

Evaluation of Corporate Governance in Chinese Mainland and Taiwan: A Comparative Study of Educational Foundations

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Abstract This study compares educational foundations in the Chinese Mainland and Taiwan systematically and empirically using a complete evaluation index-system tool based on corporate governance theory that involves both static governance structures and dynamic governance mechanisms. Understanding the differences between foundations in the Mainland and Taiwan can affect government policy and foundation management methods. A group decision making-analytic hierarchy process (GDM-AHP) alongside an evaluation index value of foundation governance (EIVFG) model established a weight coefficient of the evaluation index system, yielding EIVFG scores. Despite having similar EIVFG scores, foundations in the Mainland and Taiwan have distinct governance structures. The governance mechanisms of foundations are more important than their governance structures, and Taiwanese educational foundations are more mature than Mainland foundations with regard to their underlying governance mechanisms. These findings underscore the importance of policies that employ the principles of fairness and impartiality (rather than requiring legal inspections) and that establish thereby an environment of mutual trust that fosters foundations' maturity and growth.

Résumé Cette étude est une comparaison systématique et empirique des fondations de la Chine continentale à celles de Taïwan. Elle a été réalisée grâce à un outil de système indiciel d'évaluation basé sur une théorie de gouvernance d'entreprise impliquant à la fois des structures de gouvernance statiques et des mécanismes de gouvernance dynamiques. La compréhension des différences qui existent entre les fondations du continent chinois et celles de Taïwan peut influencer les politiques gouvernementales et les méthodes de gestion des dites fondations. Une méthode de

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hiérarchie multicritère de prise de décision collective (GDM-AHP), alliée à un modèle de valeur indicielle d'évaluation de la gouvernance des fondations (EIVFG), a permis d'établir un coefficient pondéré du système indiciel d'évaluation (WCEIS) et de générer des scores EIVFG. Même si leurs scores EIVFG sont semblables, les fondations du continent chinois et de Taïwan ont des structures de gouvernance distinctes. Les mécanismes de gouvernance des fondations ont préséance sur leurs structures connexes et les fondations taïwanaises sont plus évoluées que celles du continent relativement à leurs mécanismes de gouvernance sous-jacents. Ces découvertes soulignent l'importance des politiques qui tiennent compte des principes d'équité et d'impartialité (au lieu d'exiger des inspections juridiques) et créent ainsi un environnement de confiance mutuelle qui favorise la maturité et la croissance des fondations.

Zusammenfassung Diese Studie stellt einen systematischen und empirischen Vergleich zwischen Bildungsstiftungen auf dem chinesischen Festland und Taiwan an und verwendet dazu ein vollständiges Indexsystem-Tool zur Bewertung, welches auf der Corporate-Governance-Theorie beruht und sowohl statische Führungsstrukturen als auch dynamische Steuerungsmechanismen miteinbezieht. Ein Verständnis über die Unterschiede zwischen Stiftungen auf dem chinesischen Festland und in Taiwan kann sich auf die Führungspolitik und Managementmethoden der Stiftungen auswirken. Ein analytischer Hierarchieprozess bei der Entscheidungsfindung in der Gruppe (group decision making-analytic hierarchy process (GDM-AHP)) und ein Modell zum Bewertungsindexwert der Stiftungsführung (evaluation index value of foundation governance (EIVFG)) etablierten einen Gewichtungskoeffizienten des Bewertungssystem (weight coefficient of the evaluation index system (WCEIS)) und liefern EIVFG-Punkte. Trotz ähnlicher EIVFG-Punktezahl verfügen Stiftungen auf dem Festland und in Taiwan über unterschiedliche Führungsstrukturen. Die Steuerungsmechanismen der Stiftungen sind wichtiger als ihre Führungsstrukturen. Mit Hinblick auf ihre zugrunde liegenden Steuerungsmechanismen sind taiwanische Bildungsstiftungen ausgereifter als die Stiftungen auf dem Festland. Diese Ergebnisse unterstreichen die Bedeutung von Richtlinien, in denen die Grundsätze Fairness und Unvoreingenommenheit Anwendung finden (anstelle des Erfordernisses gesetzlicher Prüfungen) und die somit ein Umfeld gegenseitigen Vertrauens schaffen, das die Reife und das Wachstum der Stiftungen fördert.

Résumé El presente estudio compara las fundaciones educativas en la China Continental y en Taiwán sistemática y empíricamente utilizando una herramienta de sistema de índices de evaluación completa basada en la teoría de la gobernanza corporativa que implica tanto estructuras de gobernanza estáticas como mecanismos de gobernanza dinámicos. Comprender las diferencias en las fundaciones de la China Continental y Taiwán puede afectar a la política del gobierno y a los métodos de gestión de las fundaciones. Un Proceso Analítico Jerárquico de Toma de Decisiones en Grupo (GDM-AHP, por sus siglas en inglés) junto con un modelo de Valor de Índice de Evaluación de la Gobernanza de Fundaciones (EIVFG, por sus siglas en inglés) establecieron un Coeficiente de Peso del Sistema de Índice de

Evaluación (WCEIS, por sus siglas en inglés), dando lugar a puntuaciones EIVFG. A pesar de tener puntuaciones EIVFG similares, las fundaciones en la China Continental y en Taiwán tienen estructuras de gobernanza diferentes. Los mecanismos de gobernanza de las fundaciones son más importantes que sus estructuras de gobernanza, y las fundaciones educativas taiwanesas son más maduras que las fundaciones del Continente con respecto a sus mecanismos de gobernanza subyacentes. Estos hallazgos subrayan la importancia de las políticas que emplean los principios de justicia e imparcialidad (en lugar de requerir inspecciones legales) y que establecen un entorno de confianza mutua que fomenta la madurez y el crecimiento de las fundaciones.

