant contribution that volunteers make to the sustainability of this organization (Salamon and Anheier 1992, 129); civil society organization is a term used to convey the message of promoting the public good and encouraging civic participation by the organization (Salamon, Sokolowski, and List 2004); non-governmental

organization emphasizes the fact that the creation and operation of the organization is outside of the state apparatus.

In this thesis, I choose to use the terms NGO and NPO, but my focus is not on distinguishing the modest differences between NGOs and other synonyms. By contrast, I use the term NGO in a broad sense, which means NGOs refer to various types of organizations that possess five key characteristics identified by Salamon, Sokolowski, and List (2004, 9-10), including: (1) organized (the organization has some structure and regularity to its operation); (2) private (the organization is not a part of the apparatus of the government); (3) not for profit (any profits or surpluses must be reinvested in the organization's mission and should not be returned to directors, managers or stakeholders); (4) self-governing (the organization is in control of its own affairs) and (5) voluntary (participation or membership in the organization is not legally required or otherwise compulsory).

Based on these five features, Vakil (1997, 2060) proposed a summarized definition which describes NGOs as “self-governing, private, not-for-profit organizations that are geared to improving the quality of life for disadvantaged people.” This is the definition adopted in this thesis. In other words, this thesis studies and uses the term NGO in a broad sense: as long as an organization meets the five key criteria identified by Salamon, Sokolowski and List (2004), it is labeled as an NGO. In this sense, the terms NPO and NGO are also used interchangeably in this thesis since both types of organizations are organized, private, not profit-distributing, self-governing and voluntary.

It is the same logic which rationalizes using the evidence collecting from philanthropic foundations as the source of information. Philanthropy is defined as “voluntary action for the public good” (Steinberg and Powell 2006, 3) and the term philanthropic foundation refers to a “not-for-profit organization that promotes public benefit undertakings through grants and donations” (Feng 2015, 130). There are noticeable differences between foundations and NGOs; for instance, foundations are usually considered as grant-making organizations whereas NGOs would be recipients of funds and providers of services.⁴ However, how philanthropic foundations are different from NGOs is not the focus of this thesis; instead, foundations are treated and examined as NGOs. In fact, this study chooses to focus on philanthropic foundations because these organizations can be viewed as typical Chinese NGOs: foundations are technically NGOs by definition since they have the five features identified by Salamon, Sokolowski, and List (2004); what’s more, the development of foundations reflects the profound change of the NGO sector in China during the last three decades (see more discussion in section 1.4.1).

Ignoring the differences between NGOs, NPOs and foundations also highlights the purpose of this thesis. The aim of this thesis is to explore the interaction between NGOs and the institutional environment, and how the governance and power modes within NGOs are different from power modes in other organizations such as government agencies and private corporations. So for this thesis, the common features shared by

⁴ Nevertheless, the defining characteristic – grant making – of most foundations has changed significantly. Nowadays the majority of foundations “have taken direct responsibility for their own programs rather than giving grants to other institutions”(Prewitt 2006, 355).

various organizations within the NGO sector are much more important than the differences of these organizations. Focusing on the five characteristics will better serve this priority because they are the most crucial and generally accepted features that define this NGO sector (Ma 2006, 77), whereas dwelling on the details of the differences between NGOs, NPOs and foundations will make it hard to discern the voice of this thesis.

Since this thesis relies on data collected from the sector of philanthropic foundations, a legitimate question is: can the findings of this study be applied to all NGOs? I intend to address this question from two aspects. First, empirically speaking, this thesis has several interesting findings, such as the state's strict but indirect control over foundations, the authoritarian culture's isomorphic pressure on foundations, and CEO power's double-edged effect (both constraining and enabling) in foundations. I assume these findings are not unique to the foundation sector but could shed light on other types of NGOs as well. However, more data from different types of NGOs are needed to validate this point. For now, this thesis has no intention to overgeneralize the results because the empirical evidence is only gathered from the foundation sector. Second, when reviewing previous literature, this thesis does not exclusively focus its attention on research on the foundations sector since this will lead to a risk of ignoring rich literature on NGOs in China. In fact, no existing studies on Chinese foundations have just limited themselves to the literature on foundations (Hsu 2016; Ma and DeDeo 2018; McGinnis Johnson and Ni 2015; Ni and Zhan 2017). In sum, foundations are one type of NGOs: findings from

foundations cannot speak of the entire NGO sector in China, but definitely provide valuable insights into Chinese NGO studies.

Some concerns may be raised with regard to whether Chinese NGOs meet the five standards raised by Salamon, Sokolowski, and List (2004). Particularly, the most controversial feature is whether NGOs could be considered as “self-governing” since the autonomy of these organizations has long been questioned from the initial stages of development (Guo, Zhang, and Cai 2009). Indeed, the government has been the main originator of the NGO sector from its inception during the 1980s (McGinnis Johnson and Ni 2015) and the top-down NGOs created by the government are usually referred to as “government-organized NGOs (GONGOs).” This deep state involvement in Chinese NGOs from the beginning raises serious concerns about these organizations’ autonomy, especially for GONGOs.

However, “the issue of autonomy must be understood in the content of China’s circumstances” (Ma 2006, 95) and there are two main reasons. Firstly, Chinese NGOs cannot be completely separated from the government under the legal system in China: if an NGO wants to register with the Ministry of Civil Affairs or local civil affairs departments, it must first find a government institution or a government-authorized organization willing to act as its supervisory agency, which is known as the “dual-management system” (Feng 2015; Ma 2006). Within this legal framework, if we strictly follow the Western criteria to examine registered NGOs in China, an assumption will be made that there are no “real” NGOs among registered NGOs, which is not only not true –

many registered NGOs are not GONGOs but real independent NGOs, especially after the State Council issued *the Regulations on Foundation Administration* in 2004, which officially allows private players to organize foundations (see more discussion in Chapter 2) – but also fails to capture the complex legal and institutional environment NGOs need to face in China. In this sense, some scholars claimed that taking independence from the government as a key feature of the NGO sector is not informative for the study of NGOs in China (Edele 2005; Lu 2007).

Secondly, the fact that NGOs do not have full independence according to Western standards does not mean that they cannot pursue their own independent agenda (McGinnis Johnson and Ni 2015). Lu (2007) even argued that some GONGOs might enjoy more autonomy than “real” civic NGOs since they know better how to negotiate with the state and mobilize resources. It is true that NGOs may not make their own choices on politically sensitive issues in China, but it is also true that Chinese NGOs may control their internal affairs as long as these affairs are not related to any political or ideological matters which the government may perceive as threatening to its rule and dominance (Ma 2002). Furthermore, this conditional autonomy only proves the unfavorable environment Chinese NGOs face; it by no means lessens the significance of the NGO sector for the development of China’s society (Edele 2005).

In summary, when applying Western conceptions to other countries with different contexts, local conditions must be taken into consideration. Given the legal system and institutional environment in China, it would be a mistake to assume that Chinese NGOs

are only legitimate when they are fully separated from the government (McGinnis Johnson and Ni 2015). This thesis uses empirical data collected from philanthropic foundations, which are all registered NGOs; some of them are GONGOs and others are independent NGOs. There is no doubt that both GONGOs and independent NGOs do not meet the autonomy standard compared to their counterparts in the West, but these organizations as a whole form an intermediate sector which sits between the government and the for-profit sector, and this is the most important criterion for this study. Again, the priority of this thesis is to identify the NGO sector and distinguish it from the governmental and private sectors.

The last term which needs to be defined is international NGOs (INGOs). Although this thesis does not focus its attention on international NGOs since the data used are limited to domestic NGOs in China, international NGOs and their influence represent an interesting topic worth more exploration (see future work in Chapter 5). International NGOs, or more accurately term, “overseas NGOs” in the Chinese context, refers to “non-profit, non-governmental social organisations such as foundations, social groups and think tanks that have been legally established outside of mainland China,” according to Article 2 of China’s *Overseas NGO Law*, which came into effect on January 1, 2017.⁵ Overseas NGOs have been entering China since the start of the reform and opening era in the later 1970s, but the Chinese government has never released any data on the exact number of overseas NGOs in China (Feng 2017). A special report from China Development Brief

⁵ Before China passed the *Overseas NGO Law* in 2017, Russia introduced the so-called “foreign agents” law in 2012 to strictly monitor foreign NGOs and foreign-funded NGOs in Russia (Moser and Skripchenko 2018). These two laws share many similarities in terms of motivations and regulations (see more discussion in Chapter 5).

(2012) estimated that at least 221 overseas NGOs came to China between 1978 and 2012, operating in a range of areas including public health, education, environment, children, disability and rural development.

Over a long period of time, the Chinese government's policy toward overseas NGOs was ambivalent and there was no specific law regulating overseas NGOs' activities: on one hand, the state values these organizations' abilities to provide development assistance and address social problems; but on the other hand, the government generally distrusts things from the West and has long suspected overseas NGOs of undermining social stability and threatening party rule in China (Ma 2006). The recent years have seen the policy become increasingly stringent, especially after the "color revolutions" that took place in 2004 (China Development Brief 2012). The recently enacted *Overseas NGO Law* is considered by many China watchers as an example to mark a new age of the Chinese government's intensifying "crackdown" on overseas NGOs and civil society in China (Hsu and Teets 2016). Hasmath and Hsu (2018) believed that the *Overseas NGO law* aims to reduce foreign actors' influences on domestic affairs in China, provide the greater predictability of a home-grown civil society and thereby allow the government a greater stranglehold of power in China.

1.4 The Chinese Context

1.4.1 The Development of Chinese NGOs

After the Chinese Communist Party (CCP) took power in 1949, the government proceeded to wipe out all kinds of associations not sponsored by the party-state, replacing

them with top-down structures of social control and mass mobilization (Foster 2003, 1). As a result, during the first thirty years of the People's Republic of China, the Maoist era (1949-1978), civil society and the sector of NGOs virtually ceased to exist. However, dramatic changes have taken place in China since Xiaoping Deng launched the “reform and opening-up” policy in the late 1970s, which created the basis for the rapid growth of NGOs over the last three decades.

The emergence of the NGO sector is a result of the economic and administrative reform since the late 1980s (Yan et al. 2007; Zhan and Tang 2016). During the Maoist era, the government eliminated all intermediate associations between the state and the individual, and established a socialist welfare system providing universal but minimal social services to Chinese people through a centrally planned economy (McGinnis Johnson and Ni 2015; Yan et al. 2007). However, this collective socialist security system was dismantled by the economic and administrative reforms. With the aim to realize market transition and downsize the bureaucracy, the government has retreated from social welfare delivery and shifted the burden to the society, creating space for NGOs to play an important role in providing social services, especially in the areas such as poverty relief and educational advancement that had been exclusively the government's responsibility (Ma 2006; Ni et al. 2016; Yan et al. 2007)

The last three decades have witnessed a rapid growth of a new sector of NGOs, voluntary associations, nonprofit organizations, philanthropic foundations and other types of

intermediate institutions in China. In 1988,⁶ there were only 4,446 registered NGOs⁷ (National Bureau of Statistics of China 2010), but by the end of 2018, that number had increased to 816,027 (Ministry of Civil Affairs of China 2018) (Table 1.1).

Table 1.1 The Growth of NGOs and Foundations in China

	1988	1993	1998	2003	2008	2013	2017	2018
NGOs	4,446	167,506	165,600	266,612	413,660	547,245	761,539	816,027
Foundations	N.A.	N.A.	N.A.	954	1,597	3,549	6,307	7,027

Source: Ministry of Civil Affairs of China (2005, 2018); China Statistical Yearbook (2010, 2018)

The fast expansion of the NGO sector presents a dilemma for the authoritarian state: on one hand, the government began to realize the important role NGOs can play in the provision of social welfare. Promoting charitable activities and social groups can be one of the strategies to make up for the government's insufficient capabilities in addressing social problems and mobilize untapped resources in the society; but on the other hand, the government has been afraid that the increasing influence of social organizations might catalyze political instability in Chinese society (Edele 2005). Previous literature used "symbiotic" to characterize the government's attitude towards the NGO sector: as long as

⁶ The year of 1988 is the earliest year that the China Statistical Yearbook started to publish statistical data for NGOs in China.

⁷ In China, the government finds the term "NGO" is too "western" and "sensitive" for China's context, so it usually avoids the label NGO and uses the term "civic organizations (*minjian zuzhi*)."⁷ Furthermore, the regulations established by China's Ministry of Civil Affairs divide registered civic organizations into three categories: social organizations (*shehui tuanti*), private non-commercial enterprises (*minban feiqiye danwei*) and philanthropic foundations. But essentially, they are all NGOs based on Salamon, Sokolowski and List's five features.

NGOs act as social agents to provide social services and more importantly, stay away from politically sensitive areas, the government will let them exist and function (Ni et al. 2016; Spires 2011; Yan et al. 2007).

As one type of NGO, philanthropic foundations also have shown rapid expansion (Table 1.1). As mentioned in section 1.3, philanthropic foundations can be viewed as typical Chinese NGOs since their development trajectory exemplifies what the NGO sector has experienced in the authoritarian context of China from 1949 to present. In the Maoist era (1949-1978), the state declared philanthropy to be a hypocritical and deceptive instrument used by capitalist countries and Kuomintang reactionaries to fool and control the lower class and poor people in China; consequently, the sector of philanthropic foundations was eliminated and even the term “philanthropy” or “charity” could not be used in the state newspapers (Tian 2004).

The re-emergence of the philanthropic sector is a result of the retrenchment in the provision of social welfare due to the economic and administrative reforms, as discussed above. Things have changed dramatically with the end of the Maoist era and the government’s role has transformed from the biggest repressor to the biggest sponsor of the foundation sector. The first philanthropic foundation in the People’s Republic of China – the China Children and Teenagers’ Fund (CCTF) – was established in 1981 with strong government support from the All-China Women’s Federation (ACWF) (Nie, Liu, and Cheng 2016). Just like CCTF, early foundations were created by the government and supported by government funding, with little involvement of private citizens or

commercial entities. In recent years, the foundation arena has become increasingly diverse with the growth of independent foundations created by private players and the decrease of government funding to government supported foundations. However, the government still plays a dominant role in shaping the foundation sector, but the governing method has become more tacit, indirect, and sophisticated (see details in Chapter 2). In short, the re-emergence and development of philanthropic foundations represent a typical case which reflects not only the phenomenal change of the NGO sector, but also the profound institutional change in China.

1.4.2 Previous Literature on Chinese NGOs

This thesis consists of three papers and each paper will provide a specific literature review on the particular topic, so this section will focus on literature exploring the general frameworks of Chinese NGO studies. This thesis predominantly relies on English literature; this may cause some doubts in a study of Chinese NGOs. This section, therefore, will firstly address this concern and then turn to the literature review.

Although this thesis only cites two sources in Chinese, it cites a large body of research done by Chinese scholars. After reviewing hundreds of papers and books on Chinese NGO studies, I came to a conclusion that almost all top Chinese researchers in this field write and publish in English, such as Qiusha Ma, Yiyi Liu, Xueyong Zhan, Na Ni and Xiaoguang Kang, just to name a few. In my opinion, the reasons are twofold. First, Chinese researchers are willing to share the discussion of Chinese civil society with the international community. Knowledge accumulation should be cumulative so writing in

English will remove the language barrier and help to communicate Chinese scholars' understanding about Chinese society with their peers' in foreign countries. Second, a more important reason is, writing in English gives Chinese researchers more freedom and helps them avoid censorship in China. Particularly, extensive literature on Chinese NGOs delineates how the authoritarian government controls and represses civil society in China, and this line of research is highly sensitive and has little chance to be published in Chinese journals. By contrast, there is less censorship in the English language academic world,⁸ which allows scholars to write and publish on a much wider range of topics on Chinese NGOs. In other words, some research topics, which are missing from the literature in Chinese, can be found in English-language publications.

For this thesis, I compared literature on Chinese NGOs in both English and Chinese, and if there is similar content, I choose to cite the English literature to allow larger audiences to understand the sources. For example, Kang and Han first proposed the concept of “graduated control” to characterize the NGO-government relationship in a paper published in a Chinese journal in 2005, but later they introduced this concept to the English literature (Kang and Han 2008). Under this circumstance, I cite only the English version; there is no need to cite the Chinese one again since its idea and framework are

⁸ However, in recent years, even the English language academic world is not a safe place anymore. An obvious example occurred in 2017 when the Chinese government ordered Cambridge University Press to censor more than 300 articles published in *the China Quarterly*, a flagship journal of Chinese studies, and this publisher bowed to pressure from Beijing and removed 315 articles related to sensitive issues such as the pro-democracy movement, 1989 Tiananmen Square, the Cultural Revolution and Tibet on its site in China (<https://www.nytimes.com/2017/08/18/world/asia/cambridge-university-press-academic-freedom.html>). Although Cambridge University Press eventually restored access to these articles after facing intensive criticism for caving to censors, this incident raised serious concerns about China's efforts to restrict academic freedom and censor all kinds of activity outside its borders (<https://www.insidehighered.com/news/2017/08/22/facing-criticism-cambridge-university-press-changes-course-and-wont-comply-chinese>).

basically the same. At the end of this process, I find that there are few sources in Chinese containing contents which are not covered in the English language literature on Chinese NGOs. In fact, compared to scholarship in Chinese, the literature in English provides more in-depth theoretical frameworks and more systematic empirical evidence on the NGO sector in China.

However, I am not suggesting that English literature on Chinese NGOs is perfect; quite the opposite. If we compare English language literature on Western nonprofits and Chinese NGOs, there is an obvious gap: organizational governance of nonprofits is a well or even over-explored topic in the Western nonprofit literature, whereas there is much less research on organizational governance of Chinese NGOs (see more discussion in Chapter 3). Most research on Chinese NGOs explores this sector's significance, its interaction with the state, and the potential for further changes of the authoritarian regime (Hsu and Jiang 2015; Hsu and Hasmath 2014; Kang and Han 2008; Lu 2009; Ma 2006; Spires 2011; Teets 2013; Unger and Chan 1995). Using the framework of this thesis, this line of research could be broadly classified into public governance or political governance at the macro level, focusing on the relationship between the NGO sector and the state, or in other words, how the state steers civil society.

In general, two approaches dominate this line of literature. The first approach tries to apply the framework of Tocquevillian "civil society," which assumes the associations of civil society have the potential to constrain the government and foster skills of democracy that can spill over into extra-associational political life, but the evidence has not been

promising for seekers of civil society (Howell 1998; Hsu 2010; Ma 2006; Spires 2011). The second approach is the corporatist framework. The basic idea is that the government will recognize one organization at the national level as the representative of the sector's interests and aim to use that organization to maintain communication with the sector. In this way, NGOs in China remain strictly under the control of the party-state since it is the government that decides which organizations will be recognized as legitimate surrogates (Hsu and Hasmath 2013; Unger and Chan 1995, 1996).

Compared with political governance, organizational governance at the meso- and micro-level is still a topic which has received woefully inadequate attention in the Chinese NGO literature. There are several possible reasons underlying this missing knowledge: for one thing, the context in which Chinese NGOs are embedded is dramatically different from the environment for Western nonprofits. The natural conflict between civic organizations and the authoritarian state seems to be a more challenging and interesting topic than the relationship between NGOs and a democratic government. Therefore, how to understand the interaction of NGOs and the authoritarian state has become a pressing question which attracts more research attention than the question of nonprofit governance.

More importantly, it is relatively difficult to get access to the information on organizational governance of Chinese NGOs; by contrast, western scholars have collected rich and extensive data on different aspects of nonprofit governance, including board practices, board attributes and board recruitment, making it easier to study nonprofit governance in a thorough way. Among the few attempts to study nonprofit governance in

China, most research heavily relies on either interview data or case studies (Hasmath and Hsu 2008; Spires 2007; Zhang, Guo, and Cai 2011). Due to the political sensitivity of NGO research in China, there are very few comprehensive and consistent statistics on NGOs open to the public; collecting primary data is also difficult (Ma 2006, xi; Zhan and Tang 2016). The paucity of available data prevents advancing our understanding of organizational governance of NGOs in China. Extra empirical evidence is needed to make a more valid and generalized conclusion.

1.5 Organization of Chapters

This thesis is organized in a manuscript format, including three journal articles as chapters. Figure 1.1 illustrates the topics of each chapter and how they are integrated into a more general theme about the governance of Chinese NGOs from macro-level to meso- and micro-level.

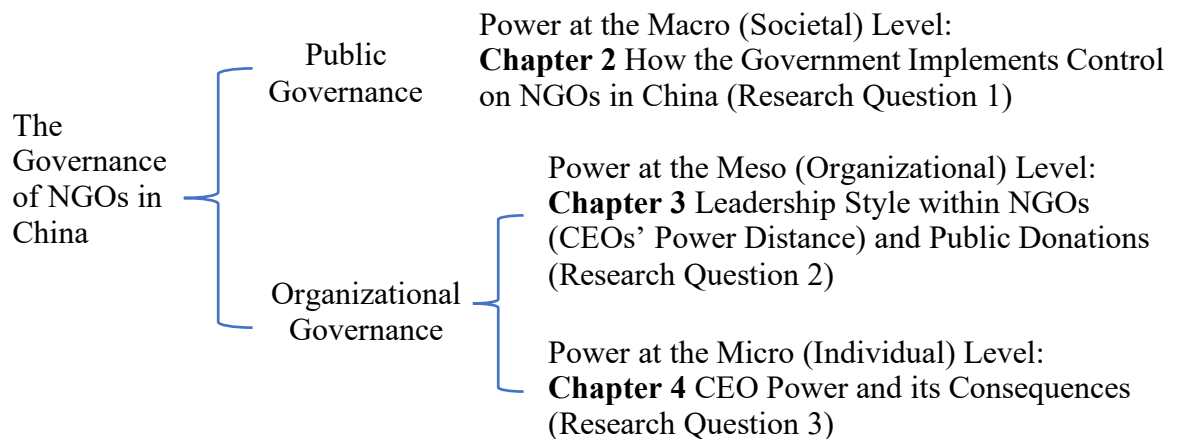


Figure 1.1 Organization of this Thesis

As shown in Figure 1.1, the whole thesis unfolds based on the outline established in the first chapter. This thesis focuses on NGO governance, which is divided into public governance and organizational governance to clarify the confusions in previous literature on NGO governance and further examined from the perspective of power. Three research questions raised in section 1.2 are explored in chapters 2-4 respectively at the macro-, meso- and micro-level of power. The summary of each chapter, including topics, methods and data used are explained as follows:

Chapter 2 focuses on the societal level, exploring how the authoritarian government implements controls over NGOs in China. How to operationalize the Chinese government's control over NGOs is a difficult task and this chapter addresses this challenge by exploring factors accounting for the difference in NGOs' capacities to mobilize resources, paying special attention to the government's role. Resources are so crucial to nonprofits' growth and some NGOs easily attract resources while others struggle to survive; if there is a powerful actor that can influence their abilities to mobilize resources, then it can easily govern and control these organizations in a more imperceptible way. By examining what factors shape foundations' abilities to mobilize resources and government's role underlying resource distribution, this research reveals how Chinese NGOs are governed and controlled by the authoritarian state using multilevel modeling techniques and a national sample of 3,344 philanthropic foundations in 31 regions of mainland China. The data used in this chapter are drawn from a dataset "Research Infrastructure of Chinese Foundations (RICF)." RICE is a project with the aim

of mitigating the problem of data unavailability for the study of civil society in China and I am also a member of this project (<http://ricf.org.cn>).