Keywords Foundation · Governance evaluation · The Chinese Mainland · Taiwan · Comparative study

Introduction

Public-welfare foundations (“foundations”) are a legal subcategory of non-profit organization (NPOs) in both the Chinese Mainland (hereinafter referred to as the Mainland) and Taiwan. Typically, foundations either donate funds to support other organizations or fund their own charitable purposes. Foundations in Asia—and particularly those in the Mainland—have been the subject of international attention in recent years. The international community has condemned foundations in the Mainland for their corruption and lack of transparency but is nonetheless amazed at their potential and the speed of their development. It is widely believed that foundations are built upon the base of civil society and that there are differences in the political systems and democratic environments between the Mainland and Taiwan. International scholars are interested in whether there are gaps in the operation and governance of foundations between the Mainland and Taiwan. This study focuses on educational foundations in the Mainland and Taiwan for three reasons. First, Taiwan is a part of China. Folk and cultural heritage, charitable assistance, and disaster relief are the common aspects that bridge the comparative study of foundations in the Mainland and Taiwan because these aspects share deep historical and sociological roots. Although the development paths and growth trajectories of foundations differ substantially between the Mainland and Taiwan, their shared cultural and historic background helps provide a realistic and effective comparative model for study that is more useful than comparative models based on the historical and cultural paths of Western foundations. Second, foundations vary widely in terms of their governance structure and mechanisms. We focus on educational foundations to conduct a comparative study and to provide an objective and effective conclusion because educational foundations account for 45.8¹ and 17.3 %² of total foundations in the Mainland and Taiwan, respectively. Finally,

¹ The percentage is calculated using data from the Chinese Foundation Center (CFC). <http://www.foundationcenter.org.cn>.

² The percentage is calculated using the data presented below in Table 3.

current comparative research on NPOs, including educational foundations in the Mainland and Taiwan, is primarily performed at the macro-level of laws and regulations, classifications, administration systems, and registration processes (see Guan and Du 2011; Li 2010; Xiao and Yan 2009; Tao and Liu 2011, etc.). A micro-level comparison of foundations, particularly with respect to corporate governance, should focus on their accountability for their actions to ensure that educational foundations in the Mainland can be effective, following the example of those in Taiwan.

Based on the three considerations discussed above, we built a complete evaluation index system of educational foundations in the Mainland and Taiwan using the group decision-making-analytic hierarchy process (GDM-AHP). This system is designed to show the gaps and disparities in governance capacities³ between Mainland and Taiwanese foundations through a comparison conducted with the evaluation tool.

Research on the differences between foundations in the Mainland and Taiwan is virtually non-existent, with the exception of the legal institute (Liu 2013). Nonetheless, we can identify certain differences in the current situations of foundations between the Mainland and Taiwan based on the literature and our field survey. The first difference is their historic evolution. Foundations in both the Mainland and Taiwan began to develop in the 1980s. In the Mainland, foundations have attracted attention from both the government and the public since 1995⁴ and later underwent rapid growth following the adoption of the “*Regulation on Foundation Administration*” in 2004. The number of foundations in the Mainland has increased sharply since 2013, when the Chinese government promoted the development of NPOs after *The Third Plenary Session of the 18th Communist Party*. As of the end of March 2015, there were 4190⁵ foundations in the Mainland. In Taiwan, few charitable foundations existed in the 1960s, and there was a small increase in the 1970s. After martial law was abolished in 1987, the number of foundations grew rapidly, approaching 2000 in the 1990s (Zhu and Shang 2005) and exceeding 4000 in 2009 (Guan and Du 2011).⁶ The second difference between Mainland and Taiwanese foundations relates to legal norms. All foundations in the Mainland are governed by the Ministry of Civil Affairs’ “*Regulation on Foundation Administration*,” which fully and comprehensively regulates a foundation’s board of directors, board of supervisors, secretariat, professional committee, and consultative council. In contrast, Taiwan does not have unified foundation legislation. Taiwan’s national educational

³ ‘Governance capacity’ means the level and quality of corporate governance, which reflects the value of corporate governance. Zhu (2006) proposed that the basic resources or tangible assets of an organization cannot create value but rather can only cause the transfer of value. According to Zhu (2006), only the capacity of organization itself can create value—this is the corporate governance capacity. Liu (2014a) believed that governance capacity captured the essential function of corporate governance and thus the quality of governance capacity related to the investment value of shareholders/stakeholders and the core competency of the organization. In our research, we represent governance capacity with EIVFG scores in order to compare the level and quality of foundation governance between the Mainland and Taiwan.

⁴ Since 1995, foundations in the Mainland have entered a period of transformation and development.

⁵ These data were obtained from the April 29, 2015 report of China’s Ministry of Civil Affairs. <http://www.chinanews.com/gn/2015/04-29/7242523.shtml>. However, according to data from the Chinese Foundation Center (CFC), there were 4386 foundations in the Mainland as of May 12, 2015.

⁶ Taiwan does not keep official statistics on foundations, and therefore the number of foundations was estimated by scholars based on their investigations.

foundations are supervised by the Ministry of Education, whereas local educational foundations are governed by local-level Bureaus of Society. The Taiwanese Ministry of Education drafted legislation titled “*Licensing and Supervision Points of Setting up Education Foundations*,” which is premised on the concept of avoiding violations of civil law by regulating Taiwanese foundations’ boards of directors, for example, by specifying the required number, work experience, and tenure of members, as well as re-election processes, among other board features. Certain types of Taiwanese foundations operate under no legislation. The third difference is governance structure. Foundations in the Mainland are required to have a two-tier board as a means of both improving internal supervision and perfecting corporate governance. In a foundation’s two-tiered board, the board of directors, which consists of directors and executives, generally runs the foundation’s day-to-day operations and makes its business decisions, whereas the supervisory board is made up entirely of non-executive directors who represent other stakeholders. Accordingly, the supervisory board is directly involved in auditing finances and advising on major policy decisions.⁷ In Taiwan, supervisory boards are optional for foundations, although Taiwanese state-sponsored foundations are required either to institute executive boards or to hire donor-selected supervisors or auditing directors as auxiliary units.⁸

To learn more about the differences in foundation governance capacities between the Mainland and Taiwan, we obtained empirical evidence using the evaluation index-system tool based on corporate governance theory and GDM-AHP. The conclusions and reasons underlying these findings can aid both government policy decisions and organizational management methods.