Chapter 3 focuses on the organizational level, examining Chinese NGOs' internal governance and its interaction with the external environment. This study uses power distance – “the degree to which individuals differ in their view of unequal power distribution” – of CEOs to reveal an NGO's leadership style and furthermore examines how external funding from the general public shapes internal governance within NGOs in China. Data for this paper as well as the third paper are based on an original survey of Chinese NGO CEOs conducted by myself and a collaborator in Beijing.

To collect primary data on governance patterns and power relationships within Chinese NGOs, I spent six months (May 2015 to October 2015) in China during my PhD program, building social networks with researchers as well as practitioners in China, gaining participants' trust and conducting interviews with CEOs in Chinese nonprofit organizations. After I returned to Canada, I spent another ten months preparing (December 2015 to April 2016) and conducting (May 2016 to September 2016) a survey to collect data on the leadership styles and financial performance in these organizations. This is a difficult project since I had very limited financial resources and “*guanxi*” (social networks, see more discussion in chapter 2) as a PhD student; but eventually, I managed to finish a survey completed by 163 CEOs working in Chinese NGOs with the help of a professor from Minzu University in China. This research experience has made me realize that possessing only professional knowledge is far from enough to complete productive

research, especially in a country like China; building social networks with local academics, practitioners and government officials is necessary to carry out a successful project. As researchers, we have to work on many things beyond research per se, to make our research work.

Large-scale quantitative research on NGOs in China is scarce due to the paucity of available data. Researchers of Chinese NGOs tried to address this issue by conducting surveys to collect primary data, but these efforts have not made substantial progress so far due to the low response rate. The survey in this thesis is one of the first providing information on governance patterns and power relationships within Chinese NGOs.

Chapter 4 examines nonprofit CEOs' power at the individual level. Particularly, I conceptualize and measure two dimensions of CEO power – structural power and individual power – and assess their influences on organizational performance.

Exploratory factor analysis and ordered logistic regression are used in this study. Drawing on the original data from my survey, this chapter is among the first studies to specifically assess how much power a CEO has and the relationship between CEO power and nonprofit performance.

Chapter 5 summarizes primary findings to research questions proposed in Chapter 1 as well as the main contributions of this thesis. Finally, this chapter points out further work which could be done in the future.

The last thing which needs to be explained is how chapters focusing on different levels of analysis fit, align and interact with one another. The general approach used in this thesis is, when the thesis proceeds to the next level in a particular chapter, this chapter will explore the interaction between the analytical level in the current chapter and the level in the previous chapter. For example, Chapter 3 – which turns to the organizational level after Chapter 2 examines the societal level – analyzes the relationship between the influence of the general public at the societal level and the internal leadership style within NGOs at the organizational level. In the same vein, when Chapter 4 takes a further step in the analytical level from macro to meso, this chapter investigates the link of the CEO power at the individual level and nonprofit performance at the organizational level. More discussion about how to understand the interaction between the macro-, meso- and micro-level could be found in conclusion (Chapter 5).

Authorship Statement

This thesis is the result of my independent research. According to the requirements of School of Graduate Studies at Memorial University, this statement describes the contribution made by the thesis author in each chapter.

Chapter 2: From Direct Involvement to Indirect Control? A Multilevel Analysis of Factors Influencing Chinese Foundations' Capacity for Resource Mobilization

A version of this chapter has been published in the Journal of *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. Data and relevant literature used in this chapter have been updated based on the newest available information (until January 2019). As the sole author, I developed the research design, reviewed related literature, built the statistical model, applied the model to analyze data and wrote the manuscript.

Chapter 3: Nonprofit CEOs' Power Distance and Public Donations: Evidence from Chinese Foundations

A version of this chapter has received a "Revise & Resubmit" from *Nonprofit Management and Leadership*. I designed the research scheme, identified research questions, decided research methods, constructed the survey instrument, cleaned data and performed quantitative analysis. I wrote and improved the manuscript. Dr. Jian Li from Minzu University of China helped to collect data from NGOs in China.

Chapter 4: CEO Power and Nonprofit Financial Performance: Evidence from Chinese Philanthropic Foundations

A version of this chapter is under review in the Journal of *VOLUNTAS*. I defined the specific research aim, developed the survey questionnaire, established statistical models and conducted data analysis and completed the manuscript. Dr. Jian Li from Minzu University of China helped to collect data from NGOs in China.

Chapter 2 From Direct Involvement to Indirect Control? A Multilevel Analysis of Factors Influencing Chinese Foundations' Capacity for Resource Mobilization

2.1 Introduction

By the end of 2015, China had about 662,000 civic organizations with more than 7.34 million employees and estimated revenues of 292.9 billion yuan (Ministry of Civil Affairs of China 2016).⁹ As a sector that had virtually ceased to exist during the first 30 years (1949–1979) of the People's Republic of China, civil society's emergence and development in the context of an authoritarian state is an interesting topic that has attracted the attention of many scholars. This chapter focuses on the predictors of Chinese foundations' capacity to mobilize resources, paying special attention to the role of government in this process. This is important because – as resource dependence theory emphasizes – the key to organizations' survival and development is the ability to acquire and maintain resources from the external environment (Pfeffer and Salancik 1978); this is particularly true of nonprofits since they cannot pursue profits and may be unable to generate sufficient resources internally. In addition, nonprofits in an authoritarian country face a more restrictive political environment with limited resource opportunities compared with their western counterparts (Ni and Zhan 2017), making them especially vulnerable to their environment.

If the ability to mobilize resources is so essential, a legitimate research question is: what factors determine organizations' capacity to mobilize resources? In the nonprofit sector,

⁹ The yuan is the basic unit of Chinese currency. Roughly, 1 yuan equals 0.15 US dollars. After the year of 2015, Ministry of Civil Affairs stopped releasing the data of revenues Chinese NGOs receive.

some organizations easily attract rich resources while others struggle to survive. What accounts for the difference? Since resources are so crucial to nonprofits' survival and growth, if there is a powerful actor that can influence their abilities to mobilize resources, then it can easily, if imperceptibly, govern and control these organizations. Especially in an authoritarian state, what kind of role does the government play in resource distribution among social organizations?

This study aims to address two challenges in the literature. First, most past research has focused on donations and their determinants even though donations are only one source of nonprofits' revenues (Jacobs and Marudas 2009; Weisbrod and Dominguez 1986); gaps remain in our knowledge of the antecedents that contribute to nonprofits' revenues. Second, how the authoritarian government implements controls on NGOs is not a new topic to scholars of Chinese studies, but previous research heavily relied on the case study method and empirical representative research that can be used to make valid generalizations is particularly scarce.

Drawing data from the Research Infrastructure of Chinese Foundations (RICF¹⁰), I propose a multilevel framework in which foundations' revenues are examined as a joint function of organizational (or micro) characteristics and regional (or macro) factors. Based on a nationwide sample of 3,344 foundations embedded in 31 regions in China, the results suggest that the distribution of resources is highly unbalanced in China's nonprofit sector. Foundations with particular characteristics (e.g., public fundraising qualifications)

¹⁰ More details about this data set can be found in the RICE user manual (Ma et al. 2017).

located in certain areas (e.g., Beijing) tend to have an advantage in mobilizing resources. In particular, my findings show that overt state measures, such as direct involvement in social organizations, no longer guarantee more resources to nonprofits, while deliberate, indirect strategies, such as controlling foundations' public fundraising qualifications, have a significant impact on their capacity to attract resources.

This study contributes to the field in two important ways. First, prior studies focused on either organizational characteristics or regional factors in examining the nonprofit sector. Although earlier authors had noticed this problem with levels of analysis, they did not fully address the issue. As Ben-Ner and Van Hoomissen (1992, 409) claimed in their article, "these theories pertain to individual organizations, whereas our data were at the county level." By contrast, this study is among the first to bridge the micro and macro perspectives by developing a multilevel analysis to assess both organizational and contextual effects, as well as cross-level interaction impacts on nonprofits' revenues. Second, by identifying the determinants of nonprofits' ability to mobilize resources, this study reveals the Chinese government's role in shaping resource distribution and the development of nongovernment organizations (NGOs). Given that quantitative studies of Chinese philanthropy and nonprofit organizations are scarce, this paper will advance our understanding of how the techniques the Chinese government uses to govern social organizations have become indirect control rather than direct involvement (Hsu and Hasmath 2014). NGOs can survive and even thrive in an authoritarian state, but only certain types. The highly unbalanced resource distribution patterns might have long-term

negative implications for small private foundations and for the development of a robust civil society in China.

2.2 Theoretical Background and Hypotheses

2.2.1 The Development of Chinese Foundations

Over the past three decades, China's philanthropic foundation sector has expanded rapidly. In 1988, there were only 5 foundations according to the RICF, but by the end of 2017, that number had increased to 6307 (National Bureau of Statistics of China 2018) (see more numbers in Table 1.1). The average annual rate of foundation growth is 27.92%, even much higher than the growth rate of China's nominal GDP over the same period, which is 14.85% (National Bureau of Statistics of China 1999, 2018).

The force underlying the rapid development of Chinese philanthropic foundations, however, is very different from what drives the growth of their western counterparts. Although philanthropy has a long history in China (Smith 2009), the philanthropic foundation represents a new and exotic organizational form (Estes 1998). Key incentives and preconditions for modern foundations to emerge and develop in the West virtually did not exist in China. In the US, for instance, modern foundations arose because of the concentration of great industrial wealth in private hands and the weak-state tradition of American political culture (Prewitt 2006). By contrast, the Chinese foundation sector was originally created by the government in the 1980s (Nie, Liu, and Cheng 2016; Wang 2018). Not until 2004, when the State Council issued the *Regulations on Foundation*

Administration, was private wealth officially allowed to play a role in the sector (Feng 2015).

After 2004, foundations created by private citizens or commercial entities grew rapidly. Meanwhile, the government has decreased its involvement in the nonprofit sector (McGinnis Johnson and Ni 2015) and Chinese foundations have become increasingly diverse. The retreat of the authoritarian state from the voluntary sector, however, does not mean that the government has any intention of giving up or even easing control over social organizations. In fact, this change reflected the delicate situation the state faces: on one hand, the government needs NGOs to provide some public goods to the society and thus to share some social welfare responsibilities with it (Kang and Han 2008); on the other, the party-state always has a strong incentive to control NGOs and prevent the rise of a civil society that may potentially threaten its robustness (Ni and Zhan 2017).

Accompanying this new age is a change in the government's method of governing nonprofits. It relies less and less on direct involvement and is gradually moving to indirect control, but it is still the dominant force in the foundation sector in terms of allocating resources and conferring legitimacy (see section 1.4.1 of Chapter 1 for more details about the development history of Chinese foundations). In the next section, therefore, I will carefully examine the government's influence when reviewing the factors affecting foundations' capacity to mobilize resources.

2.2.2 Factors Influencing Nonprofits' Revenues and the Role of the Government

In a broad sense, resources refer to the tangible and intangible assets that are considered crucial for an organization to attain a competitive advantage, such as human resources, financial resources, cultural resources and knowledge (AbouAssi, Makhlouf, and Whalen 2016; Wicker and Breuer 2013). However, studies of nonprofit organizations have viewed funding as the primary resource of interest (Grønbjerg 1993; Hodge and Piccolo 2005). Funding is a critical resource that organizations must secure and manage effectively if they are to survive and grow (Grønbjerg 1993). So in this study, revenues – which come from three main sources: private contributions (individual donations, corporate gifts and grants from other nonprofits), government funding and commercial activities (Froelich 1999; Hodge and Piccolo 2005) – are used as the proxy to assess an organization's capacity to mobilize resources.

Since resources are so crucial to NGOs' survival and growth, if there is a powerful actor – like the government in an authoritarian state – who can influence nonprofits' capacity to attain resources, it can easily control these organizations in an effective way. Previous studies analyzed how the Chinese government adopts increasingly nuanced methods to control NGOs and scholars used different frameworks to conceptualize this complex NGO-government relationship, such as “graduated control” (Chan 2010; Kang and Han 2008; Wu and Chan 2012), “consultative authoritarianism” (Teets 2013, 2015), “contingent symbiosis” (Spires 2011), and “embedded government control” (Ni and Zhan 2017).

Although these conceptual frameworks shed light on the sophisticated control the government implements over NGOs, little efforts have been made to test these theories by using systematic empirical evidence. This lack also reflects the paucity of comprehensive data on the Chinese nonprofit sector as well as some challenges underlying this line of literature, such as how to operationalize and measure government control and its impact on NGOs. This study addresses these challenges and contributes to literature on civil society in three ways: (1) establishing an overview of the landscape of Chinese foundations using large-scale data; (2) dividing government control into two categories – direct control and indirect control and operationalizing both types of control by different indicators; (3) approaching the problem of the government’s influence on NGOs by revealing how government control affects foundations’ capacity to mobilize resources.

The following literature review will be structured in two parts: the first focuses on organizational characteristics, discussing how government control at the organizational-level – both direct and indirect – affects foundations’ revenues, and the second reviews contextual factors, paying attention to the role of government in shaping resource distribution at the regional level. Specifically, direct involvement is operationalized by three measures: the first two indicators are the number of current as well as retired government officials who hold leadership positions in a foundation, which are referred to as political connections, or “*guanxi*” in Chinese society; the third measure is a categorical variable: foundations are classified into different types based on their founders; compared to other types, foundations organized by government-related agencies are considered to be under “direct government control.” On the other hand, indirect control is measured by

one indicator – foundations’ fundraising status, i.e., whether a foundation holds the qualification to raise funds publicly.¹¹ Some organizational demographics are also included as control variables.

2.2.3 Organizational Characteristics I: Direct Government Control

2.2.3.1 Political Connections

Given the fundamentally different institutional contexts of nonprofit development and the significant role government plays in China’s authoritarian context, a foundation’s political connections are the first important factor to be explored. Political connections are known as *guanxi* in the literature (Chen, Chen, and Huang 2013; Luo, Huang, and Wang 2012; Park and Luo 2001; Xin and Pearce 1996; Yang 1994). *Guanxi* is a rich and flexible Chinese concept that can be loosely translated as “relations,” “connections,” “social networks,” “social capital” or even “reciprocal obligations” in English (Luo, Huang, and Wang 2012, 142). It is a substitute for formal institutional support, and this kind of implicit relationship based on mutual interest and benefit is especially popular in an authoritarian state where the rule of law is weak¹² (Xin and Pearce 1996). It can help to reduce uncertainty in an unreliable environment: “once *guanxi* is established between two

¹¹ In short, the standard to distinguish direct involvement and indirect control is whether the government directly intervenes in the foundation’s internal affairs. Three measures of direct involvement – the number of current as well as retired government officials holding leadership positions in a foundation and government-related agencies as the founder – share one common feature: the government is directly involved into the foundation’s internal governance. By contrast, issuing fundraising certificate is a less overt, more indirect method than assigning government official to leadership positions in a foundation: there is no direct interference into foundations’ internal affairs and every foundation could apply for the certificate, but whether the applicant will get it still depends on the government’s will.

¹² As Walder (1986, 179) pointed out, “The concept [of *guanxi*] is by no means culturally unique [to China]: the terms *blat* in Russia and *pratik* in Haiti refer to the same type of instrumental-personal tie.”

people, each can ask a favor of the other with the expectation that the debt incurred will be repaid sometime in the future” (Yang 1994, 2).

Guanxi can exist in a variety of forms and one of the most common types is an informal relationship with officials at government agencies who hold bureaucratic power (Luo, Huang, and Wang 2012; Park and Luo 2001). In their study of 128 for-profit firms in China, Park and Luo (2001) found that political *guanxi* contributed to the market expansion and sales growth for Chinese for-profit corporations but did not improve their internal operations. In a meta-analysis of 53 previous studies, Luo, Huang, and Wang (2012) also demonstrated that government ties have a significant positive impact on a firm’s economic performance.

The same logic may apply to nonprofits in China (Zhan and Tang 2016). Political connections with the government bring NGOs not only economic resources but also intangible benefits such as “approval of registration, green lights on activities, political protection, free or low-rent office space” (Ma 2006, 97). Political connections are so vital for an organization’s survival that most nonprofit leaders endeavor to develop and cultivate them (Chan 2010; Hsu 2010; Zhan and Tang 2016). This is not only true of government-organized NGOs (GONGOs) but also applies to civic NGO leaders: most of them are members of social elites who have professional backgrounds and personal ties to the government (Zhan and Tang 2016).

Reviewing the existing literature enables us to gain a nuanced understanding that political connections and government control are essentially two sides of the same coin. Only by putting these two pieces together can we gain a complete understanding of the relationship between Chinese NGOs and the party-state. In other words, this relationship is a multifaceted concept that can be understood from two perspectives: on the one hand, as previous studies argue, because political connections are so crucial, they gradually became a strategic tool developed and utilized by some NGOs to obtain resources for survival and growth (Hsu 2010, 2016); but on the other hand, we also have to realize that sometimes a close connection with the government is not a voluntary choice: it results from the government's intention to manage and control NGOs (Nie, Liu, and Cheng 2016) or nonprofits' need to survive. Therefore, political connections – whether cultivated by NGOs themselves or imposed by the government – are a manifestation of government control.

In this study, this direct government control firstly is measured by the number of government officials who hold leadership positions in the foundation. Following the above logic, this measurement can also be understood from two angles: first, this is a strategy employed by Chinese foundations to cultivate political connections. Offering leadership positions to government incumbents as well as retired senior-level officials is a typical tactic which nonprofits adopt to get preferential access to resources (Ma 2006; McGinnis Johnson and Ni 2015). On the other hand, assigning government officials to leading positions in foundations is also a direct control strategy by the state (Nie, Liu, and Cheng 2016). But no matter which perspective – political connections or government

control – is adopted, it is reasonable to assume this factor will be associated with more resources.

In this study, leading positions refer to a foundation's chair of the board, deputy chair and secretary general (CEO). This definition is consistent with the 2004 *Regulations*.

Although Article 23 of the 2004 *Regulations* explicitly states that officials currently employed by the government should not hold leading positions in foundations, it is commonly violated in reality (Ma and DeDeo 2018). Therefore, I hypothesize:

Hypothesis 1: Foundations with more current and/or retired government officials in their leadership teams are likely to receive more revenues.

2.2.3.2 Founder

As mentioned above, the top-down, rather than bottom-up, approach to organizing the foundation sector at its inception is one of the biggest differences between Chinese foundations and their western counterparts. Thus Estes (2000) believed the majority of foundations in China were GONGOs when he examined charitable foundations in East Asia. However, with the rapid growth of GDP and new wealth, especially after the 2004 *Regulations* officially stating that private players could organize foundations, other types of founders became involved, including private business, family enterprises and rich people. While in a survey of private foundations in 2012, Lai et al. (2015, 5) still found that the single most common founder was a kind of public service government entity known as a *shiye danwei*; these are not technically government agencies but are still run by the government.

Starting an NGO in an authoritarian state is never an easy task and the government imposes stringent regulations and restrictions on nonprofits' legal registration (Ni and Zhan 2017). The kinds of organizations that can create foundations reflect the government's preference and control over the nonprofit sector. For instance, it is very difficult for a founder dedicated to promoting sensitive issues, such as human rights, to establish a foundation. Only originators that are considered to be politically safe are allowed to play in the NGO arena.

Following Wang's (2018) research, this study classifies Chinese foundations into seven types based on their founders: governmental foundations, corporate foundations, school foundations, family foundations, religious foundations, community foundations and independent foundations.¹³ Governmental foundations refer to those foundations which are organized by government related agencies and depend on government resources to sustain themselves. Governmental foundations are directly controlled by the government and have less autonomy than other kinds of foundations, but on the other hand, they are buffered against external uncertainty and enjoy more favorable access to resources (Nie, Liu, and Cheng 2016). Thus I hypothesize:

Hypothesis 2: Compared with foundations organized by other types of founders, governmental foundations are likely to receive more revenues.

¹³ An independent foundation is a non-governmental foundation that cannot be conveniently classified as one of the other six types (Wang 2016).

2.2.4 Organizational Characteristics II: Indirect Government Control

2.2.4.1 Fundraising Status

The 2004 *Regulations* legally distinguished two types of foundations – public and private – for the first time. But the meanings of public and private in China are very different from in the US (McGinnis Johnson and Ni 2015; Nie, Liu, and Cheng 2016). Nonprofit organizations in the US, including foundations, are divided into “public” and “private” based on the nature of their services or where their revenue comes from (Fischer, Wilsker, and Young 2011; Weisbrod 1977, 1988). A foundation is a public one if it “provides a community benefit and relies on contributions from an assortment of donors,” and a private one if it “fails the public support test by relying on asset dividends or contributions from few or single donors” (Fernandez and Hager 2014, 407).

By contrast, according to the 2004 *Regulations*, the distinction between these two types in China is that public foundations are allowed to solicit funds from the general public, while private foundations cannot (Feng 2015). So if a foundation qualifies to raise funds publicly, it would easily attain more revenues and hold a more powerful position in terms of resource mobilization. In this sense, strict political control over nonprofit fundraising became an instrument commonly used by the authoritarian state to govern NGOs (Ni and Zhan 2017). Although this strategy – controlling fundraising qualifications – is not as overt as direct control such as maintaining political connections with the government, it can be a more effective tool to influence foundations’ capacity to mobilize resources, and thereby determine their survival and development. Therefore, the following hypothesis is proposed:

Hypothesis 3: Compared with private foundations, foundations with public fundraising certificates are likely to receive more revenues.

2.2.5 Organizational Characteristics III: Control Variables

2.2.5.1 Organizational Age

The number of years a nonprofit has existed is an indicator of experience and a proxy for the organization's reputational capital (Okten and Weisbrod 2000; Weisbrod and Dominguez 1986). It signals to others that the organization has managed to obtain the necessary resources from the external environment to sustain itself over time (Trzcinski and Sobeck 2012). Using a sample of NGOs in Lebanon, AbouAssi, Makhlouf, and Whalen (2016) demonstrated that older organizations tended to engage in more partnerships with the external environment than younger ones; however, age was not significantly associated with the funding an organization got through forging partnerships. In China, Spires, Tao, and Chan (2014) examined 263 grassroots NGOs in three regions (Beijing, Guangdong and Yunnan) and found that age was a statistically significant predictor of receiving funding, especially from foreign organizations and individuals.¹⁴ Thus organizational age is included as a control variable to account for its potential influence on foundations' revenues.

¹⁴ We need to distinguish two kinds of foundations to avoid confusion, one is domestic foundations receiving overseas funds, and the other is overseas foundations in China. Due to the nature of data, this thesis only focuses on domestic foundations (even though they may receive foreign funds) established by founders in China. It is hard to conduct analysis on overseas NGOs in China since there is no systematic data: the Chinese government has never released any information on these organizations (see more discussion in Chapter 1).