Literature Review and Related Theory

NPOs that “are far more similar to private corporations than to any existing political institution” (Blood 2004) are “seen as a series of contracts” (Eisenhardt 1989) and as corporations. In the USA, NPOs may be created as corporations, trusts, or unincorporated associations, and any of these entities may qualify for tax exemption.⁹ Whether NPOs in the Mainland and Taiwan have the status of legal persons and whether they can be registered as corporations is determined according to laws and regulations. Foundations in both the Mainland and Taiwan must be registered in the form of corporations; thus, they differ from other NPOs, such as Social Organizations and Associations.¹⁰ Therefore, there is no doubt that theories

⁷ In the Mainland, a supervisory board is unnecessary if the organization has fewer than three supervisors. Supervisors and supervisory boards are independent of the boards of directors.

⁸ In Taiwan, supervisory bodies can be auxiliary units of the boards of directors and may assume the role of interior supervisors (Xiao and Yan 2009).

⁹ See information about NPOs in the USA at the IRS (Internal Revenue Service) website, <http://www.irs.gov/Charities-&-Non-Profits/Private-Foundations>.

¹⁰ There are three legal categories of NPOs in the Mainland: Social Organizations, Private Non-enterprise Units, and Foundations. Current regulations allow Social Organizations to choose to be either corporations or other types of organizations. In Taiwan, there are two forms of NPO corporations: Juristic Institutions (Foundations) and Community-related Institutions (Associations). Associations can be either

on corporate governance can be applied to studies of NPO governance and particularly to foundation governance. Theories of corporate governance were devised with the development of modern corporations. Corporate governance consists of the systems of rules, practices, and processes by which corporations are controlled and directed and essentially involves balancing the relationships among a variety of interest groups.

NPO governance is designed to control and direct NPOs, including the distribution of rights and responsibilities among all stakeholders, the rules and procedures for making decisions, and the setting and monitoring of objectives (Anheier 2005). These objectives resemble those of corporate governance, although theories on NPO governance “are relatively underdeveloped in comparison with theories on corporate governance” (Cornforth 2004). Such a set of systems should be constructed by NPOs not only to reduce agency costs and risks but also to successfully realize organizations’ missions and goals. The application of corporate governance to NPOs depends on the development of principal–agent theory and stakeholder theory. Principal–Agent Theory is the basis of corporate governance. The assumption that managers act opportunistically and pursue their own interest (Jensen and Meckling 1976) can be similarly applied to NPOs. Principal–Agent Theory is useful for providing “a way to explain relations between organizational actors within non-profits and between NPOs and external stakeholders” (Coule 2015). Principle–agent relationships are created when donors contribute resources to NPOs, when authorities grant powers to foundation boards, and when foundation boards grant powers to the CEO (Liu 2012). Principle–agency relationships in foundations have two tiers: (1) when donors transfer resources to a foundation, the donors are principals and the boards of directors are agents and (2) the boards are principals and responsible for decision-making, whereas the administrative bodies are agents and responsible for implementing board decisions and performing daily administrative duties. To evaluate foundation governance, the coordination and balance of the rights and interests of the boards, administrative bodies and supervisory bodies should be considered under the premise of separation of ownership, control power, and beneficial enjoyment. Stakeholder theory further promotes the perfection of corporate governance. Specifically, stakeholder theory advocates that NPOs, including foundations, must uphold the social responsibilities of the interested parties, which consists of both internal and external stakeholders, such as board members, executives, other employees, donors, customers, government departments, and news media. Contradictions and conflicts will arise among stakeholders’ interests, such as the conflict between donors’ preferences and customers or beneficiaries’ demands (Rochester 1995). The subjects of governance should be defined, and governance processes based on stakeholders’ will should be integrated into the governance framework in accordance with stakeholder theory (Hu 2012). When building the evaluation system of NPO or foundation governance and the screening evaluation index, the value demands for boards, administrative

Footnote 10 continued

corporations or unincorporated organizations, and they should be qualified as corporations by applying to the court after having registered with governmental administrative departments.

bodies, supervisory bodies, staff, donors, and the public should be taken into account. Accordingly, some index should be considered with respect to the sources of board members and supervisors, and the election processes for the board chair, secretary-general, supervisors, etc. During the decision-making process, the comprehensive quality and roles of decision makers are available; during the incentive process, incentives for both directors (board chair, CEO, etc.) and non-managerial full-time staff should be given appropriate consideration; and during the supervision process, internal and external supervision mechanisms developed by internal and external stakeholders should be established. In short, NPO governance should comprise a group of systems that not only contributes to decentralization but also acts as a check to balance the rights and interests of NPOs' stakeholders and thereby achieve the so-called "good governance."