2.2.5.2 Organizational Size

In this study, the size of an organization is measured by the number of staff members. Staff carry out the organization's daily functions, processes and missions, and full-time employees are usually considered as important "input" factors in understanding a nonprofit's capacity (Trzcinski and Sobeck 2012). Therefore this paper includes organizational size to control its possible effect on the foundation's capacity to mobilize resources.

2.2.5.3 Board Size

The final organizational factor included in this model is board size. From a resource dependence perspective, a larger board allows an organization to include more members from different areas or sectors, which appears to increase its access to external resources (Guo 2007). Therefore I assume board size may have an influence on foundations' revenues and include it as a control variable.

2.2.6 Contextual Characteristics

Although very few previous studies have directly examined the effect of contextual-level factors on nonprofit organizations' revenues,¹⁵ considerable work has been done to examine various social factors that determine the nonprofit sector's size and growth (Ben-Ner and Van Hoomissen 1992; Corbin 1999; Grønbjerg and Paarlberg 2001; Kim 2015; Matsunaga, Yamauchi, and Okuyama 2010). Resource dependence theory emphasizes that social context matters (Malatesta and Smith 2014). Institutional theory also points out

¹⁵ For an exception, see Leroux (2012).

that organizations must conform to the institutional context if they want to gain legitimacy and resources for survival (DiMaggio and Powell 1983; Meyer and Rowan 1977). The development of nonprofits and the amount of resources they can access are strongly shaped by the environment in which they are embedded.

Therefore, explanations of foundations' revenue streams cannot be reduced to individual organizational factors; the characteristics of the regions where they are located should also be taken into account. This point is particularly true of a large country like China, where the government's impact and local economic conditions vary dramatically from one place to another. Hsu, Hsu, and Hasmath (2017) posited Chinese NGOs would develop different strategies in response to different cities' resource environments. In this section, then, I review contextual characteristics that may affect organizations' capacity to obtain resources, paying special attention to the role of government and economic development at the regional level.

2.2.6.1 Political Factors: The Contradictory Role of Government

Government is the most influential actor in the institutional environment (Meyer and Rowan 1977), and its influence on the nonprofit sector is controversial. Generally speaking, the literature has espoused two opposite theoretical views: government failure theory and interdependency theory. This section will review these two competing theories and propose a hypothesis to test the contentious role of government at the regional level.

On the one hand, the government failure perspective believes that the relationship between nonprofits and government is fundamentally competitive or substitutable (Young 2000). In other words, the expansion of the bureaucratic state will “crowd out” the nonprofit sector (Saxton and Benson 2005, 21). As Kim (2015, 5) put it, “the nonprofit sector whose primary purpose is to alternatively supply quasi-public goods can possibly compete with the government’s role.”

Weisbrod (1977, 1988) first developed government failure theory (also called public goods theory) to rationalize the role of the nonprofit sector. In this view, the political process in a democratic society ensures that government is primarily concerned with providing public goods to the “majority” or median voter, leaving the special needs of small minorities or powerless groups unsatisfied (Hansmann 1987; Smith and Grønbjerg 2006). Nonprofit organizations arise to meet these special demands by providing particular types of goods and services that the government does not. Such “government failure” is most likely to happen where the population is heterogeneous and the concept of social heterogeneity is derived from government failure theory (Corbin 1999). In short, the more heterogeneous a region is, the less influence the government will have, and consequently, the larger the nonprofit sector will be (Steinberg 2006).

On the other hand, interdependence theory casts doubt on this “paradigm of conflict” and claims that the relationship between nonprofits and the state is more like a collaborative partnership (Salamon and Anheier 1997, 1998). Empirical findings by Marcuello (1998), Saxton and Benson (2005) and Kim (2015) support this claim and demonstrate that

government expenditure has a positive impact on the size and growth of the nonprofit sector.

In the authoritarian context of China, the dominant position of governments makes it difficult for nonprofits to be competitors. The state has significant gatekeeping powers over the resources NGOs need (Hsu and Jiang 2015). In fact, government funding may “crowd in,” rather than “crowd out,” financial contributions from other donors because: (1) receiving government funding may be perceived as a signal of a nonprofit’s legitimacy (McGinnis Johnson and Ni 2015); and (2) other contributors feel the urge to follow the state’s behavior under mimetic pressure (DiMaggio and Powell 1983). Thus, government spending can create a favorable environment for nonprofits. Therefore I hypothesize:

Hypothesis 4: Foundations located in regions with larger total government expenditure tend to receive more revenues.

2.2.6.2 Economic Factors

The final contextual factor taken into account is the great difference between regions’ economic development. If social heterogeneity theory focuses on the “demand side” of public goods, then the level of economic development determines the supply side: the resources and institutions available for nonprofits. For instance, the GDP per capita of China’s poorest province is less than a quarter of that in the richest one, and whether a region is relatively poor or wealthy affects the resources a foundation can mobilize.

Using a negative binomial event count regression on nonprofit founding in 284 US counties, Saxton and Benson (2005) observed a positive relationship between median household income and growth of the nonprofit sector. More specifically, Leroux (2012, 35) showed that, for each dollar increase in per capita income within a city, the revenue of a nonprofit economic development organization increased by \$0.002. Considering China's transitional economy, this study uses two measures to operationalize a region's economic development: GDP per capita and provincial marketization index (Wang, Fan, and Yu 2017). The marketization index¹⁶ is an indicator developed by Chinese economists to measure institutional differences and particularly the degree of marketization in different provinces. If a foundation is located in a region with better economic institutional arrangements, it is likely to have a more favorable environment for resource acquisition. Consequently, the following final hypothesis is proposed:

Hypothesis 5: Foundations located in regions with higher GDP per capita / a higher degree of marketization tend to receive more revenues.

2.3 Data and Methods

2.3.1 Sample

To test the proposed hypotheses, I drew information from the RICF, a database containing 3,344 registered foundations headquartered in 31 regions¹⁷ of mainland China

¹⁶ This index ranges from 0 to 10: the higher it is, the more marketized a province is. A region's marketization index is adjusted according to the base period (2008), so index below 0 is possible. More information about this index can be found in Wang, Fan, and Yu (2017).

¹⁷ China has 34 provincial-level regions, including 23 provinces, 5 autonomous regions, 4 direct-controlled municipalities (Beijing, Tianjin, Shanghai, and Chongqing), and 2 self-governing special administrative regions (Hong Kong and Macau). Taiwan, Hong Kong and Macau are always excluded from statistics and research about mainland China, so this leaves 31 regions.

from the year 2013.¹⁸ The RICF was created in 2015 by a group of emerging scholars who are interested in researching Chinese nonprofits. RICF data are drawn mainly from six main sources: annual reports and audit reports required by the government, information on the website of the Civil Organization Administration Bureau of the Ministry of Civil Affairs, reports disclosed on foundations' official websites, information from the CFC and China Foundation data sets, and reports and news from reputable magazines and websites (Ma et al. 2017).

Research on Chinese foundations has long been plagued by the scarcity of data and before the RICF was released in 2015 there were only two datasets: the China Foundation Center (CFC) and the China Foundation (Nie, Liu, and Cheng 2016). However, the CFC database is hard for statistical analysis since CFC does not release the raw data but only publish reports based on their data, while the China Foundation is not updated regularly and is out of date.¹⁹

The main reason for choosing the RICF, therefore, is that it is the first comprehensive, openly accessible dataset that includes the whole population of philanthropic foundations in China, providing individual-level information on the organizational characteristics of each one. Meanwhile, the regional data, such as GDP per capita and government expenditure, are extracted from the 2014 China Statistical Yearbook. Information on

¹⁸ The RICF covers three years from 2013 to 2015, but only the year of 2013 has the information on the type of foundations' founders, which is one crucial independent variable in this study.

¹⁹ The website is <http://chinafoundation.org.cn/>. When the author tried to log in on 23 December 2018, it did not seem to be active.

marketization level in 2013 is drawn from Wang, Fan, and Yu (2017) research. The sample size ranges from 11 to 437 foundations per region, and the mean is 107.87.

2.3.2 Measures

2.3.2.1 Dependent Variable

The key dependent variable in this study is an organization's capacity to mobilize resources, which is measured by using the total revenues for each foundation. This variable is highly skewed: the mean revenue of the total sample is 13.93 million yuan but the median is only 2.02 million yuan, which means some foundations can mobilize much more resources than others. So this variable was log-transformed, and 116 cases with revenues less than or equal to 0²⁰ were dropped.

2.3.2.2 Organizational Independent Variables

As indicated in Hypotheses 1 to 3, this study has identified several independent variables to operationalize government control at the organizational level. First, government's direct control is operationalized by three measures: the first two indicators are the number of current government officials and retired senior-level officials who hold leadership positions in a foundation, known as *political connections* (McGinnis Johnson and Ni 2015; Nie, Liu, and Cheng 2016). In our data, senior-level refers to officials with the rank of provincial governors (*buji*²¹) or higher before they retired; the third measure *founder* is

²⁰ The reason why there were foundations with revenues less than or equal to 0 is that the RICF includes foundations that are essentially defunct. So it makes sense to exclude these cases from our sample.

²¹ In the hierarchy of Chinese bureaucracy, public-sector employees are classified into 15 ranks, with the Premier of the State Council ranking first and clerks (*banshiyuan*) at the bottom of the hierarchy. Provincial governors or equivalent (*buji*) are usually ranked between third and fifth.

a categorical variable with six attributes, coded as 0 = independent foundations (reference category), 1 = governmental foundations, 2 = school foundations, 3 = corporate foundations, 4 = religious foundations, 5 = family foundations and 6 = community foundations.

Second, indirect government control is measured by foundations' fundraising status.

Fundraising status is a dummy variable, where public foundation = 1 and private foundations = 0.

The last group of organizational variables measures demographics, which are included as controls. *Organizational age* is defined as the time between each organization's year of founding and the year of observation (2013). *Organizational size* is operationalized by the number of full-time employees. Finally, *board size* is measured as the number of directors serving on a foundation's board.

2.3.2.3 Regional Independent Variables

Based on Hypotheses 4, each region's *government expenditure per capita* is included to examine the two competing theoretical views of the government's role. In this sample, Tibet Autonomous Region had the highest government expenditure per capita, 32,505.86 yuan. By contrast, Henan province spent only 5,930.21 yuan per capita in 2013, the lowest in the 31 regions.

Finally, I include *GDP per capita* and *marketization index* for China's provinces to capture economic conditions. Of the 31 regions, the marketization index of Tibet Autonomous Region is the lowest (-0.30), while Jiangsu province has the highest index (9.88). Table 2.1 lists means, standard deviations, and the minimum and maximum values for all organizational and regional variables.

Table 2.1 Descriptive Statistics for all Variables

	Mean	SD	Min	Max
Dependent variables				
Revenue (millions of yuan)	13.93	72.13	-0.98	1,655.37
Revenue (logged)	14.44	2.27	1.58	21.23
Organizational variables				
Number of incumbents	0.49	1.46	0	21
Number of retired officials	0.13	0.53	0	10
Founder	1.54	1.24	0	6
Fundraising status	0.39	0.49	0	1
Organizational age	6.64	7.21	0	32.67
Number of employees	3.34	5.50	0	111
Number of board members	12.25	6.49	1	30
Contextual variables				
Government expenditure per capita (yuan)	10,951.93	4,687.69	5,930.21	32,505.86
GDP per capita (yuan)	60,221.21	21,566.26	22,921.67	99,607
Marketization index	7.66	1.81	-0.30	9.88
N=3,344				

2.3.3 Methods

Since I hypothesize that both organizational and regional effects on foundations' revenues will be found, this study utilizes multilevel modeling (also known as hierarchical linear modeling (Raudenbush and Bryk 2002)): level 1 consists of organizational characteristics and level 2 is composed of regional factors. Compared with ordinary least squares (OLS) or logistic models, this technique takes into account the data's hierarchical nature and has two main advantages. First, it allows us to better estimate standard errors when individuals are probably correlated within larger units, which violates the assumption in OLS that observations should be independent (Robson and Pevalin 2016). Second, it can estimate the effects of higher-level variables and the cross-level interaction impact (Maimon and Kuhl 2008). The two-level hierarchical model is usually expressed as two sets of equations as follows:

$$\begin{aligned}\text{Level 1: Log (revenue)} &= \beta_{0j} + \beta_{1j}\text{incumbents}_{ij} + \beta_{2j}\text{retired officials}_{ij} \\ &+ \beta_{3j}\text{founder}_{ij} + \beta_{4j}\text{fundraising status}_{ij} + \beta_{5j}\text{age}_{ij} \\ &+ \beta_{6j}\text{employees}_{ij} + \beta_{7j}\text{boards}_{ij} + \varepsilon_{0j} \quad \varepsilon_{0j} \sim N(0, \sigma^2)\end{aligned}$$

where β_{1j} to β_{7j} are the coefficients that represent the partial fixed effects of organizational factors, and ε_{0j} is the level 1 error term. All non-dummy variables at level 1 are group-mean centered. β_{0j} is the intercept for each region, estimated as the following function:

$$\text{Level 2: } \beta_{0j} = \gamma_{00} + \gamma_{01}\text{government expenditure}_j + \gamma_{02}\text{GDP}_j$$

$$+\gamma_{03}\text{marketization}_j + \mu_{0j} \quad \mu_{0j} \sim N(0, \tau_{00})$$

where μ_{0j} is the contextual random effect with a normal distribution and variance of τ_{00} .

All level 2 variables are grand-mean centered. As shown in the equations, a random intercepts model is used to assess the effects of both organizational and regional characteristics on foundations' capacity to mobilize resources.

2.4 Results

Before discussing the results of the multilevel regression, let us first look at regional variations in foundations' revenues and see why hierarchical modeling might be the most suitable technique: the large differences between Chinese provinces. Figure 2.1 displays how foundations' per capita revenues²² vary across the 31 regions.

²² Take Beijing, for example, to show how I did the calculation. There are 414 foundations with revenues more than 0 yuan in Beijing, and I summed all the revenues to obtain the total revenue for the region. Then I divided this total by the capital's population to get the Beijing foundations' per capita revenues.

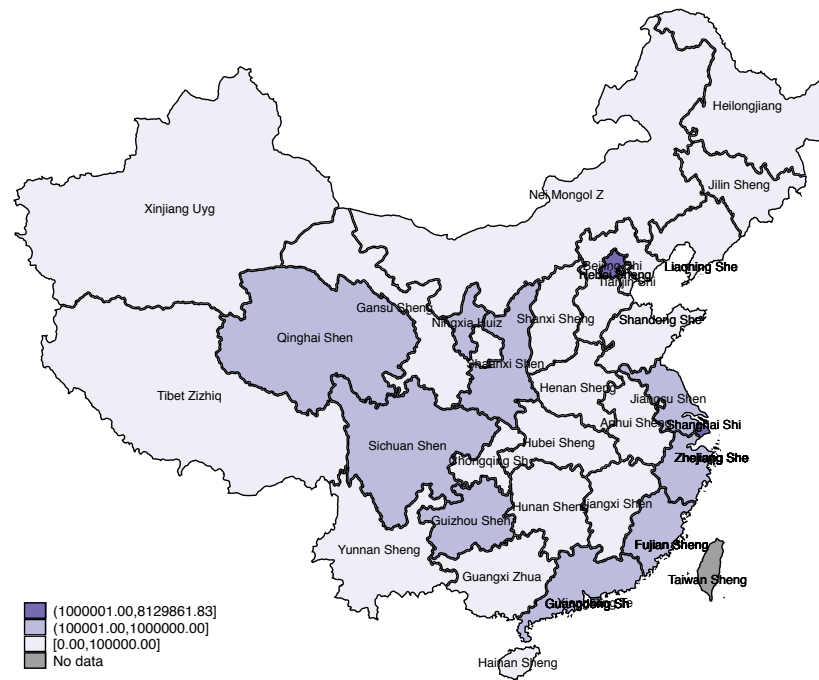


Figure 2.1 Foundations' per Capita Revenues Across Chinese Regions

As the map shows, there are substantial regional differences in the level of resource mobilization. Financial resources are heavily concentrated in foundations from two places: Beijing and the southeastern coastal provinces of Jiangsu, Guangdong and Shanghai. These provinces are well known for being economic drivers in China and they also have relatively high levels of marketization. So what this map shows is consistent with our hypotheses about contextual variables.

Nevertheless, although foundations from rich coastal provinces tend to get more revenues, Beijing – the capital of China – is undoubtedly the ultimate winner in terms of resource mobilization. In total, foundations located in Beijing received 17.2 billion yuan

in 2013, almost five times as much as the total revenue of foundations in Jiangsu province, which raised 3.7 billion yuan and ranked second.

Another interesting phenomenon is that, unlike the southeastern coastal provinces, Beijing far outstrips its neighbors at raising resources. Foundations located in Hebei – the province surrounding Beijing –received only 185 million yuan in total, just 1% of Beijing foundations' revenues. This striking contrast shows that Beijing foundations' advantage in terms of resource mobilization is less a natural result of socioeconomic development than an outcome of other factors such as political privileges.

Table 2.2 presents the results of five multilevel models. To test whether there is significant between-region variation in foundations' capacity to mobilize resources, I first estimate a null model in which no predictors are included for either level 1 or level 2, as shown in Model 0. This null model shows that the level 2 residual variance of the intercept is significant ($\tau_{00} = 0.27, p < 0.00$), which indicates that the variance in the dependent variable exists over regions. Specifically, the intra-class correlation is 0.053, suggesting that 5.3% of the total variance in foundations' revenues can be attributed to between-region differences, while 94.7% of the variance resides within regions (i.e., between organizations).

Table 2.2 Hierarchal Linear Models for Foundations' Revenues (logged) in 31

	Regions				
	Model 0	Model 1	Model 2	Model 3	Model 4
Organizational Variables					
Direct involvement					
Political connections					
Number of incumbents		-0.0047		-0.012	-0.016
Number of retired officials		0.059		0.061	0.064
Founder					
Governmental foundations		0.78***		0.34*	0.35*
School foundations		1.12***		1.16***	1.15***
Corporate foundations		0.48***		0.49***	0.49***
Religious foundations		0.083		0.062	0.091
Family foundations		0.16		0.19	0.18
Community foundations		0.27		0.29	0.21
Indirect control					
Fundraising status					
Public foundations			0.39***	0.62***	0.61***
Organizational demographics					
Organizational age		0.0070	0.0016	0.0024	0.0028
Number of employees		0.12***	0.12***	0.11***	0.11***
Number of board members		0.043***	0.049***	0.040***	0.040***
Regional Variables					
Political factors					
Government expenditure per capita (/1,000)		0.109*	0.095*	0.104*	0.094*
Economic factors					
GDP per capita (/10,000)		-0.29*	-0.26	-0.27	-0.25
Marketization Index		0.39**	0.37**	0.38**	0.43**
Cross-level Interaction					

Fundraising status ×					
Marketization Index					−0.14**
Random intercept coefficient	14.2***	13.7***	14.2***	13.7***	13.7***
Level 2 Variance (τ_{00})	0.27***	0.17***	0.16***	0.17***	0.16***
Intra-class correlation	0.053	0.042	0.038	0.041	0.039
AIC	11,712.31	10,532.30	11,141.55	10,518.53	10,511.77
N ₁	2,646	2,481	2,618	2,481	2,481
N ₂	31	31	31	31	31

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

* I also conduct robustness tests with log-transformed GDP per capita and government expenditure per capita, and all the results remain substantively the same.

In Model 1, I estimate the effects of government's direct involvement on foundations' revenues. Contrary to my assumption, there is no evidence to back Hypothesis 1: foundations' political connections do not have a significant impact on their capacity to mobilize resources. Hypotheses 2 is partly supported: a governmental foundation is predicted to receive more revenues than an independent foundation (reference category) does, but a school foundation is seen to have better capacity in terms of resource mobilization. Specifically, other things being equal, a governmental foundation's revenue will be 118.1% $([e^{0.78}-1] \times 100\%)$ higher than an independent foundation's, while the revenue a school foundation receives is expected to be 839.3% $([e^{2 \times 1.12}-1] \times 100\%)$ higher.

Model 2 focuses on how government' indirect control influences foundations' revenues. As Hypothesis 3 assumed fundraising status has a significant effect on foundations' capacity to attain resources. Revenue will be 47.7% $([e^{0.39}-1] \times 100\%)$ higher for a

foundation with a public fundraising qualification than a private foundation, *ceteris paribus*. As to contextual factors concerning environmental effects on foundations, Hypothesis 4 was tested to examine the government's role based on competing theories. As reported in Model 2, the effect of government expenditure is significant and positive, suggesting that interdependency theory rather than social heterogeneity theory is supported. Indeed, each additional 1,000 yuan of a region's government expenditure per capita is predicted to increase foundations' revenues by 9.97% ($[e^{0.095}-1]\times 100\%$). Finally, Hypothesis 5 regarding economic institutions is supported: one unit improvement in a region's marketization index is expected to raise foundations' revenues by 44.8% ($[e^{0.37}-1]\times 100\%$).

Model 3 is the full model including all variables at both organizational level and regional level. There is very little change in the effects of all predictors throughout Models 1 to 3: significant variables remain significant, which reflects the robustness of the results. GDP per capita is the only exception: it is negatively associated with foundations' revenues in Model 1 but shows no significant effects in other models. Model 1 and 2 test the effects of direct involvement and indirect control respectively to account for the possible collinearity; when both types of controls are included in Model 3, the most important findings from previous models stay the same: fundraising status has a positive impact on foundations' revenues while political connections' effects are not significant. Compared with independent foundations, governmental foundations are better positioned in terms of resource mobilization, but school foundations hold a more advantaged position. The

marginal effects of all the independent variables in this full model are illustrated in Figure 2.2.

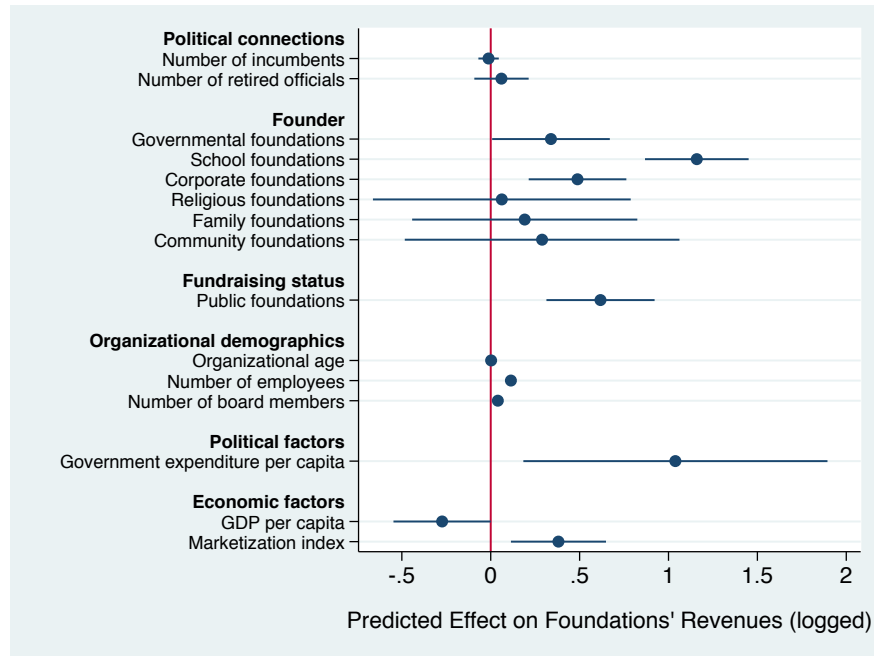


Figure 2.2 Marginal Effects in Full Model

Model 4 is meant to test cross-level effects by incorporating an interaction between foundations' fundraising status and regions' marketization level. Figure 2.3 illustrates how the effect of marketization index on foundations' revenues varies with fundraising status. At low levels of marketization, public foundations are predicted to receive more revenues than private ones. However, when regions become more advanced in the marketization process, although revenues increase for both types of foundations, the positive impact of marketization is stronger for private ones. As shown in Figure 2.4, the revenue gap between public and private foundations decreases with the increase in marketization level.

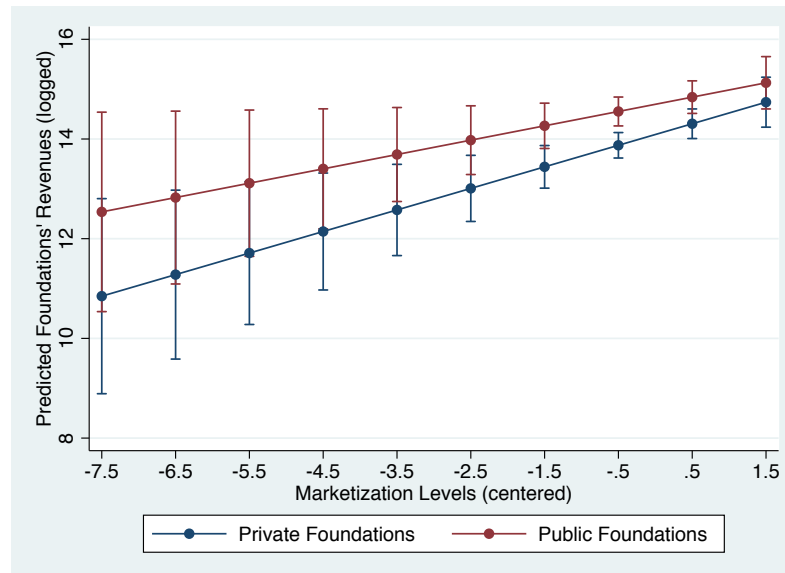


Figure 2.3 Interaction of Marketization Level and Fundraising Status in Predicting Foundations' Revenues, with 95% Confidence Intervals

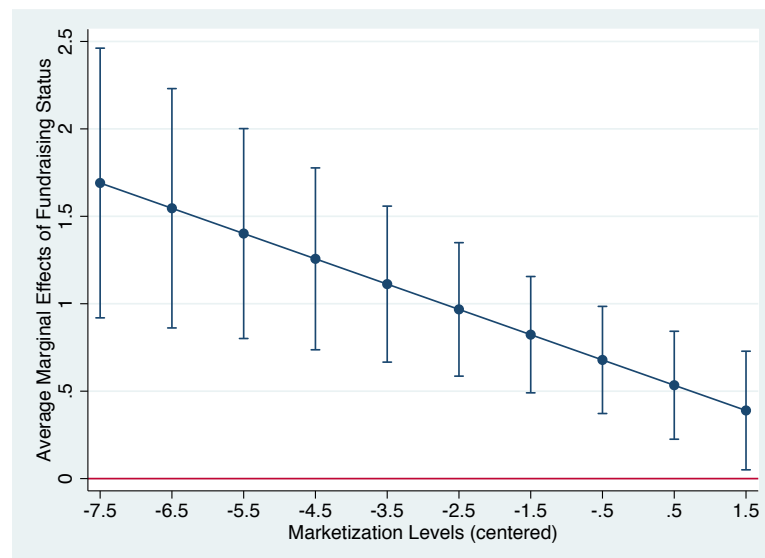


Figure 2.4 Revenue Gaps Between Public Foundations and Private Foundations at Different Levels of Marketization, with 95% Confidence Intervals

2.5 Discussion

By examining the factors that account for nonprofits' differing capacities to mobilize resources, this study paints an interesting picture of what kinds of foundations are most likely to survive and thrive in an authoritarian state, revealing how the government has used more indirect, subtle techniques than direct involvement to shape resource distribution and the development of the nonprofit sector. Several interesting findings emerged from the results, including some that run contrary to my hypotheses and I will briefly discuss four of the most salient.

Firstly, political connections with the government do not have a significant impact on foundations' capacity to mobilize resources. These results are contrary to the hypotheses based on the literature, but consistent with prior studies showing no direct relationship between government ties and private donations to foundations (McGinnis Johnson and Ni 2015). This finding suggests that political connections cannot guarantee a privileged position in terms of resource mobilization, which also may imply that the Chinese government no longer manages and governs NGOs in the form of direct involvement. It should also be noted that I used only the numbers of current and retired officials – which are self-reported indicators in foundations' annual reports – to measure political connections. Thus, if more specific and detailed data about foundations' leadership teams were collected in the future, we could gain a more nuanced understanding of whether government ties really work for nonprofits. For now, there is no evidence to show that

political connections – a form of direct government control – can bring more resources into foundations in China.

Second, governmental foundations – which are under strict and direct government control – still have a strong ability to mobilize resources, but not as strong as school foundations. This may reflect a fact that the Chinese nonprofit sector becomes increasingly complex and diverse. Under the direct government control may give foundations some privileges to mobilize resources, but other types of founders, like schools or corporates, can provide their foundations even more advantages. As the finding shows, a school foundation receives almost eight times more revenue than an independent foundation is predicted to raise. This evidence suggests that the government still uses but gradually moves away from direct control to influence foundations' resource mobilization. Furthermore, previous research (Lai et al. 2015; Spires, Tao, and Chan 2014) also noticed this systematic preference to school foundations and asserted the underlying reason might be education is normally seen as a safe political choice for Chinese donors.

Third, what really matters is a foundation's fundraising status. If a foundation is qualified to solicit funds from the general public, it will undoubtedly be in a better position to mobilize resources. This qualification to raise funds publicly, however, is not easy for an independent foundation without government affiliations to obtain. Based on our sample, among 1,310 foundations having certificates to raise funds publicly, the majority (95.4%) are governmental foundations and only 4.6% are other types of foundations. The Ministry of Civil Affairs released the revised draft of *Regulations on Foundation Administration* in

May 2016, and a big difference from the 2004 *Regulations* is that the new version abolishes the typology based on fundraising status, which is consistent with China's new *Charity Law* passed in March 2016. According to the *Charity Law*, a charitable organization that has been legally registered for two years may apply for the public fundraising qualification. Despite the policy changes, the essence of the problem remains: controlling fundraising qualifications is still an indirect but effective way for the government to regulate NGOs, and the process of deciding which foundations can receive such qualifications is far from transparent.

Finally, two competing theoretical perspectives on the state's role were tested at the contextual level. My findings supported interdependency theory rather than social heterogeneity theory: government expenditure is positively associated with foundations' revenues. Across the models, the effect of GDP per capita appears to be negative or insignificant, suggesting foundations located in less developed regions may receive more revenues. This is possibly because foundations embedded in poor regions might have chances of attracting funding from other places, like other regions, or even overseas funding sources. Moreover, the nonprofit sector can benefit from the market economy and the higher a region's marketization level, the more resources foundations are likely to mobilize. Better institutional economic arrangements significantly increase resources for all foundations and particularly private ones by showing a "compensation" effect: the regression models demonstrated that foundations with public fundraising qualifications tend to receive more resources than private foundations do, but this gap shrinks as marketization increases.

2.6 Conclusion

What factors shape foundations' capacity to mobilize resources? Using China as an empirical case study, this study developed a multilevel framework to assess the influence of both organizational and regional characteristics, and the impact of cross-level interactions on the revenues of 3,344 Chinese philanthropic foundations in 31 regions. The results show that the distribution of resources is highly unbalanced and that foundations with particular characteristics are systematically favored. By exploring factors affecting foundations' capacity for resource mobilization, this study reveals that the techniques the government uses to govern NGOs gradually evolve from direct involvement to indirect control.

Before I discuss the insights arising from this study, some limitations should be noted. First, the main inputs to the RICF are annual reports, which are self-reported by foundations. There are always concerns about self-reported data's accuracy and common method bias (Liao and Chuang 2004). Second, foundations constitute only one type of NGOs in China, so we should be very cautious about generalizing these results to other kinds of civic organizations. I encourage researchers to study other Chinese nonprofits for comparison. Third, the data in the RICF are limited to 2013-2016, and this study chooses the year of 2013 since it contains the most complete information needed for this study. Thus the sample is cross-sectional and no causal relationship can be claimed. If we had longitudinal data on all Chinese foundations since 1981, a more comprehensive picture of the changes in their capacity to mobilize resources could be established.

Despite these limitations, this study advances our understanding of why nonprofits' resources are highly concentrated in certain areas, what kinds of foundations can mobilize most resources and, more importantly, the government's role underlying the imbalance in resource distribution. As shown in results, direct government control does not guarantee benefits for foundations anymore, which may indicate that the Chinese government's methods of regulating social organizations have changed: it is reducing direct involvement in the NGO sector.

This change, however, does not imply that the Chinese government intends to give up its control over social organizations. Instead, it may reveal that the state has adopted a new, more evolved technique of governing NGOs: less direct, micro involvement, more tacit, indirect control. Using Foucault's theories discussed in Chapter 1, the Chinese government has adopted a mechanism of "security" rather than "discipline" to regulate the civil society in China. Direct political control may not work anymore, but it is still the government that determines which nonprofits get certificates to raise funds publicly. By controlling fundraising qualifications, the government can easily affect nonprofits' capacity for resource mobilization and therefore control their survival and growth more imperceptibly and indirectly.

Further evidence of this subtle governance technique is the high concentration of resources in school foundations. One underlying force shaping this process is the government's tacit control: foundations that avoid sensitive areas – intentionally or even

unintentionally – mobilize the most resources in China’s nonprofit sector. This is how indirect government control works: in an authoritarian state, NGOs can survive and even thrive, but only certain types considered to be politically safe.

These findings reveal a nuanced fact that the government not only plays a significant role in shaping the foundations, but also tends to use a more indirect way to implement control. In other words, the government’s control of NGOs does not become “loose” or “weak” in terms of the degree; it remains strong and even more stringent, but becomes more tacit, indirect, and sophisticated in form. These new techniques may be indirect and even imperceptible, but their influence remains significant and they deeply shape the development of NGOs in China. The change of the Chinese government’s governance methods does not imply “democratization but rather a sophisticated authoritarianism that uses more indirect tools of social control” (Teets 2015, 173).

In today’s increasingly challenging economic environment, financial capacity is the highest priority for nonprofits so they can sustain themselves and address their social missions (Hall et al. 2003). Thus knowing which kinds of NGOs are best able to mobilize resources and the government’s role underlying resource distribution has profound implications for the development of a healthy nonprofit sector and a robust civil society in an authoritarian country. Meanwhile, though, organizations are not just passive entities conforming to their environment; they actively manage their characteristics and internal structure to gain an edge in the competition for resources. Will this adaptation to the environment influence management within an organization? Will funding from the

external environment shape nonprofit organizations' internal governance? These questions concerning the interaction between organizations and their institutional environment will be examined in the next chapter.

Chapter 3 Nonprofit CEOs' Power Distance and Public Donations: Evidence from Chinese Foundations

3.1 Introduction

This chapter will turn the research attention from the public governance to the organization governance. As discussed in Chapter 1, when we compared the existing studies on Chinese NGOs with those on Western nonprofits, one knowledge gap is obvious: there is an abundance of research examining the organizational governance in the Western nonprofit literature, but we have very limited knowledge about the internal governance of Chinese NGOs. This lack is particularly surprising considering that a key concern driving research on Chinese NGOs is whether the institutions of civil society have the potential to foster skills of democracy that can spill over into extra-associational political life (Hsu and Jiang 2015; Spires 2007). Before we automatically assume that NGOs are agents of democratization in China, a more crucial question and the prior task is to reveal the governance pattern within Chinese NGOs (Spires 2007). It is hard to imagine that NGOs with authoritarian leadership styles could become schools and agents of democracy as Tocqueville ([1838] (2004)) assumed.

Therefore, this chapter addresses this knowledge gap by examining a set of important but unexplored questions: What is the leadership style in Chinese foundations? Particularly, do leaders of nonprofits in China show a more democratic orientation than people from other kinds of organizations such as leaders of private corporations and officials of government agencies?

Furthermore, every organization is embedded in a certain institutional and resource environment and its internal governance is deeply shaped by the influence of the environment. This is particularly true for Chinese NGOs because they are more vulnerable to the environment due to a more restrictive political environment with limited resource opportunities compared with their western counterparts (Ni and Zhan 2017). Generally speaking, there are two most important actors in the external environment: the first one is the government, who defines the legal and regulatory environment and has authority over NGOs; the other key actor is the general public, who also have important resources NGOs need and the standing to confer legitimacy (Deephouse 1996, 1025). Some studies have explored the government's impact on organizational governance of Chinese nonprofits (Zhang, Guo, and Cai 2011), but how the general public influences NGOs in China has received almost no attention and is far from clear.

Therefore, the second set of questions this paper intends to address is: will influences from Chinese individuals shape the power distance within foundations in China? If so, to what extent? In an authoritarian context, the government is undoubtedly the dominant force which exerts influences the nonprofit sector; however, the role played by individual citizens is also of great importance and should not be easily overlooked. For nonprofit organizations, the government is not the only social actor in the environment which provides resources for nonprofits; they can also depend on the public for financial resources to sustain themselves, which may have significant implications for organizational practices and cultures. By examining how a specific form of public influence (public donations to nonprofits) affects leadership style (operationalized by

leaders' power distance) in philanthropic foundations, this paper contributes new understandings of whether and to what extent ordinary people exert influences on NGOs in China.

Drawing on data from an original survey of 163 chief executive officers (CEOs)²³ in Chinese foundations, the results show: (1) Chinese nonprofits have a more democratic leadership style, as their leaders show a relatively lower power distance than members working in other types of organizations such as government agencies and private corporations. (2) However, the democratic leadership style within nonprofits is subject to change under the influence of public donations. Funding from individual donors is significantly associated with a higher level of CEOs' power distance in Chinese foundations. This study provides a nuanced understanding of the stringent political environment Chinese nonprofits face: the isomorphic pressure of authoritarianism not only comes from the government, but also from Chinese individuals in the society. These findings may have a significant implication for the development of democracy more broadly in China.

3.2 Background

3.2.1 Nonprofit Governance: A Power Perspective

Nonprofit governance is one of the most prominent research agendas in Western nonprofit literature. A large body of research has examined this topic and the majority of

²³ If we translate the term directly into English, the CEO of a philanthropic foundation in China is called the "secretary general," but this thesis follows most nonprofit literature and uses the term "CEO."

studies focus on the role of the board. Over the years nonprofit scholars in the West have collected rich data on different aspects of nonprofit governance, including board composition, board size, board attributes and board practices (Bradshaw, Murray, and Wolpin 1992; Callen, Klein, and Tinkelman 2003, 2010; Guo 2007; Ostrower and Stone 2010). Just as Stone and Ostrower (2007, 430) claimed, “the study of nonprofit governance most often has been equated with the study of nonprofit boards.”

When it comes to the research on nonprofit governance of Chinese NGOs, it is fair to say this is a seriously under-explored field. For a long time, the concern of scholars on Chinese NGOs lies elsewhere. Namely, previous literature on Chinese NGOs predominately concentrates on how the state implements controls to govern and regulate NGOs, or how NGOs survive in an authoritarian state like China – two sides of the same coin concerning the NGO-state relationship (Hsu and Hasmath 2016; Hsu, Hsu, and Hasmath 2017; Kang and Han 2008; Lu 2009; Ma 2006; Ni and Zhan 2016; Spires 2011; Teets 2015; Unger and Chan 1995; Wei 2017; Zhan and Tang 2016). In other words, the issues addressed in the existing studies on Chinese NGOs have primarily focused on the macro level – the interaction between the government and the NGO sector; very few go into the inside of these organizations and provide evidence of how Chinese NGOs operate internally (Spires 2007). Just as Zhang, Guo, and Cai (2011, 14) claimed, most studies on nonprofit governance of Chinese NGOs offer “limited theoretical and empirical evidence on how well nonprofit organizations are governed.”

Different from existing nonprofit studies focusing on the board, this study uses a power perspective as well as a concept of “power distance” to analyze nonprofit governance. Nonprofit governance is by no means a new topic to researchers on nonprofit studies, but taking an overlooked approach – the perspective of power, and a largely neglected concept – power distance, I believe this study contributes new knowledge to this line of research in both theoretical perspective and empirical evidence.

Firstly, by adopting a perspective of power, this paper responds to a longstanding limitation of the nonprofit governance research; namely, it has focused too narrowly on the role of the board. If we define nonprofit governance as what boards of directors do, it will ignore the rich implication of this concept and leads to narrow conceptualization (Cornforth 2012). To achieve a more nuanced knowledge of nonprofit governance, revisiting the original meaning of governance is necessary. As discussed in Chapter 1, this definition of governance is “the way in which power is assumed, conveyed, and exercised within a society or an organization” (Wyatt 2004, 6). In other words, the key to making sense of governance lies in gaining a better understanding of power. Power was one of the focal points in early studies of nonprofit governance (Kramer 1985; Murray, Bradshaw, and Wolpin 1992; Zald 1969), but this crucial concept has been gradually marginalized and trivialized in the recent literature. This study departs from most studies by taking a perspective of power, an overlooked research tradition which may shed new light on an extensively explored topic of nonprofit governance.

Secondly, using the concept of power distance, this paper responds to the challenge of data scarcity on Chinese nonprofit research by providing new empirical evidence.

Chinese NGO research has long been plagued by the paucity of data, and this problem is particularly serious on the nonprofit governance research. Among few studies exploring nonprofit governance in China, all of them rely on the method of case studies (Hasmath and Hsu 2008; Zhang, Guo, and Cai 2011) and one important reason is the difficulty to collect data: it is relatively easier to get access to three, four or even ten organizations, but it is much harder to persuade hundreds of NGOs to participate in a survey.

For a research topic where empirical data is extremely scarce, why does this study choose power distance as the main variable when there are other available measures in the Western nonprofit literature? The reasons are threefold: (1) firstly, this paper takes a power perspective and power distance is the most relevant and a generally recognized measure to operationalize power. Numerous studies have tested its reliability and validity; (2) this study intends to reveal the leadership style – democratic or authoritarian – within NGOs, but most of the governance indicators developed in the nonprofit literature cannot serve this purpose better than power distance; (3) finally, compared with most indicators used in nonprofit literature, power distance provides a comparable framework which could be applied to different types of organizations. In other words, most indicators used in the nonprofit context make little sense when being applied to other contexts, but power distance is a flexible measure providing highly consistent empirical evidence across different organizational contexts, nonprofit or for-profit, private or public. This is particularly important for this study since one of the main purposes is to test whether

governance patterns in NGOs are different from governance patterns in private corporations and government agencies.

In fact, because of its high reliability and consistency, power distance has been one of the most influential instruments in the study of leadership style and power relationships in organizations (Mulki, Caemmerer, and Heggde 2015). Researchers have produced numerous empirical studies using the framework of power distance, especially in the management literature. But surprisingly, almost no attention has been paid to power distance despite the extensive literature examining leadership and management in the nonprofit context. This study is an initial attempt to bring this essential concept into the nonprofit literature. The following section will discuss the concept of power distance and explore leadership style and managerial culture in nonprofits through the lens of the leader's power distance.

3.2.2 Power distance

In his seminal work on cultural values across different countries, Hofstede (1980a) identified power distance as the first of four dimensions of national culture and defined it as “the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally” (1980b, 45). According to Hofstede (2001), the concept of power distance reflects the degree of human inequality at the societal or national level. For example, Chinese society is characterized by a high level of power

distance while Canada has a low power distance culture,²⁴ which means Chinese people have a higher tolerance for unequal power distribution than Canadians. In high power distance cultures, inequality is the basis for social order and hierarchical positions serve as an important part of the social identity; by contrast, low power distance cultures perceive hierarchical positions merely as functional (Beugelsdijk, Maseland, and van Hoorn 2015).

However, Hofstede defined and studied cultural frameworks at the national level and his values survey module lacks reliability and validity at the individual level (Schumann et al. 2010). To address this issue, researchers have made significant efforts to extend our knowledge on cultural dimensions from the societal level to the individual level (Dorfman and Howell 1988; Farh, Hackett, and Liang 2007; Yoo, Donthu, and Lenartowicz 2011). In their comprehensive review of cross-cultural research, Tsui, Nifadkar, and Ou (2007) found that a majority of studies (84%) examine cultural dimensions at the individual level and only 8% at the national level. Particularly, power distance at the individual level refers to “the degree to which individuals differ in their view of unequal power distribution reflected in their perceptions of authority, leaders, status, and hierarchy within organizations” (Auh et al. 2016, 729-730). Individual power distance manifests itself in the decision-making process and power relationships in organizations. Individuals with high power distance values place more emphasis on respect, deference and loyalty to authority, and are more accepting of centralized decision structures, vertical leadership styles and autocratic governance patterns (Chen, Liao, and Wen 2014).

²⁴ According to Hofstede and Hofstede (2005), China’s power distance index is 80 while Canada’s index is 39.

Essentially, power distance is a perceptual concept measuring people's attitude towards inequality in the distribution of power. In Hofstede's original work, power distance is defined from the perspective of people with less power; for example, the subordinate's acceptance of unequal power distribution between him and his boss. Just as Hofstede (2001, xv) stated, "power distance is the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally."

However, when other researchers extended the knowledge of power distance from the societal level to the individual level, the definition also has experienced subtle changes. Power distance is not only defined from the eyes of less powerful actors such as subordinates, but also from the perspective of more powerful ones like leaders. More specifically, leaders' power distance measures their perceptions of how to exercise power, how to make decisions, and how to interact with subordinates. In this sense, the power distance of leaders is defined as "the extent to which a leader expects his or her subordinates to acknowledge a formal power relationship and, therefore, be more obedient to and accept a leader's directive influence" (Cole, Carter, and Zhang 2013, 963). High power distance leaders tend not to tolerate dissent, view criticisms as disobedience and make decisions in a more autocratic way without subordinates' participation (Bai et al. 2017).

Therefore, a CEO's power distance is not only a variable measuring one person's perception of power, but also an indicator manifesting the leadership style of an organization. Leadership style, as the name suggests, refers to the leader's approach and manner of implementing plans, providing direction, and motivating people (Al-Mahayreh, Kilani, and Harahsheh 2016). Previous literature summarizes three major types of leadership style: authoritarian leadership style, democratic leadership style, and laissez-faire leadership style (Bryman et al. 2017; Northouse 2017). Hofstede (2001, 107) also distinguished two types of leadership based on power distance: consultative leadership (low power distance) and authoritative leadership (high power distance).²⁵ Authoritarian leaders demand strict compliance from subordinates whereas democratic leaders attempt to include all group members in the decision-making process (Bryman et al. 2017, 21-15). As the top manager who controls daily operations, CEOs' power distance is a prominent indicator of an organization's leadership style and governance pattern: the higher the leader's power distance orientation, the more autocratic leadership style will be in an organization.