In academia, some researchers replaced "corporate governance" with "corporate governance structure," which in fact leads to confused conceptions of corporate governance (Zhu 1999). Corporate governance nevertheless includes the concepts of governance structure and governance mechanisms (see Li 2000; Ma 2005). Here, governance structure identifies the distribution of rights and responsibilities among the participants, such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders in the corporation (OECD 2004), whereas governance mechanisms consist of the incentives given to managers and staff to work hard and/or to supervise and monitor the actions, policies, and decisions of corporations and their agents. The governance structure is important if agency problems are persistent and contracts are incomplete. Thus far, those governance mechanisms discussed in the literature involve monitoring or voting by shareholders or their representatives (see Hart 1995). Therefore, corporate governance can be understood as the combination of static structures and dynamic mechanisms (Li 2000): static governance structures define the rules of stakeholders and relationships (Liu 2007), whereas dynamic governance mechanisms show how to select the processes and systems to help implement these rules, whether directly or indirectly. Accordingly, the theory of the division of corporate governance structures and corporate governance mechanisms can be applied to NPO and foundation governance. The primary topics for research on NPOs' governance structure also include the following: the size and composition of boards (see de Andrés-Alonso et al. 2009), the relationship between boards and managers (CEOs) (see Saidel and Harlan 1998; Carver 2006; Werther and Berman 2001; Drucker 1990), the roles and responsibilities of boards (see Mathiasen 1992; Liu 2006; Lecovich 2004), the effectiveness of boards, and the link between board effectiveness and organizational effectiveness (see Renz 2002; Harrison and Murray 2014; Cornforth 2012). Research on NPOs' governance mechanisms focuses on analyzing incentive mechanisms (see Barragato 2002; Nelsen 1991; Kenz 2001; Yan and Chen 2006), supervision mechanisms (see Miller 2002), and decision-making mechanisms (see LeRoux and Wright 2010; Harrison and Murray 2014). Generally speaking, scholars typically pay attention to the roles and operations of boards of directors when addressing NPO governance (Young 1993). Liu (2006) indicated explicitly that the primary subject of NPO governance was to clearly define the roles and responsibilities of boards of directors. Sandrich (2001)

even believed that the focus of NPO governance was the incentive mechanisms of boards of directors. Beyond that, supervision mechanisms are another focus of research into NPO governance based on the public-welfare nature of foundations. Particularly in the Mainland, the institutional plight of the two-tier board structure results in a lack of internal restraint and external supervision (Li 2014) because supervisory boards often fail to play their assigned role. Thus, both external governance and external supervision mechanisms are considered important in Chinese Mainland foundations. Foundations fulfill three basic roles: donor services, matchmaking, and community leadership (Graddy and Morgan 2006). Accordingly, external mechanisms are often imposed on foundations by external stakeholders by means of independent external audits of the foundations' financial statements. Zhang and Li (2013) have tested and verified the lack of a significant relationship between internal governance and foundation performance, and Zhang et al. (2012) have insisted that effective foundation governance depends on high-quality external audits.

Based on studies of corporate governance and the division between corporate governance structures and corporate governance mechanisms, we build an evaluation index system of foundation governance based on boards of directors, a secretariat, a supervisory board, incentive mechanisms, decision-making mechanisms, and supervision mechanisms. In reality, research on NPOs' governance structures and governance mechanisms involves profoundly complex relationships, and it is difficult to divide NPOs' work neatly into static structures and dynamic mechanisms. The evaluation indexes that we review below will avoid redundancy and overlapping evaluations to the greatest extent possible. Moreover, unlike for-profit companies, NPOs' investors (patrons) and beneficiaries are not the same people, which means that the rights of ownership, management and benefits are separated. Although the evaluation indexes used to assess for-profit corporate governance should be considered, certain features of NPOs differ from those of for-profit companies. External governance, and particularly external supervision mechanisms, is one important issue to be considered and may contribute to "mobilizing citizen participation" and "forging issues of public concern" by "enhancing democratic skills" (Steen-Johnsen et al. 2011).

Evaluation Index System and Weight Coefficient

Method

NPOs' evaluation methods are derived primarily from those of for-profit enterprises, including methods such as analytic hierarchy process (AHP), multidimensional service quality evaluation model (MSQEM), gap evaluation tool (GET), data envelopment analysis (DEA), balanced score card (BSC), financial ratio analysis (FRA). Each evaluation method has its own focus and uses its own conditions. MSQEM, GET, and DEA focus on evaluating certain aspects of NPOs, while AHP, BSC, FRA yield comprehensive evaluations of NPOs. MSQEM aims to objectively evaluate NPOs' services from the customer's perspective based on modern marketing

concepts (Vanghan and Shiu 2001). GET is a subjective evaluation tool for organization members that engage in self-assessments of organizational management functions and is applied to NPOs' internal self-assessments (Mueller et al. 2006). DEA is an efficient evaluation method (Charnes et al. 1978) that evaluates NPO efficiency and enables efficiency evaluations of multiple input-output NPO models. The precondition of using DEA not only is a significant basic data requirement but also entails a comprehensive understanding of the nature of the evaluation units; beyond these requirements, the goal of the evaluation units, the marketing environment and the factors affecting the efficiency of the evaluation units should be the same or similar. BSC was developed by Robert et al. in the early 1990s (Kaplan and Norton 2008) and was originally used to measure and evaluate enterprise performance. BSC tends to emphasize the consciousness of staff participation and evaluates the capacity of group coordination and communication more than other evaluation methods when applied to NPOs. FRA is a perfect method for evaluating NPOs' profitability, mobility, and financial stability, as it focuses on NPOs' mission and performs ratio analyses based on data from financial statements (Herzlinger and Nitterhouse 1994). AHP is a multi-criteria decision-making method combining qualitative and quantitative analyses, which are suitable for addressing complicated decisional problems (Saaty 1980; Saaty and Vargas 1987). Our research analyzes foundations' governance capacities by focusing on the two aspects of governance structure and governance mechanisms; thus, it features a strongly subjective aspect for those areas that are difficult to quantify and obtain accurate data, while simultaneously requiring that related evaluation factors should be more comprehensive and systematic. Therefore, it is necessary to combine qualitative and quantitative analyses to obtain a comprehensive research method. Thus, the group decision-making-analytic hierarchy process (GDM-AHP) (Basak and Saaty 1993) is more suitable to this research than other evaluation methods. GDM-AHP was derived from AHP, after reasonable modification. In the mid-1970s, Professor Saaty advocated for the AHP, which provides a comprehensive and rational framework for structuring a complex decision problem by decomposing it into a hierarchy of more easily comprehended sub-problems, each of which can be analyzed independently. Once the hierarchy is built, the decision makers systematically evaluate these various elements by comparing them to one another two at a time, using concrete data about the elements to set up the pairwise comparison matrix, determine the maximum eigenvector, test the degree of consistency of the matrix, and to finally calculate the numerical priorities for each of the decision alternatives. AHP is a type of multi-criteria decision-making method that combines qualitative and quantitative analyses to address complicated decision-making problems. Later, Saaty and Vargas (1987) considered the uncertainty of pairwise comparison and further proposed the *Uncertainty Analytic Hierarchy Process*. Simultaneously, problems such as "Reversed Order," "Scale Process," and "Consistency Test of Comparison Matrix" were being constantly improved and perfected. The fundamental notion of GDM-AHP is the same as in AHP, but the number of experts is different. Traditional AHP relies on a single expert giving a weighted value that is more than likely at least somewhat random, whereas GDM-AHP uses multiple experts to formulate a weighted value that is more scientific and reasonable (Qi and Li 2009).