²⁵ In his questionnaires to collect data on power distance index, Hofstede (1980a) described four different types of leaders with respect to their decision-making style: (1) autocratic leaders (Usually makes his/her decisions promptly and communicates them to his/her subordinates clearly and firmly. Expects them to carry out the decisions without raising difficulties); (2) paternalistic/persuasive leaders (Usually makes his/her decisions promptly, but, before going ahead, tries to explain them fully to his/her subordinates. Gives them the reasons for the decisions and answers whatever questions they may have); (3) consultative leaders (Usually consults with his/her subordinates before he/she reaches his/her decision. Listen to their advice, consider it, and then announces his/her decision. He/she then expects all to work loyally to implement it whether or not it is in accordance with the advice they gave); (4) participative/democratic leaders (Usually calls a meeting of his/her subordinates when there an important decision to be made. Put the problem before the group and tries to obtain consensus. If he/she obtains consensus, he/she accepts this as the decision. If consensus is impossible, he/she usually makes the decision him/herself). In general, the first two types can be classified into the category of "authoritative leadership" and the latter two into "democratic/participative leadership."

3.2.3 Public Donations and Power Distance

After revealing the internal governance within Chinese NGOs by using power distance, the second aim of this study is to explore the interaction between the external environment and the internal governance. Previous studies predominately focused on the government's influence on NGOs when examining the environment in which Chinese nonprofits operate, but this study pays attention to the role of another important actor in the environment – the general public– in shaping governance pattern and leadership style within NGOs in China. How might funding from individual donors influence CEOs' power distance in Chinese nonprofits? Do public donations encourage democratically oriented leadership style, or instead, suppress it? The following two sections will first discuss the underestimated importance of public donations for Chinese foundations and proceed to explain how funding from individuals could have an impact on the leadership style within NGOs.

3.2.3.1 The Overlooked Importance of Public Donations

Due to the top-down authoritarian context, it is easy to believe that Chinese foundations largely rely on the government funding for survival and growth. This is true for foundations at the early stage of historical development (see more discussion in Chapter 1), but things have changed dramatically during the last decade.

Indeed, the Chinese foundation sector was originally created by the government in the 1980s (Nie, Liu, and Cheng 2016). This top-down, rather than bottom-up, approach to organizing the foundation sector at its inception determines this sector has been

dependent on the government for the majority of its financial resources in the preliminary stage of development (McGinnis Johnson and Ni 2015). However, it will be misleading to assume that the government funding is still the main source of Chinese foundations' revenues nowadays. With the rapid growth of new private wealth and the decrease of the government's financial commitment to nonprofits in China, the revenue structure of Chinese foundations has experienced dramatic changes. Especially after 2004 when the State Council issued the *Regulations on Foundation Administration* which officially allowed private players to organize foundations, Chinese foundations have been dependent on private donations, rather than government funding, as their main revenue sources during the past decade (Table 3.1).

Table 3.1 The Composition of Chinese Foundations' Revenue Sources (2008-2016)

	Private Donations	Government funding	Investment Gains	Other Income
2008	83.71%	7.34%	5.77%	2.66%
2009	82.96%	9.12%	4.96%	2.49%
2010	87.58%	6.49%	3.22%	2.20%
2011	87.58%	7.95%	2.09%	1.98%
2012	84%	9%	4%	3%
2013	82.99%	7.98%	5.04%	3.99%
2014	83.26%	8.40%	6.63%	1.71%
2015	79.96	7.89%	7.51%	6.25%
2016	81.1%	9.5%	5.2%	4.2%

Source: China Foundation Center (CFC, <http://www.foundationcenter.org.cn/>).

As shown in Table 3.1, contrary to popular mythology that Chinese foundations are mostly supported by the government, government funding only constitutes a small portion

of Chinese foundations' revenues from 2008 to 2016. The major sources of foundations' revenues in China are donations from private businesses and individual citizens. What is interesting is that the nonprofit sector in the US receives much more funding from the government than philanthropic foundations in China. In 2007, government funding accounted for 38% of the nonprofit sector's revenues in the US, up from 31% in 1977 and 37% in 1997 (Chavesc, Stephens, and Galaskiewicz 2004; Salamon 2012). However, the share of government funding never exceeded 10% of Chinese foundations' revenues from 2008 to 2016, as shown in Table 3.1. In sum, as the main revenue source for Chinese foundations, the influence of private donations needs more research attention and better understanding.

3.2.3.2 The Impact of Public Donations on Power Distance

As we can see, private donations are the most important revenue source for Chinese foundations nowadays. This means funding from individual donations are vital for foundations' survival and growth since they need this crucial revenue flow to sustain themselves and address social mission. To obtain this substantial funding from the public, nonprofits will actively manage and adapt their organizational practices and culture to please individual donors, which leads to critical consequences. Froelich (1999), for instance, discussed the high risk of goal replacement as a possible result of nonprofits' dependency on private donations. This paper focuses on one particular type of consequence, namely, NGOs' leadership style measured by CEOs' power distance and explore whether public donations will promote the democratic-oriented leadership style or not.

Compared with the government's authoritarian influence, the impact of the public on NGOs in China is much less straightforward and more contested. Based on the tenets of institutional theory, this section proposes two competing hypotheses concerning the relationship between public donations and leader's power distance in Chinese foundations.

On the one hand, it seems reasonable to assume funds from individual donors might be associated with democratic values and practices within nonprofits. The general public and their donations represent an important alternative source of legitimacy and financial resources for nonprofit organizations in China. Less dependence on the government and its funding might create more room for nonprofits to maintain their autonomy and engage in democratic culture and practices.

According to institutional theory, organizations need to conform to their environment to gain legitimacy and resources for survival and growth (DiMaggio and Powell 1983; Meyer and Rowan 1977). In the eyes of a particular social actor in the environment, "a legitimate organization is one whose values and actions are congruent with that social actor's values and expectations" (Deephouse 1996, 1025). From this perspective, NGOs holding democratic values will not be regarded as legitimate by the Chinese government because their culture is not congruent with the culture of the authoritarian government in China.

But meanwhile, NGOs perceived as illegitimate or inappropriate by the government can still enjoy social legitimacy conferred by the general public in China. There is an apparent divergence in the acceptance and endorsement of NGOs between the public and the government. Spires, Tao, and Chan (2014) found Chinese individuals show a strong preference to support grassroots and even “illegal” NGOs while viewing government-approved organizations and GONGOs as less legitimate. Ma (2006) also suggested that the intimacy between NGOs and government prevents these organizations from gaining the public’s trust.

Generally speaking, in the authoritarian context of China, the state is the most influential actor in the environment and it exerts strong isomorphic pressure on organizational culture and practices within nonprofits. Nevertheless, supports from the public provide another source of legitimacy and resources for Chinese nonprofits, making it possible for these organizations to resist the isomorphic influence of government pressures and keep a democratic-oriented culture. Therefore I hypothesize:

Hypothesis 1a: More public donations are associated with a lower level of leader power distance in Chinese foundations.

On the other hand, while the public may give financial supports to NGOs which are viewed as illegitimate by the government, this only suggests that Chinese individuals have different funding preferences from the government. It does not necessarily mean the public and their donations encourage democratic leadership style within NGOs in China. Based on institutional theory, the validity of the first hypothesis is based on an

assumption that the public constitutes a dissenting force to counter the autocratic culture of the Chinese government and embrace democratic values. This may not be the case in reality.

As a matter of fact, Chinese society is characterized by high power distance cultures, which means people accept and expect centralized authority, and power relationships are paternalistic and autocratic (Hofstede and Hofstede 2005). The high power distance culture of the public does not exist only on the societal level, but instead, it becomes internalized within the people working in the organizations which operate in the environment (Hsu, Hsu, and Hasmath 2017). As a result, Chinese NGOs become isomorphic with their social environment; that is, nonprofits are becoming more and more similar by adopting the high power distance culture prevalent in Chinese society.

Both the institutional perspective and Eckstein's "congruence theory" (1966, 1998) provide theoretic frameworks to explain the possible negative influence from the general public in China. Eckstein is interested in explaining governance in general and argues that a society will tend to be stable if power modes at different levels are congruent; furthermore, the sector which presents a different power mode tends to change towards conformity with the whole system's dominant authority pattern (Eckstein 1998). In this vein, the nonprofit sector with democratic culture is an incongruent unit and it is subject to change towards conformity with the high power distance culture in the Chinese society.

From the institutional perspective, organizations become increasingly isomorphic because of conformity to standardized cultural accounts and scripts about the way organizations are and how they act (Stryker 2000). Government is not the only social actor that exerts isomorphic pressure on nonprofits, the general public can also be a critical constituency in the environment to do so, especially when individual donations provide the resources nonprofits need. Therefore, if Chinese foundations want to receive more public donations, their culture should be congruent with or conform to the high power distance culture of the general public in China, because this is the best strategy for demonstrating legitimacy to the resource provider. Therefore I hypothesize:

Hypothesis 1b: More public donations are associated with a higher level of leader power distance in Chinese foundations.

3.3 Data and Methods

3.3.1 Sample and Data Collection

As mentioned in Chapter 1, my data is from an online survey of CEOs of philanthropic foundations in China carried out from May to September 2016. Resource and manpower limits made it impossible to cover all 31 provinces in mainland China, so five regions were strategically selected to construct the sample: Beijing, Guangdong, Zhejiang, Yunnan and Heilongjiang, as each region has distinctive and representative attributes regarding geographic locations and models of civil society development (Spires, Tao, and Chan 2014; Teets 2015). As the capital and political center of China, Beijing represents a more “supervised model” with strong government control of NGO registration, fundraising and activities (Teets 2015), but it is still the home of a multitude of

foundations, since organizations located in Beijing are likely to mobilize more resources (Wei 2017). Guangdong and Zhejiang are southeast coastal provinces and well known for their economic prosperity and active private business sectors. By contrast, both Heilongjiang, located in northeast China and Yunnan in the southwest, are underdeveloped provinces with low GDP per capita, but Yunnan province has a relatively vibrant community of voluntary associations, especially international NGOs and grassroots groups (Spires, Tao, and Chan 2014; Teets 2015).

The sample frame I used to select organizations for this survey is called the Research Infrastructure of Chinese Foundations (RICF) (Ma et al. 2017). When the survey was conducted in 2016, RICE contained 3,344 foundations nationwide and 1,228 foundations²⁶ in these five regions from the year of 2013. All selected organizations' CEOs were invited to participate in the research voluntarily, and if the CEO consented to participation, a link to an online survey was sent to him/her. The platform we used is called "Sojump,"²⁷ one of the largest platforms for online survey in China. The instrument (Appendix B) including 38 closed-ended questions, was pretested on three CEOs and revised based on their feedback. The study of NGOs is a politically sensitive topic in China (Spires 2011), so complete anonymity was offered to respondents and their organizations to minimize participants' concerns and encourage a higher response rate.

²⁶ When we built the sample, the RICE contained only information from the year 2013, so foundations established between 2013 and 2016 were omitted.

²⁷ <https://www.wjx.cn/wjx/manage/myquestionnaires.aspx>.

Previous studies on NGOs in China have predominantly relied on the case study method since it is difficult to conduct large-scale surveys with NGOs due to time constraints and political risks in China (Zhan and Tang 2016). Low response rate or even nonresponse is highly likely if we just wait and do not take any measures to encourage responses.

Therefore, I adopted different approaches including sending pre-notifications prior to the survey and two follow-up reminders via e-mail as well as another widely used medium WeChat²⁸ to improve response rate (Manzo and Burke 2012). Eventually, 163 replies were received and the response rate is 13.27%. This sample size may not be impressive compared to surveys conducted in the West, but as far as I am aware this survey is one of the largest in Chinese NGO research and provides valuable information on internal governance and power relationships in Chinese foundations. After cleaning six outliers²⁹ on power distance (as shown in Figure 3.1), there are 157 observations left in our sample.

Table 3.2 shows the sample size and response rates by province: compared with the population from the RICF, Beijing (49.1% in the sample and 34.2% in the population) and Heilongjiang province are oversampled, while Guangdong and Zhejiang are underrepresented in my sample. Given the limited sample, I do not see the findings as representative of the whole country's foundations, but the diverse sites help to shed light on the question of CEO power in different contexts, consistent with the heterogeneous nature of the nonprofit sector in China. More details about the statistics of this sample could be found in Appendix C.

²⁸ WeChat is the most popular social media application in China.

²⁹ Outliners are defined as observations beyond the upper or lower whisker of the boxplot (Figure 3.1).

Table 3.2 Response Rate by Regions

Region	Population from the RICF and Distribution	Number of Responded Organizations and Distribution	Response Rate
Beijing	420 (34.2%)	80 (49.1%)	19.05%
Guangdong	369 (30%)	18 (11%)	4.88%
Zhejiang	318 (25.9%)	17 (10.4%)	5.35%
Yunnan	58 (4.7%)	9 (5.5%)	15.51%
Heilongjiang	63 (5.1%)	39 (23.9%)	61.90%
Total	1228 (100%)	163 (100%)	13.27%

3.3.2 Measures

3.3.2.1 Dependent Variable

The dependent variable in this study is the CEOs' power distance in Chinese foundations. I used a five-item scale developed by (Yoo, Donthu, and Lenartowicz 2011), which has been used and shown strong reliability and validity by many replicate studies. The five items are: (1) People in higher positions should make most decisions without consulting people in lower positions; (2) People in higher positions should not ask the opinions of people in lower positions too frequently; (3) People in higher positions should avoid social interaction with people in lower positions; (4) People in lower positions should not disagree with decisions by people in higher positions; (5) People in higher positions should not delegate important tasks to people in lower positions.

Besides Yoo, Donthu, and Lenartowicz (2011)'s instrument, another widely used scale to measure power distance at the individual level was developed by Farh, Hackett, and

Liang (2007). This scale, however, is very similar to the one created by Yoo, Donthu, and Lenartowicz (2011) except that the former has one more item than the latter; namely, “it is frequently necessary for people in higher positions to use authority and power when dealing with people in lower positions.” Generally speaking, these two scales are measuring the same thing and the results of power distance are comparable. Both scales have been tested in the context of China many times and shown high validity and reliability. During the survey nonprofit CEOs were asked to give responses on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The mean of CEO power distance in our sample is 1.94 and the Cronbach’s alpha for this scale is 0.84.

3.3.2.2 Independent Variables

The independent variable in our analysis is public donations. Private donations include contributions from individual donors like citizens as well as institutional donors such as private corporations and foundations (Froelich 1999). This study focuses on the former – contribution from individual donors or public donations – since I am more interested in what kind of influence ordinary citizens can exert on NGOs in an authoritarian country. The public donation is an ordinal variable³⁰ with three categories examining the extent to which a foundation relies on individual donations. First, deep dependence on public donations means more than half of a foundation’s total revenue comes from individual donors; second, dependence on public donations suggests a foundation receives funding from individual donors but the percentage of public donations of a foundation’s total

³⁰ The original variable is an ordinal variable with six categories, but some categories contain too few observations, so I recoded this variable into three categories.

revenue is no more than 50%; third, no dependence on public donations means a foundation receives no funding from individual donors and this is the reference category. As shown in Table 3.3, 34.6% foundations in the sample did not receive any public donations from individuals, while 32.67% of them were deeply dependent on funds from Chinese individuals. By contrast, 86.82% of foundations in the sample did not receive any funding from the government, which is consistent with the finding that 83.67% of foundations in the RICF 2013, the pool from which I drew my sample, reported they received no government funding. This confirms the finding that nowadays the Chinese foundation sector gets very limited financial support from the government and mainly depends on private donations as the main revenue.

Table 3. 3 Public Donations to Chinese Foundations

Dependency on Public Donations	Number of Organizations	Percent
Deep Dependence (51%-100%)	49	32.67%
Dependence (1%-50%)	49	32.67%
No Dependence (0%)	52	34.67%
Total	150	100%

3.3.2.3 Control Variables

To account for other factors which may also have possible influences on leadership style and power relationships in nonprofits (Ostrower and Stone 2006), I identify three groups of control variables in the models. The first group of controls focuses on the organizational level, including organization size, operationalized by foundations' total assets and coded as an ordinal variable with six categories (see more details in Appendix B), organization age, measured by the years a foundation has been in existence up to the

survey year 2016, and finally foundations' fundraising status (see more discussion about the importance and meaning of this measure in Chapter 2), which is a dummy variable where public foundations (those permitted to raise funds publicly with certificates) = 1 and private foundations = 0. The second group of controls takes the board characteristics into consideration, including board size measured by the natural logarithm of the number of directors who sit on the board of a foundation. The third group concerns personal characteristics of foundation CEOs, including CEO gender, a dummy variable where 1 = male and 0 = female and CEO age reported by CEOs in the year of survey. The means, standard deviations, the minimum and maximum values for all variables are listed in Table 3.4.

Table 3. 4 Descriptive Statistics for All Variables

	Mean	SD	Min	Max	Observations
Dependent Variables					
Leader's Power Distance	1.94	0.54	1	3.2	154
Independent Variables					
Public Donations	0.97	0.82	0	2	144
Control Variables					
Organization Size	2.44	1.15	1	6	154
Organizational Age	3.43	4.27	0	31	148
Fundraising Status	0.13	0.34	0	1	157
Board Size	9.77	6.15	2	36	154
CEO Gender	0.57	0.50	0	1	155
CEO Age	43.07	10.22	23	69	151

3.4 Results

3.4.1 Power Distance in Chinese Foundations

The first question this thesis intends to explore is the nature of leadership style in Chinese foundations. The nonprofit sector is usually believed to be more value driven, participatory, and less hierarchical than the private sector and government agencies (Hailey and James 2004). This belief about nonprofits also prevails in China: NGOs are considered as spaces in which power is equally distributed, decisions are made in a democratic way and multiple voices are free to speak; in other words, NGOs are supposed to be different from the authoritarian organizations people experience in the other realms of China (Spires 2007). To test whether this claim is true or not, Table 3.5 shows how leaders' power distance varies across different types of organizations in China.

Table 3.5 Power Distance in Different Types of Organizations in China

	Nonprofit CEOs	Government employees	University Students	Company Leaders
Power Distance	1.94	2.97*	2.62**	2.91***

Source: *(Miao et al.)(2013); **(Schumann et al.)(2010); *** (Cole, Carter, and Zhang)(2013)

As we can see from Table 3.5, CEOs' power distance in Chinese foundations is 1.94, which is relatively lower than the power distance of government employees (2.97) in China (Miao et al. 2013) and even lower than that of students (2.62) in Chinese universities (Schumann et al. 2010). This result suggests Chinese nonprofits indeed have

a more democratic leadership style: leaders of foundations in China show lower power distance values than people from other kinds of organizations.

3.4.2 Public Donations and CEOs' Power Distance in Chinese Foundations

The second question this study intends to address is whether and to what extent donations from Chinese individuals influence leadership style within foundations in China. I propose two competing hypotheses concerning the relationship between public donations and the leader's power distance in Chinese foundations. The boxplot in Figure 3.1 demonstrates the distribution of CEOs' power distance based on the degree of foundations' dependence on public donations. Particularly, red lines within boxes indicate the means of CEOs' power distance. As the degree of dependency on public donations rises, the means of CEO power distance increase, and the boxes displaying minimum, first quartile, third quartile, and maximum also move up. Therefore, the descriptive result shows evidence to support Hypothesis 1b: the more public donations one foundation receives, the higher leader's power distance will be.

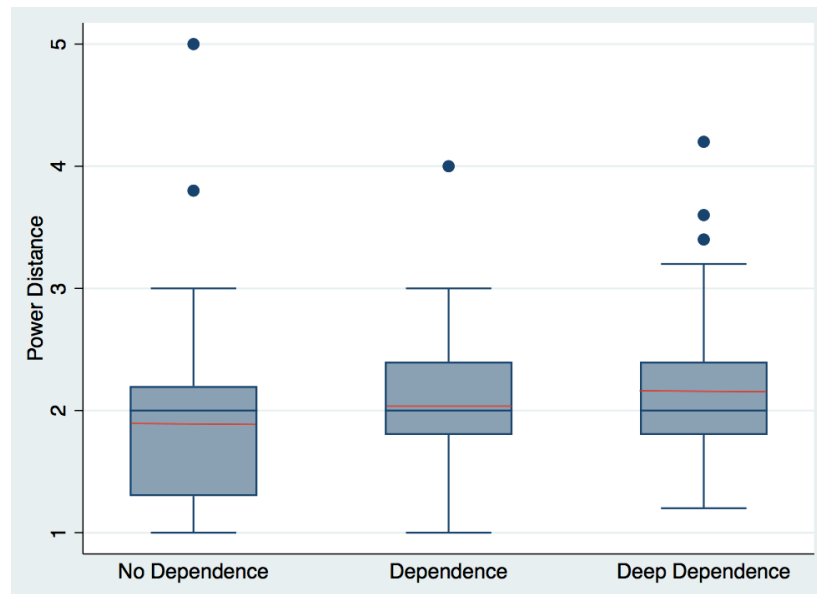


Figure 3.1 Foundations' Dependence on Public Donations and CEOs' Power Distance

Ordinary Least Squares (OLS) regression is conducted to give a more analytic test of the two competing hypotheses. Table 3.6 presents the results of five models. We first estimate the effects of public donations on CEO power distance in a bivariate model without any control variables. As shown in Model 1, CEO power distance is predicted to be 0.26 higher for a foundation deeply dependent on funding from individual donors than a foundation receiving no public donations (reference category). But for foundations whose public donations do not exceed 50% of their revenue, CEO power distance is not significantly higher than the reference category. Contrary to what Hypothesis 1a assumes, there is no evidence to support that more public donations are associated with a lower level of leader power distance in foundations.

Table 3.6 Results of OLS Models: Leader Power Distance Regressed Against Public Donations

	(1)	(2)	(3)	(4)	(5)
Dependence on public donations	0.20	0.18	0.27*	0.22*	0.24*
Deep dependence on public donations	0.26*	0.25*	0.26*	0.26*	0.26*
Organization age		-0.012			-0.011
Organization size (asset)		-0.016			0.024
Fundraising status (public foundations)		0.097			0.24
Board size (logged)			-0.21*		-0.29*
CEO age				-0.0038	-0.00015
CEO gender				-0.063	-0.082
Constant	1.79***	1.87***	2.22***	1.98***	2.39***
Observations	144	136	144	142	134
R^2	0.041	0.048	0.081	0.054	0.12

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

When I add the first group of controls to Model 2, there is very little change in terms of the significance, direction and magnitude of the independent variable's coefficients. Also, none of the control variables concerning organizational characteristics show significant effects.

Model 3 changes control variables from organizational factors into board characteristics, which are operationalized by the board's size. As we can see, board size has a significantly negative impact on CEO power distance. Specifically, other things being equal, an increase of 10% in the number of board members is associated with a decline of 0.02 ($-0.21 \times \ln(1+10\%)$) in CEOs' power distance. Another change of this model is that the CEO power distance of foundations which receive but are not deeply dependent on

public donations becomes significantly higher than that of foundations without any public donation.