Index

We adopted the GDM-AHP Model first to increase the number of experts and judgment matrixes from 1 to m and then to sort the importance of indexes based on the compared judgment results.

Foundations' governance capacity involves a static governance structure and the dynamic governance mechanism. Because obtaining data is difficult, it is difficult to quantitatively analyze foundation governance. Therefore, GDM-AHP is likely to be appropriate as a research method. The key step is to build the hierarchical structural model, and we thus established an evaluation index system of foundation governance in the Mainland and Taiwan using the following four hierarchies: goals, criteria, sub-criteria, and alternatives.

Since 2011, China's Ministry of Civil Affairs has promulgated its "Evaluation Measures of Social Organizations" and evaluated foundations based on four aspects: basic conditions, internal governance, job performance, and social evaluation. In Taiwan, foundations' supervisory authorities also regularly assess foundations that are within their jurisdiction. Since 2010, Taiwan's Ministry of Education has encouraged educational foundations to implement comprehensive evaluations based on their conference conditions,¹¹ administrative affairs, financial situation, and business status.

In this research, we build an evaluation index system of foundation governance (as shown in Table 1), which consists of 2 first-level indexes (goals), 6 second-level indexes (criteria), 14 third-level indexes (sub-criteria), and 48 fourth-level indexes (alternatives) based on our previously constructed evaluation index system of NPO governance (see Xu 2009). The indexes were screened using the expert-advice approach—referencing both scholarly research on NPO evaluation (see Xu et al. 2014; Deng 2007) and the evaluation practices of Chinese Mainland government departments and Taiwanese administrative ministries—and simultaneously engaging in adequate reflection about the content, character, and practical operation of foundation governance structures and mechanisms.

Weight Coefficient

We invited foundation management/research-related experts from NPOs' administrative departments, universities, and foundations in both the Mainland and Taiwan to participate in our research. Experts judged the pairwise comparison matrix of the evaluation index system shown in Table 1 and established 10 expert-judgment matrix tables.¹² We used the GDM-AHP model to calculate coefficients for each evaluation index. The calculation steps are as follows (supposed: $m = 10$ experts, $n = 48$ indexes):

¹¹ Conference conditions include the convening and frequency of board meetings and votes, among other factors.

¹² Scholars generally invite fewer than 10 experts to study evaluation index systems based on the GDM-AHP model. For example, when both Xiong and Xu (2012) studied the performance evaluation index system for national science and technology awards and when He (2013) studied the evaluation index system for rural area minimum life insurance policies, they used six experts.

Table 1 Evaluation index system of foundation governance

First-level index (goals)	Second-level index (criteria)	Third-level index (sub-criteria)	Fourth-level index (alternatives)
A Governance structure	A1 Board of Directors (Authority)	A11 Composition	A111 number of members
			A112 source of members
			A113 board chair's selection method
		A12 Meeting	A114 term of service
			A115 consecutive re-election
			A116 establishment of an executive committee and professional council
	A2 Secretariat (administrative body/working body)	A21 Composition	A121 frequency of meeting
			A122 percentage of members attending the meeting
			A123 whether general election meeting is convened on time
			A124 whether there are meeting minutes
		A22 Staff	A211 whether there is an office of daily affairs (secretariat)
			A212 source of workplace
			A213 whether there is an office automation systems
			A214 whether there is a working secretariat
			A215 establishment of financial institution
A23 Secretary-general (CEO)	A216 whether there are independent project departments		
	A221 whether the number of full-time staff satisfy the workload		
	A222 educational level of full-time staff		
	A223 age distribution of full-time staff		
A3 Supervisors or supervisory board (supervisory body)	A31 Establishment	A224 volunteers	
		A231 secretary-general's producing method	
	A32 Initiative of exercise of power	A232 whether secretary-general is full-time or part-time	
		A311 whether supervisors or supervisory board are established through a democratic process	
		A312 source and producing method of supervisors	
		A321 attending the meeting of board of directors	
		A322 frequency of meeting of supervisory board	
		A323 checking the financial situations on time	