Model 4 includes the last group of control variables – CEOs' personal characteristics. Neither CEO age nor gender display a significant impact on power distance. The effects of the two categories of the independent variable remain unchanged compared with what we find in Model 3. This is particularly true for foundations deeply relying on public donations: their CEO power distance is significantly higher than that of foundations with no public donations and this effect holds across five models, which reflects the robustness of the result.

Finally, Model 5 is the full model including all control variables. The most important findings stay the same: more public donations are associated with a higher level of CEO power distance in Chinese foundations, which is different from the assumption of Hypothesis 1a. Based on the full model, Figure 3.2 shows that CEO power distances in foundations of the second category (dependence on public donations) and third category (deep dependence on public donations) are predicted to be 2.01 and 2.02 respectively, which are 0.24 and 0.25 significantly higher than the power distance (1.77) of CEOs in foundations receiving no public donations, *ceteris paribus*. Consistent with what Hypothesis 1b assumes, the evidence suggests that the more resource dependency on the public donations, the higher the CEO power distance will be in a foundation.

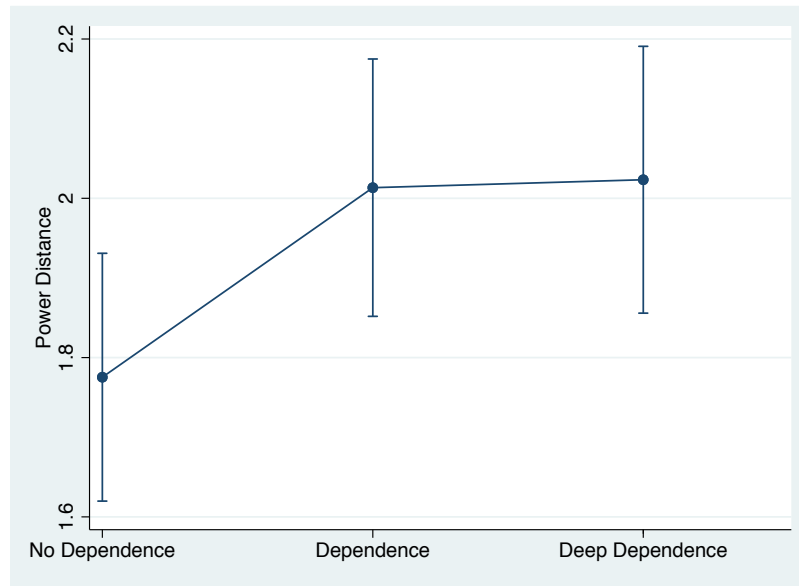


Figure 3.2 Predictive Margins of Public Donations on Power Distance (with 95% CIs)

3.5 Discussion

Power distance is one of the most important concepts in the organizational research and a myriad of studies on leadership and power relationships have examined it: since Hofstede proposed this concept in 1980, his seminal work on power distance has been cited more than fifty thousand times. However, this crucial concept has been largely ignored in the nonprofit despite a large body of literature on nonprofit management and leadership. This study is among the first to introduce this crucial concept of power distance into the nonprofit literature and uncover how democratic Chinese NGOs are internally and what kind of influences Chinese individuals and their donations exert on leadership style within nonprofits in China. Several interesting findings emerged from the results, showing a mixed picture of the conditions in which Chinese NGOs operate and I will briefly discuss three of the most salient.

First, by comparing power distance in different types of organizations in China, the results show that nonprofits indeed have a more democratic culture than other kinds of organizations such as government agencies and private corporations. Previous studies on Chinese civil society are driven by one important question, whether NGOs in China can help to counter the authoritarian government and promote democracy (Hsu and Jiang 2015; Spires 2007). This civil society approach has become one of the two most prominent frameworks (the other is the corporatist approach, as discussed in Chapter 1) dominating our understanding of Chinese NGOs. This line of inquiry, however, ignores the crucial issue of how democratically Chinese NGOs operate internally. Before we have a better understanding of Chinese NGOs' internal governance pattern, it may be premature and even misleading to follow the Tocquevillian tradition and discuss NGOs as agents of democratization in China (Hsu and Hasmath 2016). This finding addresses this knowledge gap by providing empirical evidence for nonprofits' internal governance: a relatively lower power distance of CEOs in Chinese foundations suggests that leadership style in nonprofits is indeed more democratic-oriented.

Second, however, this low power distance culture in Chinese nonprofits is subject to change under the influence of funds from individual donors. Contrary to what Hypothesis 1a assumes, the influence of the general public and their donations do not result in the inclination to democracy that we would expect. Chinese individuals and their donations provide alternative legitimacy and resources for nonprofits, but they do not become an influence which counters the dominant hegemony of the authoritarian culture imposed by

the state or help to foster a democratic culture within nonprofits in China. On the contrary, more public donations are associated with a higher level of leader's power distance and more autocratic leadership style in Chinese foundations. This finding reflects the fact that China is still a society with high power distance cultures and dependence on donations from the general public requires nonprofits to adopt similar cultures within organizations, which are characterized by unequal power distribution and autocratic leadership style.

Third, a hidden picture revealed by these findings is the adverse environment in which nonprofits operate in China. As a special kind of organization with a democratic culture, nonprofits in China are under significant pressures from the dominant culture of authoritarianism, and this isomorphic pressure is not only driven by the government, but also by Chinese individuals in society. An organization is deemed as legitimate only when its values and actions are congruent with a social actor's values and expectations. Chinese NGOs may receive sympathetic funds from individual donors for survival, but it is very hard for them to get full legitimacy and acceptance from the general public in China.

3.6 Conclusion

Compared with the extensive research on nonprofit governance in the Western nonprofit literature, we have surprisingly little knowledge about the internal governance of Chinese NGOs and the empirical evidence is particularly scarce. By investigating CEOs' power distance in Chinese foundations, this study reveals the leadership style and particularly

how democratic Chinese nonprofits are internally. In addition, this chapter advances our understanding of the interaction between internal governance and the external environment in which NGOs operate. The institutional theory emphasizes how the environment shapes organizations by exerting an isomorphic pressure on them and this is particularly true for vulnerable groups like NGOs under authoritarianism, which are subject to the pressure of their environment. Previous studies focus on the influence of government on nonprofit organizations, given its dominant role in the authoritarian state, but this study paints a missing part of the picture by turning our attention to another important social actor in the environment – the general public and their donations.

Before I discuss the insights arising from this study, two limitations should be noted.

First, because of difficulty recruiting respondents, our survey only collected data of power distance from CEOs in Chinese foundations. Although CEOs' values and opinions matter most when it comes to leadership style and management culture within nonprofits, a more systematic and valid judgment of power distance could be made with more resources and access to different stakeholders such as board members. Also, common method bias should be noted since data are drawn from the same source (Liao and Chuang 2004).

Second, due to resource limits, the sample collected by the author is not representative of the entire country but only covers five regions. Therefore, I do not claim the findings of this study speak of the entire foundation sector in China. However, these five diverse and typical sites such as Beijing and Yunnan help to shed light on nonprofits' internal governance and external environment across different contexts, so the findings may not

be representative of the whole country's foundations in a statistical sense but are still meaningful and typical from a sociological perspective.

Despite these limitations, this study contributes to the literature in two important ways.

First, this chapter takes an under-explored power perspective to analyze nonprofit governance and provides new knowledge of Chinese NGOs' leadership style by introducing power distance to the nonprofit literature and collecting data from an original survey. Second, this study reveals a neglected role of the public by demonstrating that donations from Chinese individuals are positively associated with greater leader power distance and autocratic-oriented leadership style in nonprofits. This finding of the bleak conditions Chinese NGOs face may have a significant implication for the development of civil society and democracy more broadly in China.

Generally speaking, this paper establishes a nuanced and mixed picture of Chinese NGOs and the environment in which they are embedded. On the one hand, leadership style in Chinese NGOs is more democratic and nonprofit leaders show a lower power distance than members in other types of organizations like government agencies. On the other hand, the democratic culture within the nonprofit sector is subject to the isomorphic pressure from individual donors in China: the more public donations a foundation gets, the higher level of leader power distance will be. These findings convey an underlying message that Chinese nonprofits may be faced with a more unfavorable environment than we realize: it is not only the authoritarian government, but the authoritarian culture that

governs much of Chinese society that exerts isomorphic pressures on the culture of NGOs in China.

Finally, a more profound implication is, the democratic leadership culture within nonprofits is not congruent with the high power distance, authoritarian culture embraced by the government, as well as the general public, which may lead to some serious consequences for the development of Chinese NGOs. According to Eckstein's congruency theory (1998), the incongruent part of the system – the sector with a different power mode – will gradually change and become congruent with the whole system's dominant power mode. In this sense, the Chinese society is a stable system with an authoritarian power mode, and NGOs with democratic leadership culture is the incongruent sector which is under significant isomorphic pressure. These findings, I believe, have great significances for understanding the future of the nonprofit sector and civil society in China.

Chapter 4 CEO Power and Nonprofit Financial Performance

4.1 Introduction

This chapter will explore nonprofit CEOs' power at the individual level. Organizational governance has been a central topic in the nonprofit literature for years (Bradshaw 2009; Cornforth 2012; Ostrower and Stone 2010; Saidel and Harlan 1998; Stone and Ostrower 2007; Van Puyvelde et al. 2012; Willems et al. 2016). However, existing research on nonprofit governance focuses predominately on the board, such as board composition, attributes, and practices (de Andrés-Alonso, Cruz, and Romero-Merino 2006; Ostrower and Stone 2006; Speckbacher 2008; Zhang, Guo, and Cai 2011). As one of the key players in nonprofit governance³¹, the role of chief executive officers (CEOs) has received far less research attention and almost no attention has been paid to the power wielded by nonprofit CEOs and its consequences.

Different from existing studies focusing on the board, this paper approaches the problem of nonprofit governance by investigating the neglected role of CEO using an under-explored approach – the perspective of power. By examining the power of CEOs and its influence in nonprofits, this study intends to address two knowledge gaps in the literature.

Firstly, adopting a perspective of power, this paper responds to a longstanding limitation of nonprofit governance research; namely, it has focused too narrowly on the role of the

³¹ As Zhang, Guo and Cai (2011, p. 13) claimed, nonprofit governance can be generally “defined at the organizational level and involves a volunteer board of directors and a chief executive”.

board. If we equate nonprofit governance with what boards of directors do, it will ignore the rich implication of this concept and leads to narrow conceptualization (Cornforth 2012). To achieve a more nuanced knowledge of nonprofit governance, revisiting the original meaning of governance is necessary. As discussed in Chapter 1, this definition of governance is “the way in which power is assumed, conveyed, and exercised within a society or an organization” (Wyatt 2004, 6). In other words, the key to making sense of governance lies in gaining a better understanding of power. Power was one of the focal points in early studies of nonprofit governance (Kramer 1985; Murray, Bradshaw, and Wolpin 1992; Zald 1969), but this crucial concept has been gradually marginalized and trivialized in the recent literature. Nonprofit governance is a well or even over-explored topic in the nonprofit literature, but this under-explored perspective of power may shed new light on this extensively explored topic.

Secondly, although some scholars have acknowledged the importance of CEOs’ role and shown that the CEO is a powerful – maybe the most powerful – person in nonprofit governance (Heimovics, Herman, and Jurkiewicz 1995; Herman and Heimovics 2005; Ritchie and Eastwood 2006), none of these studies explored the question of how much power CEOs have in nonprofits. This lack of research into CEO power is particularly surprising considering the important role of leaders in shaping the sustainability and success of nonprofits. Faced with complex managerial problems, the demanding mission to serve marginalized groups, and increasingly challenging economic conditions, CEOs play a crucial role in meeting these challenges, which gives them a great deal of power to influence the organization (Hailey and James 2004). And this is especially true of

nonprofit leaders in an authoritarian country like China: they work in a more restrictive political environment with limited resource opportunities compared with their western counterparts. Many Chinese nonprofit organizations rely on their leaders' good relationships with government or overseas foundations to secure resources for survival and development (Hsu 2010), underscoring the leaders' crucial role in shaping the destiny of nonprofits.

However, although CEOs' strong influence is a given, we know almost nothing about exactly how much power CEOs have at the individual level. This study is an initial attempt to develop a framework centered on the concept of power to investigate the role of the CEO and its impact on nonprofit effectiveness. Specifically, I explore the following research questions: What constitutes the sources of CEOs' power? How much power does a CEO have in a nonprofit organization? And to what extent does CEO power influence nonprofit financial performance?

To address these questions, I propose a two-dimensional theoretical framework to conceptualize CEO power in nonprofits, and develop several indicators to operationalize two dimensions of CEO power – structural power and individual power. Drawing on data from an original survey of 163 nonprofit CEOs in China, I find that CEOs' structural power works like a double-edged sword: it is positively associated with receipts of private donations but has a negative impact on overhead costs. These findings provide a nuanced understanding of the role of CEO power and its consequences in NGOs, contributing to our knowledge on nonprofit governance at the individual level.

4.2 Background

4.2.1 CEO Centrality

Although there is no research directly assessing CEO power in nonprofits, a strong body of literature has shown the central leadership role of such CEOs. One important reason why most nonprofit governance literature focuses primarily on the board is that it is implicitly guided by the conventional hierarchical perspective that the board is at the top of the hierarchy, and thus holds the ultimate power for an organization, while the CEO is subordinate to the board (Herman and Heimovics 2005). This view, however, has been challenged by scholars asserting that the traditional model underestimates CEOs' importance and that boards cannot truly govern organizations without their help (Jäger and Rehli 2012).³² As Heimovics, Herman, and Jurkiewicz (1995, 235) claimed, "it is the chief executive, ...who is expected to influence, and even control, the events that determine the success or failure of the nonprofit organization."

Concepts like "psychological centrality" (Heimovics, Herman, and Jurkiewicz 1995, 235) and "executive director-concerted leadership" (Block and Rosenberg 2002, 360) are used to describe the important role of CEOs since they control daily operations, have professional knowledge and hold an information advantage over the board, making the CEO the most influential person in the organization. Ritchie and Eastwood (2006) found

³² As early as 1932, Berle and Means (1932) argued that in modern business corporations, a separation of ownership from control was transferring power from owners to managers, making the manager the controlling figure in the corporation. Later Burnham (1942) coined the concept of "managerial revolution" and claimed that not only for-profit companies, but all other significant organizations such as state agencies would be dominated by managerial professionals pursuing their own interests (Scott and Marshall 2009).

that CEOs' functional experience significantly increases the public support nonprofits receive from donors. Ritchie, Kolodinsky, and Eastwood (2007) showed that CEOs' intuitive decisions are pivotal to nonprofits' success – especially in terms of financial performance. Iecovich and Bar-Mor (2007) also demonstrated that CEO dominance was the most prevalent governance model in their sample of Israeli nonprofits.

Considerable work has been conducted to assess CEO power and its relationship with performance in for-profit corporations, but we have very little such knowledge in the nonprofit context even though scholars have realized the role of nonprofit CEOs. The lack of research may reflect a concern about whether the concepts developed in the private sector could be applied to the nonprofit context. I believe research issues like governance and the influence of top leaders are common to both nonprofit and for-profit organizations. Corporate CEOs are in charge of daily administration, provide information for the board and deal with the external environment. These responsibilities resemble those of nonprofit organizations, giving nonprofit CEOs a great deal of power.

But in comparison with the analysis of power and governance in business corporations, the governance of nonprofits is relatively under-theorized: there is a lack of theoretical approaches that go beyond the description of the board (Speckbacher 2008). Much could be gained by applying theories of power and governance in for-profits to the nonprofit context if we want to better conceptualize CEO power and governance in nonprofits (Ritchie and Eastwood 2006); nevertheless, there is no single theory which can be used as

is, so we need to adjust and modify these theories when applying them to the nonprofit context.

4.2.2 Leadership in Chinese Nonprofits

Scholars on Chinese civil society are aware of the crucial role of leaders in shaping the development of NGOs. Compared with their western counterparts, nonprofit leaders in China face extraordinary challenges as the authoritarian state applies stringent control to NGOs, which highlights the significance of NGO leaders in dealing with a challenging environment and sustaining their organizations.

A feature of Chinese civil society is that the government uses legal registration as a method of controlling NGOs, and it is NGO leaders' decision whether to pursue registration, which is fundamental for organizations' viability (Hildebrandt 2013). Hsu and Jiang (2015) found that NGO leaders' personal experiences and expertise strongly influenced their organizations' resource strategies and development trajectories. Zhan and Tang (2016) showed that nonprofit leaders' personal connections with government officials increased the level of funding stability. Teets (2018) also emphasized the importance of NGO leaders' networks with government, which can be utilized to influence governmental policies.

Chinese nonprofits may differ from their western counterparts in significant ways, especially the political environment they face. However, despite different external environments, all of these studies demonstrate that top executives are extremely powerful

and influential in nonprofits – whether in the West or China. But what is missing from the literature is that few of these studies have assessed specifically how powerful nonprofit CEOs are and the consequences of their power. Thus, the main contribution of this study is that it addresses a commonly neglected issue and advances the literature by revealing exactly how much power nonprofit CEOs have and its influence on financial performance. To uncover the multifaceted nature of power, the next section first proposes a two-dimensional framework to conceptualize CEO power in nonprofits.

4.2.3 Nonprofit CEO Power: A Two-Dimensional Framework

Power is an essentially contested concept in social science, which means many alternative definitions coexists and no undisputed criterion is available for settling controversy concerning how to define power (Oleinik 2015). Base on Weber’s (1968[1922]) definition of power (Chapter 1), CEO power can be understood as CEOs’ capacity to overcome resistance in achieving their preferred outcomes.

This definition, however, does not lend itself to the operationalization and measurement of the power of CEOs. To do this, we must first identify different dimensions of power based on its sources. Where does this “capacity to overcome resistance” come from? What are the sources of power? Knowing the origins of power helps to develop a framework for conceptualizing CEO power in nonprofits.

Although multiple taxonomies of power and its bases have been formulated, there are two fundamental sources of CEO power: structural positions and individual attributes (Pfeffer

1992), as mentioned in Chapter 1. This two-dimensional taxonomy not only echoes Brass and Burkhardt's (1993) distinction of capacity (potential power) and act (power use) but also is rooted in two contrasting perspectives in social science on the primacy of structure or agency in determining human behavior. The structural perspective emphasizes that human behaviors are profoundly shaped, and hence can be primarily explained, by certain social structures. By contrast, the agency approach stresses the human capacity to behave proactively, not just as dictated by structures. Therefore, I propose a structural-individual framework for conceptualizing nonprofit CEO power and further analysis.

Power deriving from structural positions is the most common form in society. This kind of power – referred to as structural power hereafter – emphasizes that “structure imposes the ultimate constraints on the individual” (Brass 1984, 518). Power is first and foremost a structural phenomenon, created by a division of labor that characterizes the hierarchy of organizations (Pfeffer 1981). Meanwhile, structural power gives its holders objective advantages, but does not necessarily guarantee they will be the most powerful individuals in organizations.

The second source of power derives from individual characteristics and strategies, and this power – called individual power – is gained within structural contexts but not completely subject to those contexts (Pfeffer 2009). Obviously, not all people in the same position exercise the same power: some individuals are much more successful in acquiring and exercising power than others and this difference results from variations in personal attributes and individual behavior (Pfeffer 1992). Individual power helps actors

in less advantaged positions still achieve their preferred outcomes by behaving strategically and tactically.

Based on this two-dimensional framework, the following section introduces multiple indicators to operationalize CEOs' structural power and individual power. These indicators are inspired by some studies on for-profit organizations but grounded in the nonprofit context.

4.2.4 Indicators Measuring Structural Power and Individual Power

4.2.4.1 Structural Power

CEO power comes first from formal positions, charged with the responsibility to operate and manage an organization. Positions in hierarchical organizations entitle their holders to the right to make decisions and allocate tasks and resources, making the incumbents influential and powerful. Structural power attributed to formal positions³³ in an organizational hierarchy is known as legitimate power or authority, representing the legitimated, institutionalized privilege of incumbency (Brass 2002; Daily and Johnson 1997). This power is attached to the position, not the person holding the office.

Power becomes authority when it is subject to a superior principle such as legitimacy (Hall and Tolbert 2005; Scott and Davis 2007). Legitimacy is usually conferred by two

³³ Brass (2002, 141) argued that structural positions do not have to be formal ones such as hierarchical levels; they can also be informal ones such as network positions. Structural power in this study, however, still refers to the rational-legal authority coming from formal positions in hierarchical organizations, which is one of three ideal types of legitimate authority first proposed by (Weber 1968[1922]); the other two types are traditional authority and charismatic authority.

groups of social actors, so there are two types of authority: authorized authority granted by those superior to the CEO (i.e., the board); and endorsed authority conferred by subordinates who accept and endorse the CEO (Barnard 1968 [1938]; Dornbusch and Scott 1975; Shen and Cannella 2002). This study focuses on the first kind of authority: CEOs' structural power as authorized authority, or the rational-legal (bureaucratic) authority first described by Weber (1968[1922]), which is still one of the strongest and mostly taken-for-granted sources of power in our everyday life.

Therefore, CEOs' structural power derives from formal positions or titles. From this perspective, while serving as CEO is a manifestation of one's power, holding the position of board chair at the same time enhances the power concentrated in the CEO's hands. This is called CEO duality in the for-profit literature (Combs et al. 2007; Daily and Johnson 1997; Van Essen, Otten, and Carberry 2015). Very few nonprofit studies have examined this phenomenon, but I argue the same logic applies to the nonprofit context. Structural power is a type of authority granted by the board, so the combination of board members' formal authority to choose and monitor executives and CEOs' real authority to control daily activities can make a person very powerful and influential. Therefore, the first indicator used in this study to measure CEO structural power is *CEO duality*.

The second indicator of structural power derives from whether the CEO is a founder or a relative of the organization's founder (Adams, Almeida, and Ferreira 2005). Being a founder or a founder's relative is not necessarily related to a formal position, but CEOs are usually considered more influential if they are founders. One reason could be that

structural power is a type of legitimate power, and CEOs may be perceived to hold more legitimacy if they are also founders. In the nonprofit sector, Block and Rosenberg's study (2002) also shows the founder inherently holds more privileges and tends to use this special position to exercise more power over other actors.

The third manifestation of structural power is the CEO's compensation (Daily and Johnson 1997; Finkelstein 1992). Managerial power theory in the for-profit literature asserts that, when CEOs are more powerful, they exert a strong influence over boards and receive higher compensation (Abernethy, Kuang, and Qin 2015; Van Essen, Otten, and Carberry 2015). CEO compensation reflects their formal positions, so it is an important indicator of structural power.

4.2.4.2 Individual Power

Formal positions confer only structural power. Other important sources of power come from CEOs' individual actions and attributes. These may help them achieve their preferred outcomes despite a less advantaged position (Oleinik 2015). The experience, expertise and know-how accumulated by CEOs all give rise to their individual power. The following paragraphs discuss what individual characteristics of CEOs are needed to develop individual power, and propose three indicators to operationalize this power.