Table 1 continued

First-level index (goals)	Second-level index (criteria)	Third-level index (sub-criteria)	Fourth-level index (alternatives)
B Governance mechanism	B1 Incentive mechanism	B11	B111 performance reward and reputation influence of directors
		Directors (board chair, CEO, etc.)	B112 training plan for directors
			B12
		Normal full-time staff	B122 training plan for normal full-time staff
			B123 recognized degree of mission and culture
			B211 rules of procedure
	B2 Decision-making mechanism	Decision rule	B212 method of great decision-making
			B213 method of decision-making voting through
			B22
		Decision maker	B222 whether there are avoidance systems
			B223 whether there is a seal to certify a specialist
		B23	B231 method of solving a decision-making dispute
	Decision-making relief	B232 whether there is an appeal channel when refusing to accept a decision	
	B3 Supervision mechanism	B31 Internal supervision mechanism	B311 vocational evaluation system for board members, executive director and CEO
			B312 vocational evaluation system for staff
B313 penalties for violating bylaws			
B32 External supervision mechanism		B321 financial audit, financial disclosure, and balance of payments	
		B322 reporting operation situation and accepting supervision	
		B323 content of public information	
		B324 method of providing public information	
	B325 joining self-discipline alliances		

- (1) We established the hierarchical structure model, which includes goal level, criteria level, sub-criteria level, and alternative level. The element of the upper level as a criterion plays the dominant role with respect to the elements of the next level.
- (2) We constructed the judgment matrix A . “ $a_i, a_j (i, j = 1, 2, \dots, n)$ ” indicates the elements, and “ a_{ij} ” denotes the numerical value of the relative importance of a_i to a_j . The degree of importance of various indexes was scaled according to

the positive reciprocal matrix with the 9-level ratio scale created by Saaty (see Saaty 1980; Coyle 2004).

$$A = \begin{pmatrix} a_{11} & a_{12} & \cdots & a_{1n} \\ a_{21} & a_{22} & \cdots & a_{2n} \\ a_{31} & a_{32} & \cdots & a_{3n} \\ \vdots & \vdots & \vdots & \vdots \\ a_{n1} & a_{n2} & \cdots & a_{nn} \end{pmatrix} = (a_{ij})_{n \times n}$$

- (3) We used the “root method” to calculate the index weight vectors. Then, we calculated the eigenvector and eigenvalue of the maximum based on the pairwise judgment matrix A and obtained the comprehensive weight of each evaluation index and the relative weight of various hierarchies and indexes by following a thorough consistency test.

First, we calculated the product of each element of judgment matrix A :

$$M_i = \prod_{j=1}^n b_{ij} (i = 1, 2, 3, \dots, n)$$

Second, we calculated the n th roots of M_i , which is \bar{w}_i

$$\bar{w}_i = n \sqrt[n]{\prod_{j=1}^n b_{ij}} (i = 1, 2, 3, \dots, n)$$

Third, we obtained the weight of each index by normalizing \bar{w}_i :

$$w_i = \frac{\bar{w}_i}{\sum_{i=1}^n \bar{w}_i} (i = 1, 2, 3, \dots, n)$$

$W_i^k (k = 1, 2, 3, \dots, m)$ is the weight of index i based on the judgment matrix of the k th expert. The maximum eigenvalue of judgment matrix A is the following:

$$\lambda_{\max} = \frac{1}{n} \sum_{i=1}^n \frac{\sum_{j=1}^n b_{ij} w_j}{w_i}$$

The maximum eigenvalue of judgment matrix A_k is $\lambda_{\max}^k (k = 1, 2, 3, \dots, m)$; thus, the satisfactory consistency ratio of judgment matrix A_k is

$$C_R^k = \frac{\lambda_{\max}^k - n}{(n - 1)RI}$$

RI is the average random consistency index and can be acquired from the comparison table of matrix valence number n and random consistency index RI.

If C_R greatly exceeds 0.1, the judgments are unreliable because they are too close to randomness and thus the exercise is valueless or must be repeated.

- (4) We determined the relative weight of experts by means of C_R

$$P_k = \frac{1}{1 + aC_R^k} (a > 0, \quad k = 1, 2, 3, \dots, m)$$

Parameter a played a regulating role. When the value of a was too big or too small, the weight of the experts was difficult to distinguish. The value of a is 10 here. We obtained the relative weight of experts after normalizing P_k .

$$P_k^\# = \frac{P_k}{\sum_{k=1}^m P_k}$$

- (5) We determined W_i , i.e., the relative weight of multi-expert index after obtaining expert weight $P_k^\#$ and index weight W_i^k :

$$W_i = \sum_{k=1}^m W_i^k \times \text{ch}P_k^\#$$

We obtained $W_i^\#$, i.e., the relative weight of the multi-expert index after normalizing W_i .

$$W_i^\# = \frac{W_i}{\sum_{i=1}^n W_i}$$

- (6) The evaluation index system consists of four levels of indexes, so the comprehensive weight of the final fourth-level indexes is $W_{xyzv}^\#$. x is the sequence number of the first-level indexes corresponding to the fourth-level indexes. y is the sequence number of the second-level indexes corresponding to the fourth-level indexes. z is the sequence number of the third-level indexes corresponding to the fourth-level indexes. v is the sequence number of the fourth-level indexes. Thus, we have

$$W_{xyzv}^\# = W_x^\# \times W_y^\# \times W_z^\# \times W_v^\#$$

We obtained the relative weight of the multi-expert indexes and then obtained the weight coefficient of all various levels of indexes ultimately by means of the computing method and processes explicated above. We used the group decision analysis function of YAAHP software version 0.5.3 to calculate the relative weight coefficient of the various levels of indexes, along with the comprehensive weight of the fourth-level index of the evaluation index systems for foundation governance in Mainland and Taiwan based on the judgment matrix of 10 experts, as Table 2 shows.