Structural power gives its holders objective advantages, but individuals vary dramatically in personal characteristics such as skills and the ability to acquire and exercise influence. To build and increase individual power, CEOs need experience, expertise and

knowledge. Thus, the first approach to assessing CEOs' individual power is through their experience in the nonprofit sector. Suarez's (2010) study on nonprofit executives' careers finds among the diverse paths individuals take to become leaders, experience and dedication to the nonprofit sector – rather than business expertise or public background – constitute the primary pathway to a leadership position, despite the ongoing emphasis on business practices in the nonprofit sector.

One difference between structural power and individual power is that the latter arises from expertise and know-how built up over time. So time, or the CEO's tenure, is a key ingredient of individual power (Kramer 1985). New CEOs face the challenge of adjusting to their new roles and the learning process is time-consuming (Shen and Cannella 2002). As agency theory claims, CEOs have less room to enhance their power and behave opportunistically early in their appointment (Zhang 2013). Therefore, CEO tenure serves as the second measurement of individual power. Longer tenure provides CEOs with organizational knowledge and expertise, yielding more influence over boards and their decisions (Combs et al. 2007; Van Essen, Otten, and Carberry 2015).

The last indicator I use to measure individual power is CEOs' educational background (Daily and Johnson 1997; Finkelstein 1992). CEOs who attended prestigious institutions gain access to membership in elite groups. These influential social networks may provide them with more resources and strategies they can use to impose their will. CEOs may rely on alternative strategies emerging from their own networks to bypass the board and achieve their own objectives.

4.2.5 CEO Power and Financial Performance

Previous studies have shown that nonprofit CEOs are influential, but little work has explored to what degree CEO power influences nonprofit performance. This section will respond to this challenge by addressing the question: what does CEO power mean to a nonprofit organization, especially in terms of nonprofit financial performance? It will first review the literature of nonprofit performance and explain why focusing on financial performance, paying special attention to those relevant to CEO power, then discuss the double-edged effect of CEO power and propose two competing hypotheses based on agency theory and stewardship theory.

4.2.5.1 Nonprofit Performance

Nonprofit performance, or nonprofit effectiveness, has been a topic of substantial debate for decades (Green et al. 2001; Ritchie and Kolodinsky 2003; Willems, Boenigk, and Jegers 2014) and little consensus has been reached as to how to conceptualize and operationalize this concept (Ostrower and Stone 2006; Sowa, Selden, and Sandfort 2004). Various approaches have been used to assess nonprofit performance, with each method providing a unique perspective (Brown 2005). One prevailing method is to use subjective measures based on stakeholders' perceptions of organizational effectiveness. Green and Griesinger (1996) used three different types of respondents to assess organizational effectiveness and the mean of the three rankings constituted a composite performance measure. Using self-reports of staff, funders and board members, Herman and Renz (1997; 2004) asserted nonprofit performance is socially constructed and judgments of the

effectiveness of the same organization can vary significantly among different constituencies. Similarly, Jun and Shiau (2012) demonstrated how nonprofit performance is evaluated differently by multiple stakeholders based on their respective interests and goals.

This method of subjective ranking, however, has been subject to the criticism that multiple perceptions can be contradictory and reflect the biases of survey respondents (Bradshaw, Murray, and Wolpin 1992; Brown 2005). An alternative method is to use objective indicators, i.e., financial performance measurements. Using factor analysis, Ritchie and Kolodinsky (2003) reviewed 16 financial measurements and identified 6 of them to capture three aspects of nonprofit performance: fundraising efficiency, public support, and fiscal performance. Brown (2005) included four financial indicators to measure three dimensions of nonprofit performance: financial performance (total revenues/total expenses; total revenues – total expense), public support (total contributions/total revenues), and fundraising efficiency (total revenues/fundraising expense). By contrast, Callen, Klein, and Tinkelman (2003) focused on one aspect – expense ratios (the ratio of administrative expenses to total expenses, the ratio of fundraising expenses to total expenses, and the ratio of program expenses to total expenses) – to show how efficiently a nonprofit operates; later they added another element – donation growth – to measure nonprofit performance (Callen, Klein, and Tinkelman 2010).

Acknowledging the complex and multifaceted nature of nonprofit performance, some studies use both subjective rankings and objective indicators to capture different dimensions of this construct (Bradshaw, Murray, and Wolpin 1992; Brown 2005; Siciliano 1996, 1997). Although I believe this is a good approach to capture a multifaceted concept like nonprofit performance, this thesis chooses to drop subjective rankings and focus on objective measures, i.e., financial indicators due to the nature of our data. In my sample, perceptual metrics of performance are self-reported by CEOs and assessing social performance by CEOs' own perception of their organizations' social performance may lead to potential bias (Ritchie, Anthony, and Rubens 2004).

Among different financial metrics, this study focuses on two dimensions of nonprofit financial performance: overhead costs and public donations from individual donors. The reason for selecting these two elements is twofold: (1) as shown above, they are frequently used in the literature and thus reflect common concerns; (2) they are pertinent to CEOs' responsibilities since this study focuses on the influence of CEO power. With their central role in nonprofits, CEOs are mainly responsible for the internal daily management and the external task of resource acquisition; accordingly, overhead costs and public support are chosen to assess nonprofit performance that could be impacted by CEOs' internal and external functions, respectively.

Specifically, overhead costs refer to the proportion of revenue nonprofits spend on administration and fundraising; they have been used by many scholars to measure organizational efficiency and financial accountability in nonprofits (Bowman 2006;

Chikoto and Neely 2014; Kirk and Nolan 2010). Practitioners and especially nonprofit watchdog groups such as Charity Navigator have also embraced overhead costs as standards to judge how (in)effective nonprofits are. In China, the government has strict regulations on overhead costs: according to the Charity Law, nonprofits' annual administrative fees shall not exceed 10% of total annual expenditures. A common assumption here is that high overhead costs are inefficient and an accountable CEO is assumed to keep overhead costs to the lowest reasonable amounts by directing as much of the funding to programs as possible.

The other important dimension of nonprofit performance included here is public support. Nonprofits rely on donations and contributions for survival and growth. In today's increasingly challenging economic environment, the capacity to mobilize financial resources become the highest priority for nonprofits so they can sustain themselves and address their social mission. Under the circumstances, nonprofits assign the majority of fundraising responsibilities to CEOs (Ritchie and Eastwood 2006), so in addition to internal governance, another important function of CEOs is to deal with the external environment and secure financial resources. Therefore, this study chooses public donations as the other dimension of nonprofit financial performance to examine the influence of the CEO's power and also to continue the discussion in Chapter 3 of the impact of individual contributions on CEOs' power distance.

4.2.5.2 CEO Power as a Double-edged Sword

Previous studies have shown that nonprofits' CEOs are powerful and have a critical impact on organizational performance, but it is far from clear whether this great influence is negative or positive. Specifically, if CEOs concentrate a great deal of power in their hands, is this a good thing or bad thing for nonprofit financial performance? Two theoretical perspectives – agency theory and stewardship theory – delineate two very different faces of powerful CEOs, shedding light on their double-edged influence on nonprofit performance.

On one hand, agency theory characterizes CEOs as self-interested and opportunistic and assumes a conflicting relationship between the board and the CEO. In the agency theory account, boards delegate some decision-making authority to CEOs to perform on their behalf (Jensen and Meckling 1976), but CEOs are motivated to maximize their own interests due to conflicting goals, asymmetric information, and a high cost of monitoring (Eisenhardt 1989).

According to agency theory, if CEOs concentrate a great deal of power in their hands, it might jeopardize organizational effectiveness. Agency theory suggests the board has to transfer some power to CEOs because it relies on managers to deal with internal administration and the external environment, but this also creates the possibility for CEOs to engage in opportunistic behavior – “self-interest seeking with guile” (Williamson 1975, 225) – and pursue their own benefits. From this perspective, it is important and necessary for the board to monitor and constrain CEO power, reducing the room for managerial

discretion. Based on the tenets of agency theory, I expect that CEOs with increasing power are more likely to behave opportunistically and further their personal interests, leading to a negative effect on nonprofit performance. Thus an agency-theory-based hypothesis is:

Hypothesis 1a: *The more power CEOs have, the lower the level of nonprofit financial performance will be.*

On the other hand, doubts have been cast on whether agency theory can be applied in the nonprofit context. Agency theory suggests CEOs seek their own interests, but others would argue that people attracted to managerial positions in nonprofits are those who are more value-driven and care less about financial returns (Rose-Ackerman 1987). By contrast, stewardship theory proposes that managers are not motivated by self-interested behavior, but are effective stewards of organizations who are seeking to maximize organizational performance (Desai, Kroll, and Wright 2003).

Stewardship theory provides a framework that assumes that CEOs play a positive role in advancing organizational effectiveness, which fits with the impression of nonprofit leaders as driven by strong commitment and dedication to their mission. Under the stewardship argument, if CEOs wield more power, it will have a positive impact on nonprofit performance since the dedicated managers will use the power as a constructive tool to get more things done and achieve better performance. Thus a stewardship-theory-based hypothesis is:

Hypothesis 1b: *The more power CEOs have, the higher the level of nonprofit performance will be.*

4.3 Data and Method

4.3.1 Sample and Data Collection

Dataset used in this chapter is the same as the one used in Chapter 3, so more details and information on the sample and data collection process can be referred to section 3.3.1.

4.3.2 Measures

4.3.2.1 Dependent Variables

My dependent variables are two key elements of nonprofit financial performance – overhead costs and public support. First, overhead costs are measured by two indicators: administrative efficiency, defined as the ratio of administrative expenses to total expenses and fundraising efficiency, the ratio of fundraising expenses to total expenses (Chikoto and Neely 2014). Second, public support is computed as the ratio of private donations to total revenues (Ritchie and Eastwood 2006; Siciliano 1996). Choosing funding from private donors rather than institutional donors like the government is an attempt to measure the support nonprofits get from the public. All three indicators are measured at the ordinal level on a scale from 1 to 5 (0, 0.01-0.24, 0.25-0.49, 0.50-0.74, 0.75-1),³⁴

³⁴ When I collected the data of organization size, the variable was measured at the ordinal level. That is, when one opens the Stata/SPSS dataset, what show under these variables are 1, 2, 3, 4, and 5. The reason for designing my questionnaires in this way is because I want to increase the incentive for respondents to answer every question. Imagine this: if we ask a nonprofit CEO to answer the question about public donations of his organization, it is relatively easier for him to check between different categories than write down a specific number like 3,223,800.

assessing how efficiently CEOs operate organizations and raise funds for nonprofits' survival and growth.

4.3.2.2 Independent Variables

The most important variable in this study is CEO power, which is operationalized into structural power and individual power using the two-dimensional framework.

Structural power. Three indicators are used to measure structural power (yes=1; no=0): (1) Does the CEO concurrently hold the position of the board chair? (2) Is the CEO the founder or related to the founder of the organization? (3) Is the CEO's compensation – including salary, bonus and all other benefits – the highest in the organization?

Individual power. Three indicators are included to determine the level of CEOs' individual power (yes=1; no=0): (1) Is the CEO's working experience in the nonprofit sector above the average level (4.6 years in the sample)? (2) Is the incumbent's CEO tenure above the average level (2.1 years in the sample)? (3) Does the CEO hold a graduate degree or bachelor degree from a college on the list of "Project 985"?³⁵

Table 4.1 reports the frequency distributions for these measures. All variables are artificially binary variables to make them more consistent and comparable in the models, with 1 indicating CEOs hold more power and 0 suggesting less power.

³⁵ Project 985 is a project launched by the Chinese government that involves allocating large amounts of money to the top 39 universities in China.

Table 4. 1 Frequency Distributions of Items Measuring CEO Power

	0 (Less Power)	1 (More Power)	Total	Observations
Structural Power				
CEO duality	91.88%	8.12%	100%	160
Founder or relative	77.02%	22.98%	100%	161
CEO compensation	40.91%	59.09%	100%	154
Strategic Power				
Experience in nonprofits	56.29%	43.71%	100%	151
CEO tenure	70.32%	29.68%	100%	155
Elite education	66.23%	33.77%	100%	154

4.3.2.3 Control Variables

CEO gender is a dummy variable where 1=male and 0=female. CEO age is the age reported by CEOs in the year of survey (2016). Board size and meetings are measured by the natural log of the number of people sitting on the board and how many times board meetings were held during the year preceding the survey respectively. Organization size is operationalized by nonprofits' total assets and coded as an ordinal variable with six categories (e.g., total assets less than 2 million yuan is the reference category).

Organizational age is defined as the time between each organization's year of founding and the survey year. Finally, foundations' fundraising status is a dummy variable where public foundations (those permitted to raise funds publicly in China)=1 and private foundations=0.

4.4 Results

4.4.1 Exploratory Factor Analysis

This study develops a two-dimensional framework of CEO power and six observed variables to operationalize structural power and individual power. Since this framework is an exploratory model which is initially proposed in the nonprofit literature, the empirical part begins with an exploratory factor analysis (EFA) to determine whether this two-dimensional framework is supported by the data before examining the relationship between CEO power and nonprofit financial performance.

Strictly speaking, since all observed variables used to measure power are binary, standard methods of performing factor analysis may lead to biased parameter estimations because factor analysis is usually applied to continuous variables rather than categorical variables. To address this issue of binary variables, I used another approach to estimate the factor loadings. Standard EFA is based on a matrix of Pearson's correlations which assumes the observed variables are measured on a continuous scale. So instead of using Pearson's r , I first produce a matrix of tetrachoric correlations – a technique for estimating the correlation coefficients when both observed variables are dichotomized (Kline 2016), and then perform the EFA based on this matrix to obtain tetrachoric loadings.

After extracting factors with eigenvalues greater than 1 by using the principal-component factor method and orthogonal rotation, tetrachoric loadings are shown in Table 4.2. Consistent with the proposed structural-individual framework, six items converge into two factors (dimensions), one corresponding to structural power and the other associated

with individual power. All factor loadings are high (above 0.5) and no items loaded on both factors simultaneously, supporting the convergent validity and discriminant validity of the measures of this two-dimensional framework. These two factors together explain 57% of the total variance.

Table 4.2 Results of Factor Analysis (Tetrachoric Loadings)

Observed Variables	Factor 1: Structural	Factor 2: Individual
	Power	Power
CEO duality	.78	.20
Founder or relative	.54	.18
CEO compensation	.77	-.18
Experience in nonprofits	.27	.80
CEO tenure	-.09	.80
Elite education	-.38	.55
Cumulative variance explained	28.7%	56.9%
Principal component factoring (orthogonal rotation) (N=141)		
Bond numbers highlight the factor loadings with values greater than .40		

4.4.2 Regression Results

After the EFA validates the two-dimensional framework, I proceed to test my two hypotheses, whether and to what extent CEO power influence nonprofit financial performance. A composite index of structural power is constructed out of the factor-based scores of the four items and the individual power index is produced in the same way. The means, standard deviations, the minimum and maximum values for all variables are listed in Table 4.3. CEO power index range from 0 to 1 and the mean levels of structural power

and individual power are 0.26 and 0.37 respectively, suggesting nonprofit CEOs do not concentrate a great deal of power in their hands.

Table 4.3 Descriptive Statistics for All Variables

	Mean	SD	Min	Max	Observations
Dependent Variables					
Nonprofit Financial Measures					
Overhead Costs					
Administrative Efficiency	1.85	.67	1	5	146
Fundraising Efficiency	1.38	.65	1	5	141
Public Support					
Private Donations	2.62	1.61	1	5	150
Independent Variables					
CEO Power					
Structural Power	0.26	0.23	0	1	154
Individual Power	0.37	0.33	0	1	144
Control Variables					
CEO Age	43.11	10.30	23	69	157
CEO Gender	.58	.50	0	1	161
Board Size (logged)	2.14	.54	.69	3.58	160
Board Meeting (logged)	.76	.49	0	2.30	152
Organization Size	2.44	1.15	1	6	160
Organizational Age (logged)	.86	.87	0	3.43	147
Fundraising Status	.14	.35	0	1	163

The results of the relationship between the CEO's power and nonprofit financial performance are represented in Table 4.4. I used ordered logistic regression to estimate the models since all dependent variables are measured at ordinal levels. Looking across Model 2, 4 and 6, there is no significant association between the CEO's individual power

and two objective financial measures, i.e., overhead costs and public support, suggesting no evidence supporting Hypothesis 1a and 1b. Different from assumptions derived from agency theory and stewardship theory, increasing individual power will have no significant effect on nonprofit financial performance. Also, the influences of control variables such as organization age, size and fundraising status are not significant throughout all models.

Table 4.4 Results of Ordered Logistic Regression Models of Financial Performance

	Overhead Costs				Public Support	
	Administrative		Fundraising		Private	
	Efficiency		Efficiency		Donations	
	(1)	(2)	(3)	(4)	(5)	(6)
Structural Power	.75*		.89**		.63*	
Individual Power		-.21		-.23		-.12
CEO Gender	-1.09*	-1.06*	-.94*	-.71	-.37	-.34
CEO Age	.00061	-.00065	.017	.0086	.0086	.0096
Board Meetings (logged)	-.095	.19	1.34*	1.07*	-1.04**	-.91*
Board Size (logged)	-.79	-.55	.78	.41	.31	.27
Organization Size						
2,000,000-5,000,000 yuan	.39	1.01	.82	1.06	-.27	.13
5,000,001-10,000,000 yuan	.33	1.29	1.28	1.68	-.59	-.11
10,000,001-50,000,000 yuan	1.27	2.42*	1.75	2.21*	.65	1.22
50,000,001-100,000,000 yuan	.13	.61	3.42*	3.57*	-.12	.13

More than 100,000,001 yuan	1.48	2.14	.54	1.05	-1.28	-.85
Organization Age (logged)	.25	.18	.14	-.037	-.21	-.27
Fundraising Status						
Public Foundations	-.22	-.73	-.38	-.45	-.54	-.76
Observations	131	125	128	121	132	125
Pseudo R^2	.101	.081	.154	.098	.057	.037

* $p < .05$, ** $p < .01$, *** $p < .001$

The CEOs' structural power, on the other hand, shows a significant and double-edged effect on nonprofits' financial performance. Model 1 and 3 demonstrate that structural power is positively and significantly related to nonprofits' overhead costs after controlling variables from the individual, board and organizational levels. This negative effect of structural power on administrative efficiency and fundraising efficiency provides evidence for Hypothesis 1a: the more power CEOs have, the poorer financial performance nonprofits show. But meanwhile, Model 5 finds structural power displays a significantly positive effect on private donations nonprofits receive, other things being equal. This result is consistent with Ritchie and Eastwood's (2006) view that CEOs are the key fundraiser and play a central role in nonprofits' financial success. The finding that the more structural power CEOs hold, the more public support nonprofits gain also supports Hypothesis 1b. Surprisingly, two competing hypotheses both find certain evidence to support them: CEOs' structural power does not show a single effect; it works like a double-edged sword.

4.5 Discussion

Although extensive research has been conducted on CEO power and its relationship with firm performance in the corporate literature, how much power nonprofit CEOs have and its impact on organizational performance has received little attention. This study addresses this gap by developing a two-dimensional framework to conceptualize operationalize nonprofit CEOs' structural power and individual power. An EFA was conducted to determine whether the structural-individual framework is appropriate and the relationship between CEO power and nonprofit financial performance was assessed by ordered logistic regressions. Several interesting findings emerged from the results, showing mixed influences of nonprofit CEO power and I will briefly discuss three of the most salient.

First, the factor analysis shows evidence of two distinct dimensions of CEO power – one is position-based and the other one is more related to individual-attributes. Based on the index constructed by the multiple indicators, CEOs in nonprofits do not exhibit a high level of structural power (0.26) or individual power (0.37),³⁶ which is consistent with the popular belief that NGOs are spaces in which power is more equally distributed and less concentrated in few hands (Hailey and James 2004).

Second, the key finding of this study is the double-edged effect of CEOs' structural power: on one hand, concentrating more structural power in CEOs' hands, e.g., being the

³⁶ Since this study is an initial attempt to explore CEO power in nonprofits and there is no such previous work providing benchmarks to compare, assessing "high" or "low" level of power is purely based on the index range (0-1).

board chair or founder at the same time, can help to improve externally-oriented performance like attracting more donations from the external environment, but on the other it is also associated with higher overhead costs, decreasing internally-oriented effectiveness. In this sense, both stewardship theory emphasizing managerial dedication and agency theory suggesting managerial discretion are partly true about the role of CEOs with increasing power. Only by integrating these two perspectives can we have a nuanced understanding of CEO power and its consequences in nonprofits.

Third, the double-edged effect of CEO power presents the crucial question concerning how to find a balance between power and accountability in nonprofits. Managers can acquire and use power to get things done, such as attracting more public support, but on the other hand, power also raises the problem of accountability, which is associated with higher overhead costs. I think there is no standard answer to this question of what balance should be between power and accountability and nonprofits may face a trade-off between CEO power's constraining and enabling effects.

A possible solution is that nonprofits may have to choose which aspects of organizational effectiveness they intend to achieve, and this will undoubtedly be affected by different phases over nonprofit organizations' lifetimes. For example, young organizations may need to focus more on how to mobilize sufficient resources for survival and growth, so a powerful and enabling CEO is desirable. By contrast, old and more established organizations with stable revenues may need to pay more attention to controlling

overhead costs, so constraining CEO power and promoting accountability become the priority.

4.6 Conclusion

“Power was the organization’s last dirty secret” (Pfeffer 2009, 17) is an observation that is particularly true in nonprofit organizations. Power is missing from the literature on nonprofit governance even though the essence of governance is about how to manage and exercise power. Previous studies on nonprofit governance predominantly focused on the board and this study opens a new avenue to address the problem of nonprofit governance by revealing the secret of power, particularly, the amount of power CEOs hold in nonprofits.

Before I discuss the insights arising from this study, one limitation should be noted. The findings show that there is no significant relationship between individual power and financial measures, but this does not mean individual power has no influence on nonprofit performance. This study only focuses on financial measures and particularly, overheads costs and public supports; however, organizational performance in nonprofits are multifaceted concepts with multiple dimensions, so if more specific and detailed data about foundations’ organizational performance were collected, we could gain a more comprehensive understanding of the influence of CEOs’ individual power.

Despite this limitation, this study contributes to the existing literature on nonprofit governance in two ways. First, drawing on the perspective of power, this paper is among

the first to propose a two-dimensional framework to conceptualize CEOs power in nonprofit organizations. Previous literature has acknowledged the limitation of equating nonprofit governance with the operation of the board and called for new directions for nonprofit governance research (Cornforth 2012), but little progress has been made until now. This structural-individual framework could help to reestablish the tradition of treating power as a central concept in organizational research and open up more research avenues for further studies on nonprofit governance. Secondly, power being one of the most ubiquitous and elusive concepts in social sciences, the issue of its operationalization and measurement has always been challenging for researchers (Oleinik 2015; Pfeffer 1981). We are not aware of any direct empirical assessment of how much power CEOs hold in nonprofit organizations. This study is an initial attempt to introduce multiple indicators that can be used to measure CEO power in a nonprofit context and its influences on nonprofit financial performance.

Finally, let us revisit the research question raised earlier: if CEOs concentrate a great deal of power in their hands, is this a good thing or bad thing for nonprofits financial performance? The results show it not only depends on what kinds of power but also what kinds of nonprofit performance are desired. In short, structural power of CEOs is positively associated with externally-oriented performance but negatively associated with internal effectiveness. This finding is also consistent with Giddens' theory discussed in Chapter 1; namely, structural power has both enabling and constraining effects. So nonprofits may be faced with a trade-off between powerful CEOs who attract more donations but incur more overheads costs and less powerful CEOs with fewer donations

but lower costs. These findings may have important implications for practitioners working in nonprofits.

Although my findings are based on a Chinese sample, I believe this double-edged effect of CEO power sheds lights on other contexts as well. Fulda (2017) found that while foreign and Chinese foundations are subject to different regulatory regimes, they actually overlap in very significant ways in terms of organizational practices. His study reveals the interesting fact that despite facing dramatically different environments, the internal governance of nonprofits is very similar. Therefore, I assume CEO power may have very similar consequences – both constructive and destructive – in nonprofits across different contexts.

One reason power remains a “dirty” secret is because people tend to consider power as something that makes them uncomfortable (Pfeffer 2009). Power itself is not necessarily a good or bad thing – it is one of the most ubiquitous social phenomena that need to be better understood. Many questions remain regarding power and nonprofit governance: How do CEO power and its influence vary across different contexts? How does CEO power change and evolve through different phases of organizational development? This article makes a modest contribution and more studies about power in nonprofits need to be conducted in future.

Chapter 5 Conclusion

5.1 Summary of Main Findings

This thesis is a detailed examination of how NGOs are governed in the authoritarian context of China. Taking a perspective of power, this study analyzes the question of NGO governance at the macro-, meso- and micro-level respectively. Two different kinds of governance which cause confusion in previous literature, public governance and organizational governance, have also been distinguished and explored in this thesis. This study uses multiple statistical techniques to analyze existing as well as original data on the sector of Chinese foundations. Three research questions regarding NGO governance are proposed in Chapter 1 and this section summarizes the main findings to these questions presented in Chapters 2-4.

RQ 1: How do we understand the Chinese government's new tacit techniques to govern and control NGOs in contemporary China?

Chapter 2 addresses the first research question by examining how the authoritarian government governs and steers the NGO sector at the macro level. By exploring factors affecting Chinese foundations' capacity to mobilize resources, especially the role of the government in this process, results show that the distribution of resources is highly unbalanced in China's foundation sector and that foundations with particular characteristics are systematically favored. Particularly, political connections do not bring more resources into the organization, which implies that the Chinese government no longer manages and governs NGOs in a direct way. However, fundraising status is critical

to resource mobilization, and it remains the government that approves which foundations are certified to raise funds publicly. These findings suggest that the authoritarian state has adopted a more sophisticated, indirect method than overt, direct involvement to shape resource distribution and implement control over NGOs in China. Social organizations can survive and even thrive, but only certain types considered to be politically safe.

RQ 2: What is the leadership style in Chinese NGOs? How does the public, one of the most important actors in the institutional environment, shape the leadership style of Chinese NGOs?

Chapter 3 addresses the second research question by focusing on the internal governance within Chinese NGOs at the organizational level. By measuring CEOs' power distance and examining how external funding from individual donors shapes leadership style within NGOs, the results show that: (1) leaders in Chinese NGOs show a more democratic orientation than people working in other types of organizations such as government agencies and private corporations; (2) however, the democratic leadership style within nonprofits is subject to the isomorphic pressure: more public donations are associated with a higher level of CEOs' power distance. These findings paint a nuanced picture of the adverse environment Chinese NGOs face: as special kinds of organizations with a democratic culture, nonprofit organizations in China are under significant pressures from the dominant culture of authoritarianism, and this isomorphic pressure comes not only from the government, but also from Chinese individuals in the society.

RQ 3: How much power does the CEO of a Chinese NGO have? Does the CEO's power affect the nonprofit organizational performance, and if so, to what extent?

Chapter 4 addresses the third research question by examining the nonprofit CEO's power at the individual level. CEO power and its implications are largely neglected in research on nonprofit governance and this chapter develops a two-dimensional framework for conceptualizing CEOs' structural power and individual power in nonprofits, and further proposes several indicators to operationalize these two kinds of power. Drawing on data from a survey of 163 CEOs of Chinese foundations, this study is among the first to specifically assess how much power a CEO has and the relationship between CEO power and nonprofit performance. The findings suggest that CEOs' structural power has both enabling and constraining effects on nonprofit financial performance: it is positively associated with public support but has a negative impact on overhead costs.

Furthermore, the three different levels of governance (macro, meso and micro) in three chapters are not isolated from one another; particularly, there are two connecting links which align three analytical levels together, as shown in Figure 5.1. As an extended version of Figure 1.1, Figure 5.1 highlights two links between the macro- and meso-level as well as the meso- and micro-level, showing how to connect these three levels together to form a coherent and holistic picture of NGO governance in China.

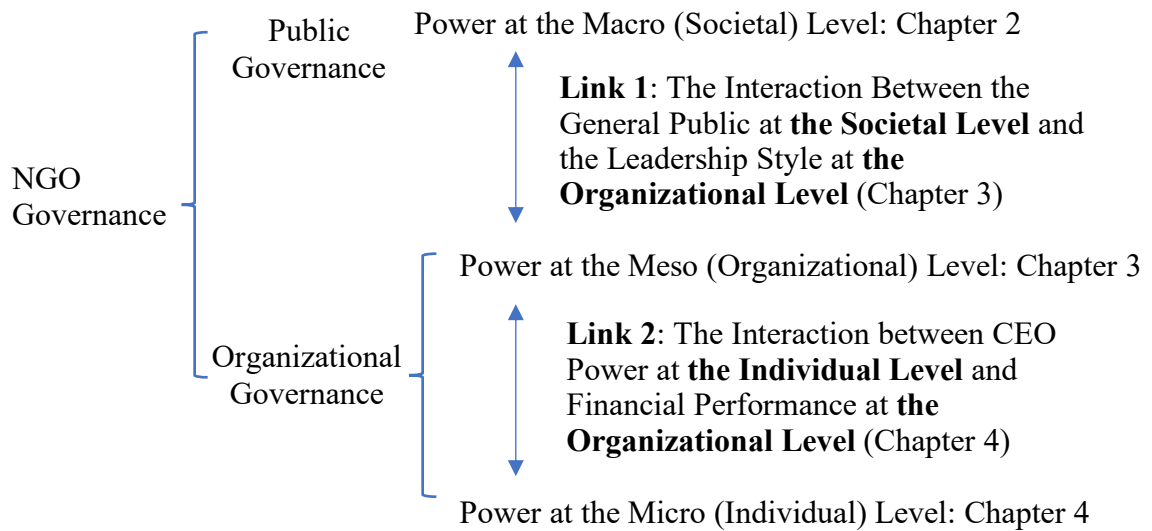


Figure 5.1 How the Two Links Connect Three Analytical Levels

Specifically, the first link is the interaction between the societal level and organizational level, which is examined in Chapter 3. As we can see from the findings of Chapter 3, the organizational leadership style is deeply shaped by the influence from the general public and the authoritarian culture in the Chinese society exerts an isomorphic pressure on Chinese NGOs' organizational culture. In other words, Chapter 3 explores the link, namely, link 1 between the external environment at the societal level and the internal governance within NGOs at the organizational level.

The second link is the interaction between the individual level and the organizational level. As findings of Chapter 4 show, CEOs' structural power has a significant double-edged effect – both enabling and constraining – on the financial performance of Chinese foundations. Particularly, nonprofit performance is a concept measured at the

organizational level and CEO power is investigated at the individual level. Therefore, by examining how CEO power affects nonprofit performance, Chapter 4 adds a link, namely, link 2 between the micro level and the meso level. In summary, two links connect three levels of analysis together and three analytical chapters work synergistically to give us a broad insight into the dynamics of power which underline the governance of NGOs in the authoritarian context of China.

In short, these findings of this thesis establish a comprehensive picture of the unfavorable conditions NGOs face: the government has been evolving its methods to impose stringent control over NGOs (Chapter 2) and the public may give sympathetic funds but does not grant full legitimacy and acceptance to them (Chapter 3). The incongruence of democratic culture in nonprofits and the authoritarian culture embraced by the government and the general public exert great isomorphic pressure on NGOs to conform to their environment (Chapter 3, link 1). Internally, NGOs have to make a hard choice: a trade-off between a powerful CEO bringing more public donations but more overhead costs, or a less powerful one with fewer resources but lower costs (Chapter 4, link 2). As a special kind of organization with a democratic culture, NGO governance in the authoritarian context of China is under more pressures than we realize.

5.2 Contributions of This Thesis

Each chapter has already presented its specific contributions to the particular topic and the literature. This section will focus on two innovative contributions of this thesis as a whole.

Theoretically, numerous studies have examined the topics of governance as well as the governance of NGOs, but little work has been done from the perspective of power. I believe this power perspective not only sheds new light on this well-explored topic but also provides a more consistent and unified perspective to understand governance across different levels of analysis. On the macro level of public governance, researchers have been calling for developing a different perspective beyond civil society and corporatist approaches to understand how the government steers NGOs in China for years; on the organization level of nonprofit governance, researchers have acknowledged the limitation of equating governance with the operation of the board, but little progress has been made until now. Taking the under-explored power perspective, this thesis clarifies some confusions and contributes new nuanced knowledge to NGO governance research.

Empirically, large-scale empirical data on the NGO sector, especially in terms of the internal governance and management, are extremely scarce. As Zhang, Guo, and Cai (2011, 14) claimed, “the literature along this line goes little beyond defining terms, clarifying concepts, or building conceptual frameworks deductively from general propositions rather than upon empirical evidence.” Empirical discovery is considered a necessary component for the progress of scientific knowledge (Oleinik 2015), and in this sense, there is still a huge gap between Chinese NGO research and Western nonprofit research. This thesis contributes to addressing this knowledge gap in two ways. On one hand, this study develops different ways to operationalize governance, including exploring the role of government in shaping foundations’ capacity to mobilize resources,

introducing power distance into the nonprofit literature as well as developing multiple indicators to measure CEO power. Governance is a multifaceted concept difficult to measure, and these efforts encourage more quantitative research on NGO governance. On the other hand, I conducted an original survey on governance pattern and CEO power within NGOs in China. This survey is one of the first and largest in Chinese NGO research and provides valuable information on internal governance and power relationships in Chinese foundations.

5.3 Future Work

This thesis establishes a comprehensive picture of NGO governance at different levels in China. However, the following three research projects could be conducted to further improve our knowledge of civil society in China.

First, this thesis only focuses on local NGOs in China due to the nature of our data, but it would be interesting to explore the influence of international NGOs (INGOs) on civil society in China. Keck and Sikkink (1998) proposed a “boomerang effect” stating that if domestic groups experience humanitarian crises and have no recourse within a state, they could bypass their state and seek help from INGOs to try to pressure the state from outside. So far there is little research to test whether the INGO could have this boomerang effect on domestic civil society in China.

Second, although the third chapter has discussed the general public’s influence on NGOs, ordinary people’s civic engagement deserves more attention if we intend to follow the

Tocquevillian tradition to explore civil society in China. This thesis focuses on NGOs, but I have to admit that the NGO sector is still a limited platform for a small group of people in China. Just as Hsu, Hsu, and Hasmath (2017, 1163) observed, “the very idea of a non-governmental social welfare organization was so alien to most Chinese that even the direct beneficiaries of Chinese NGOs often had no idea what an NGO was.” This is dramatically different from a truly Tocquevillian civil society where people are highly engaged in the local associations. Therefore, there is a risk of misunderstanding the development of civil society and democratization in China if we only focus our attention on NGOs. Factors affecting ordinary people’s participation in civic affairs, or more accurately, conditions which prevent people’s civic engagement, need to be carefully examined if we want to gain a better knowledge of the development of civil society and the potential for democratization in China.

Third, this thesis investigates the NGO sector in the authoritarian context of China, but it only focuses on one country. It would be more intriguing to conduct comparative research on civil society in different authoritarian regimes. As mentioned in Chapter 1, China enacted the *Overseas NGO Law* in 2017 to exert unprecedented stringent controls on foreign NGOs and foreign-funded NGOs in China. This law shows some striking similarities with Russia’s “foreign agents” law which came into effect in 2012, suggesting that the Chinese law might be modeled on the Russian one in two ways. First, motivations to pass the laws are the same: both countries are highly wary of foreign NGOs’ influence and of civil society’s potential for undermining state stability and threatening strongmen rulers’, Xi Jinping in China and Putin in Russia, leadership. Second, some restrictions and

control measures are similar: the Russian law imposes restrictions on foreign NGOs by identifying a blacklist of so-called “foreign agents,” while the Chinese law also frames regulations in the name of national security and moves overseas NGOs’ registration from the Ministry of Civil Affairs to the Ministry of Public Security. In short, comparing civil society in different authoritarian countries would provide a more nuanced understanding of the crucial question of NGO governance.

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Appendices

Appendix A: Recruitment Letter

My name is Qian Wei, and I am a PhD candidate in the Sociology Department at Memorial University of Newfoundland. I am conducting a research project called “The Governance of NGOs in an Authoritarian State: Evidence from Chinese Foundations” for my PhD degree under the supervision of Dr. Anton Oleinik. The purpose of the study is to examine how the public and government shape the governance of NGOs and how the CEO’s power affects the nonprofit organizational performance.

I am contacting you to invite you to participate in an online survey in which you will be asked a series of questions concerning nonprofit governance and performance.

Participation will require one hour of your time and will be held at online website.

If you are interested in participating in this study, please click the link below to access the online survey: <http://www.sojump.com/jq/7616808.aspx?wg=1>.

If you have any questions about me or my project, please contact me by email at qian.wei@mun.ca , or by phone at (709) 864-2545.

Thank you in advance for considering my request.

Qian Wei

The proposal for this research has been reviewed by the Interdisciplinary Committee on Ethics in Human Research and found to be in compliance with Memorial University's ethics policy. If you have ethical concerns about the research, such as your rights as a participant, you may contact the Chairperson of the ICEHR at icehr.chair@mun.ca or by telephone at 709-864-2861.

Appendix B: Survey Questionnaire

Hello,

Thank you for taking time to participate in this survey. The purpose of this survey questionnaire is to examine the governance of foundations in China and furthermore, to explore how to improve the nonprofit organizational performance.

This online survey takes the form of anonymous participation. It is entirely up to you to decide whether to take part in this research. You may withdraw from the survey at any time by simply closing the website without any negative consequences. All survey responses will be treated strictly in confidence. You are free to skip any questions that you do not want to answer. Please do not report any identifying or personal information in this survey.

The fact that you return this questionnaire is usually regarded as an expression of consent to participate in the study. CEOs, or leaders most responsible for foundations' overall management, please spare your precious time to fill in the actual information. Thank you very much.

Should you have any questions about this research, please feel free to contact:

Qian Wei,

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Part I: Information of the Organization

1. When was your foundation created?

2. Based on fundraising status, your organization is:

(1) Public foundation; (2) Private foundation

3. In terms of scope, your organization is

(1) National foundation; (2) Local foundation:

4. How many full-time employees does this foundation have?

5. How many volunteers does this foundation have?

6. By the end of last year, what are the total assets of the organization?

- (1) Less than 2,000,000 yuan (2) 2,000,000-5,000,000 yuan
 (3) 5,000,001-10,000,000 yuan (4) 10,000,001-50,000,000 yuan
 (5) 50,000,001-100,000,000 yuan (6) More than 100,000,001 yuan

7. During the past year, what percentage of the organization's total revenues (100%)

came from:

	0%	1-9%	10-24%	25-49%	50-74%	75-100%
Donations from individuals (both foreign and domestic donors)						
Donations from corporates or other institutions						
Membership Dues						
Income from service delivery						
Income from commodity sales						
Government funds						
Investment return						
Other Income						

8. During the past year, what percentage of the organization's total expenses (100%)

came from:

	0%	1-9%	10-24%	25-49%	50-74%	75-100%
Expenses on public benefit activities						
Salary expenses						
Administrative expenses						

Other expenses

9. During the past year, what percentage of the organization's total costs (100%) came from:

	0%	1-9%	10-24%	25-49%	50-74%	75-100%
Operating costs						
Management costs						
Fundraising expenses						
Other costs						

10. Which one of the following best describes your foundation's originator?

- (1) Government-related agencies
- (2) Corporates
- (3) Schools
- (4) Families
- (5) Charitable organizations
- (6) Others (Specify)_____

11. The following descriptions apply to six different types of governance, so which one do you think best capture your own organization? (Please only check one)

- (1) The CEO gathers information and advice from many stakeholders, formulates a decision, and has it ratified (rubber-stamped) by the board as a whole. The CEO is the most influential and dominant person in your organization.
- (2) This organization is heavily controlled by the chairperson who has a certain charismatic or an intimidating quality that exerts a strong influence. If there is a paid

CEO, he/she plays distinct “second fiddle” to the chairperson – mainly trying to carry out a role defined by that leader. The chairperson selects other board members through personal acquaintance and/or their belief in the leader’s vision.

(3) A small core group of the board plays a very influential role in recommending a course of action on governance issues. These are then debated and decided by the whole board. The CEO provides information and advice.

(4) A core group of senior professional staff has the power to make strategic decisions, which both the CEO and the board are, usually “rubber stamps.”

(5) The organization operates according to an ideology of consensus among all key stakeholders groups: board members, staff of all levels, volunteers, service users and etc. Every effort is made to avoid giving any one of them more power than another.

(6) This organization is characterized by aimlessness and uncertainty. Every part – the board, CEO, or staff – gets low involvement and participation in a governance role.

Meetings tend to be poorly organized, poorly attended and indecisive. There isn’t much in the way of communications either upward or downward.

12. Which one of the following best describes your organization’s primary area of focus?

(Please only check one)

(1) Education and research

(2) Poverty alleviation

(3) Health and medicine

(4) Disaster relief

(5) Arts and culture

- (6) Environment and animal protection
- (7) Human services (support to women, children, the elderly, the disabled and etc.)
- (8) Community Improvement
- (9) Charity and voluntary sector development
- (10) Other (Specify)_____

13. Perception of Organizational Performance

How successful, during the last year, was your organization to meet these goals?	Level of Success High-----Low				
1. The majority of clients (customers) served experienced marked improvements as a result of services provided.	5	4	3	2	1
2. The number of programs and services offered has increased during the last year.	5	4	3	2	1
3. The quality of services offered has improved.	5	4	3	2	1
4. Generally clients and consumers are satisfied with the services provided.	5	4	3	2	1
5. Overall how successful has the organization been in meeting its goals or objectives?	5	4	3	2	1

Part II: Information of the Board

1. How many directors sat on the board last year (2015)?

2. Among these directors, how many board members are:

_____Male

_____Female

3. Please estimate the number of board members in the following age groups:

_____ under 35

_____ 35-55

_____ 56-65

_____ 66 or older

4. How many meetings of the full board were held during the last year?

5. How many years is a board term? _____ Number of years

6. Among those who hold leading positions (chair, vice-chair and the chief executive) in your foundation, how many of them are government incumbents?

7. Among those who hold leading positions (chair, vice-chair and the chief executive) in your foundation, how many of them are senior-level officials (provincial governors or higher) before they retired?

8. Does this foundation have a party leadership group?

Yes _____ No _____

9. Does this foundation have any written bylaws?

(1) No – Skip Question 10 to Part III.

(2) Yes – Please answer Question 10.

10. How much do you agree or disagree with the following statement?

The power of the board is constrained by the written bylaws and boards members strictly follow the regulations of bylaws.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly agree

Part III: Information of the CEO

1. Your age: _____. Gender _____.

2. Do you also hold the chair of the board of this foundation?

Yes ____ No ____

3. How many full-time employees report to you directly?

4. What is your salary (all the financial compensations) last year?

(1) Less than 10,000 yuan (2) 10,000-30,000 yuan (3) 30,000-50,000 yuan

(4) 50,000-100,000 yuan (5) More than 100,000 yuan

5. Compared to the highest salary in your foundation last year, your salary is:

1 = the same 0 = lower

6. Are you the founder or a relative of the founder of this foundation?

1 = I am the founder or a relative of the founder 0 = Neither

7. How long have you been working in the nonprofit/philanthropic sector?

8. How many years have you held the position of CEO in this foundation?

9. What is your highest level of education? Which institution did you get that degree from?

10. Do you also serve on other organizations' boards?

Yes_____ No_____

If yes, please specify how many other boards you sits on: _____.

11. Did you work for the government before this current job?

Yes_____ No_____

If yes, please specify how many years you have worked for the government: _____.

12. Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people? (*Code one answer*)

1=Most people can be trusted 0=Need to be very careful.

13. How much trust do you have in the government?

1 = Trust completely; 2 = Trust somewhat; 3 = Do not trust very much, 4 = Do not trust at all

14. How much trust do you have in NGOs?

1 = Trust completely; 2 = Trust somewhat; 3 = Do not trust very much, 4 = Do not trust at all

15. Please choose one answer from 1 (strongly disagree) to 5 (strongly agree).

(1) People in higher positions should make most decisions without consulting people in lower positions.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly disagree

(2) People in higher positions should not ask the opinions of people in lower positions too frequently.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly disagree

(3) People in higher positions should avoid social interaction with people in lower positions.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly disagree

(4) People in lower positions should not disagree with decisions by people in higher positions.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly disagree

(5) People in higher positions should not delegate important tasks to people in lower positions.

1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly disagree

This is the end of this survey. Thanks for your time and dedication to this research!

Appendix C: Descriptive Statistics of the Sample Drawn from the Survey

Table A.1 Foundations' Total Assets

Total Assets	Number of Organizations	Percentage of Sample
Less than 2,000,000 yuan	23	14.38
2,000,000-5,000,000 yuan	87	54.38
5,000,001-10,000,000 yuan	19	11.88
10,000,001-50,000,000 yuan	23	14.38
50,000,001-100,000,000 yuan	3	1.88
More than 100,000,001 yuan	5	3.12
Total	160	100

Table A.2 Originators of Foundations

Originators	Number of organizations	Percentage of Sample
Government-related agencies	22	13.75
Corporates	66	41.25
Schools	4	2.50
Families	17	10.62
Charitable organizations	15	9.38
Other	36	22.50
Total	160	100

Table A.3 Foundations' Primary Areas of Focus

Primary Areas of Focus	Number of Organizations	Percentage of Sample
Education and research	45	27.61
Poverty alleviation	19	11.66
Health and medicine	17	10.43
Disaster relief	0	0
Arts and culture	7	4.29
Environment and animal protection	2	1.23
Human services (support to women, children, the elderly, the disabled and etc.)	19	11.66
Community Improvement	11	6.75
Charity and voluntary sector development	26	15.95
Other	17	10.43
Total	160	100

Table A.4 CEOs: Gender and Age

CEO age range in years	Female	Male	Total
Under 35	19	14	33
35-55	39	61	100
56-65	8	13	21
66 or older	0	3	3
Total	66	91	157

Table A.5 Board Size Distribution

The Number of Board Members	Number of Organizations	Percentage of Sample
0-10	110	68.75
11-19	35	21.87
20-29	13	8.13
30 or more	2	1.25
Total	160	100