Table 2 The comprehensive weight of foundation governance evaluation index in Chinese Mainland and Taiwan (according to the results of 10 experts)

Value of evaluation index	A			B			Comprehensive weight coefficient $W_i^{\#}$								
	A1	A2	A3	B1	B2	B3									
	0.4661			0.5339											
	A1	A2	A3	B1	B2	B3									
	0.4293	0.2886	0.2821	0.2733	0.3841	0.3426									
	A11	A12	A21	A22	A23	A31	A32	B11	B12	B21	B22	B23	B31	B32	
	0.5957	0.4043	0.3063	0.3576	0.3361	0.3445	0.6555	0.4846	0.5154	0.3920	0.3740	0.2340	0.4609	0.5391	
A111	0.1745														0.0208
A112	0.2844														0.0339
A113	0.2634														0.0314
A114	0.0872														0.0104
A115	0.0831														0.0099
A116	0.1074														0.0128
A121		0.3795													0.0307
A122		0.3733													0.0302
A123		0.1211													0.0098
A124		0.1261													0.0102
A211			0.2791												0.0115
A212			0.0801												0.0033
A213			0.0995												0.0041
A214			0.2621												0.0108
A215			0.1845												0.0076
A216			0.0947												0.0039
A221				0.4449											0.0214
A222				0.1871											0.0090

Table 2 continued

Value of evaluation index	A			B			Comprehensive weight coefficient $W_i^{\#}$
	A1	A2	A3	B1	B2	B3	
0.4661				0.5339			
A1	A2	A3		B1	B2	B3	
0.4293	0.2886	0.2821		0.2733	0.3841	0.3426	
A11	A12	A21	A22	A23	A31	A32	A33
0.5957	0.4043	0.3063	0.3576	0.3361	0.3445	0.6555	0.4846
							0.5154
							0.3740
							0.2340
							0.4609
							0.5391
A23	0.1206						0.0058
A24	0.2474						0.0119
A231	0.4624						0.0209
A232	0.5376						0.0243
A311	0.2693						0.0122
A312	0.7307						0.0331
A321	0.3225						0.0278
A322	0.2575						0.0222
A323	0.4200						0.0362
B111	0.5658						0.0400
B112	0.4342						0.0307
B121	0.3005						0.0226
B122	0.2992						0.0225
B123	0.4003						0.0301
B211	0.4179						0.0336
B212	0.3843						0.0309
B213	0.1978						0.0159
B221	0.4211						0.0323

Table 2 continued

Value of evaluation index	A						B			Comprehensive weight coefficient $W_i^{\#}$
	A1	A2	A3	A1	A2	A3	B1	B2	B3	
0.4661							0.5339			
0.4293	0.2886		0.2821			0.2733	0.3841		0.3426	
0.5957	0.4043	0.3063	0.3361	0.3445	0.6555	0.4846	0.5154	0.3920	0.3740	0.2340
B222							0.1812			
B223							0.3977			
B231									0.5375	
B232									0.4625	
B311										0.3855
B312										0.4282
B313										0.1863
B321										0.3154
B322										0.2992
B323										0.1643
B324										0.1065
B325										0.1146

The following conclusions can be drawn from Table 2:

- (1) First-level indexes: The weight coefficients of the governance structure and the governance mechanism are 0.4661 and 0.5339, respectively. The experts pay attention to the governance mechanism.
- (2) Second-level indexes: The weight coefficient of the board of directors is 0.4293 and is higher than that of the other indexes of the governance structure, indicating that the board of directors has the highest importance. The administrative body and supervisory body take second and third place, respectively. The weight coefficient of the decision-making mechanism is 0.3841, which is higher than that of the other indexes of the governance mechanism and is followed by the supervision mechanism and incentive mechanism.
- (3) Third-level indexes: ① Board of directors: The weight coefficient of “composition” is highest (0.5957) and most important. ② Secretariat (administrative body): The weight coefficient of composition, staff and secretary-general (CEO) are nearly equal. ③ Supervisory body: The weight coefficient of the “initiative of power exercising” is 0.6555 and appears to be higher than the others. ④ Incentive mechanism: The weight coefficient of the normal full-time staff is slightly greater than that of “directors.” ⑤ Decision-making mechanism: The weight coefficients of the decision rule and the decision maker are both high. ⑥ Supervision mechanism: The weight coefficient of the external supervision mechanism (0.5391) is higher than that of the internal supervision mechanism.
- (4) Fourth-level indexes: $W_{xyzv}^{\#}$ is the comprehensive weight coefficient of the final fourth-level indexes. There are 16 fourth-level indexes whose weight coefficients are more than 0.03, 11 fourth-level indexes whose weight coefficients are between 0.02 and 0.03, 13 fourth-level indexes whose weight coefficients are between 0.01 and 0.02, and 8 fourth-level indexes whose weight coefficients are less than 0.01. The indexes with comprehensive weight coefficients that are greater than 0.03 are (in order) B111, A323, B312, A112, B211, A312, B311, B221, A113, B321, B212, A121, B112, B222, A122, and B123.

Evaluation Index Value Model and Data Sources

The evaluation index value of foundation governance (EIVFG) is derived from the evaluation index value of each evaluation index multiplied by the sum of various weight coefficients and is based on establishing an evaluation index system and determining the index weight coefficient. The model is described as follows:

$$\text{EIVFG} = \sum_{i=1}^n w_i \text{EIVFG}_i$$

EIVFG represents the *evaluation index value of foundation governance*, where $W_i^\# (i = 1, 2, 3, \dots, n)$ indicates the comprehensive weight coefficient of the i th evaluation element and $EIVFG_i$ denotes the evaluation index value of the i th evaluation element.

The evaluation index system of foundation governance combines qualitative and quantitative judgments. In this research, we drafted the questionnaires based on evaluation contents and distributed those questionnaires to the respondents. Qualitative indexes were reasonably scored by index weight for importance, expert advice, and questionnaire results. The score interval of each fourth-level index is [0, 1000], and the final scoring interval is thus also [0, 1000]. If the score is higher, the foundations' governance capacity is better, and vice versa. We hypothesized that the maximum score for the foundation's governance capacity is 1000. In accordance with the index weight coefficient in Table 2, the maximum scores for the second-level index values of the governance structure and governance mechanism are 466.1 and 533.9, respectively. The maximum scores for the third-level index values of the board of directors, secretariat, and supervisors are 200.1, 134.5 and 131.5, respectively. Similarly, the maximum scores for incentive mechanisms, decision-making mechanisms, and supervisory mechanisms are 145.9, 205.1, and 182.9, respectively.

We chose the educational foundations in Guangdong and Fujian provinces of the Mainland for inclusion in this comparative study based on the following two aspects. On the one hand, because of Xiaoping Deng's 1978 "Opening and Reform," Guangdong and Fujian, which are both located along the eastern coast of China, are relatively more developed than the rest of the Mainland, and their economic level varies by region because of the reform policy and its effects. Moreover, foundations in Guangdong and Fujian are relatively well developed. Guangdong and Fujian—which have 594 and 203 foundations, respectively—have a significantly larger number of all types of foundations, including 423 educational foundations (as shown in Table 3). In addition, Guangdong and Fujian share deep and longstanding geographical, historical, and cultural ties to Taiwan. The three regions have enjoyed frequent economic and cultural exchanges, including communication and cooperation among NPOs, for an extended period of time.

Table 3 Distribution of educational foundations in Chinese Mainland and Taiwan

Area	Foundations	Educational foundations	Relatively mature educational foundations
Mainland (Guangdong and Fujian)	797	423	97
Taiwan	More than 4000 ^a	692 ^b	103

^a The data are from the statistics of Youyuan Guan (2011)

^b The data are from "The Evaluation Album of Educational Foundations in 2013" on the Website of Taiwan's Ministry of Education at <http://www.edu.tw/FileUpload/1088-22009%/131203,2013-4-25/2014-3-7>

Therefore, it is both rational and feasible to conduct a comparative study of foundation governance using these three regions.

A significant number of educational foundations in Guangdong and Fujian are attached to stronger organizations, such as schools, that are well-known for their financial capacities and social influence. In contrast, these educational foundations lack full-time staff and dedicated workplaces. Their dependence on relationships with stronger organizations, their weak internal governance, and their reluctance to make their information public rendered them either unwilling or unable to completely fill in the questionnaires. Complete results from these types of foundations were thus impossible to obtain. Moreover, many foundations in the Mainland are in their beginning stages, and their governance capacity might be too low to make effective comparisons with Taiwanese foundations. To enhance the comparability of foundation governance between the Mainland and Taiwan, to improve the valid questionnaire response rate, and to ensure the accuracy and demonstrability of evaluation results, we had to choose a group of more mature educational foundations—both in Taiwan and the Mainland—for analysis so that we could obtain complete results. All the samples from the Mainland were obtained from educational foundations in Guangdong province and Fujian province that either consistently received high yearly ratings of over “3A”¹³ from government evaluations or that had welfare expenditures that were high enough to constitute a certain proportion of their yearly surplus in 2013.¹⁴ All the Taiwanese foundations were educational foundations that were awarded grades of “good” or better in evaluations by the Ministry of Education, which published listings in 2005, 2012, and 2013.¹⁵ According to the statistical data from the CFC (China Foundation Center) and governments in Guangdong, Fujian, and Taiwan, 48, 49, and 103 educational foundations met the applicable criteria in Guangdong, Fujian, and Taiwan, respectively. (see Table 3).

We distributed 48, 49, and 103 questionnaires in Guangdong, Fujian, and Taiwan, respectively. There was some difficulty obtaining complete results from these surveys because some of the foundations either made flawed information disclosures or sought to keep their information secret and refused to be interviewed. We collected 13, 22, and 45 questionnaires from Guangdong, Fujian, and Taiwan, respectively, and we collected 12 valid questionnaires from Guangdong, 20 valid questionnaires from Fujian, and 40 valid questionnaires from Taiwan. Although conditions in Guangdong and Fujian are better than conditions in most other provinces, a low questionnaire return rate was inevitable, even though the survey was supported by the departments of civil affairs in Guangdong and Fujian, officials working in Taiwan’s Ministry of Interior and Ministry of Education, and some

¹³ Foundation evaluations in the Mainland are performed by civil affairs departments at all levels. The grades rank from high to low as follows: 5A, 4A, 3A, 2A, and 1A.

¹⁴ For private educational foundations, public-welfare expenditures should account for more than 8.5 % of the carried-forward balance from the previous year, and the proportion of public-raising educational funds should be higher than 25 %.

¹⁵ Educational foundation evaluations in Taiwan are conducted by the Ministry of Education. The grades rank from high to low as follows: extra-superior, excellent, and good. Evaluations were not conducted in some years, so we have data only from 2005, 2012, and 2013.

Mainland-Taiwan exchange students. However, the distribution of the questionnaires covered most of the regions of Guangdong, Fujian, and Taiwan. Most of the questionnaires were completed under the guidance and supervision of project members or authorized persons via face-to-face or telephone meetings. We confirmed the information in the questionnaires by checking the surveyed foundations' information against interviews and online data, and we rejected all defective questionnaires. In addition, we compared the foundations included in the research with all foundations that received the questionnaire based on characteristics such as age and assets. The average age (by 2015) of the foundations included in the research in the Mainland (Guangdong and Fujian) and Taiwan are 7.4 and 18.9 years, respectively, and their average net assets (by 2014, converted into US dollars) are \$9,220,000 and \$24,680,000, respectively. The average age of all foundations that received the questionnaire in the Mainland and Taiwan are 6.7 and 20.2 years,¹⁶ respectively, and their average net assets are \$8,730,000 and \$20,610,000, respectively.¹⁷ Therefore the foundations included in the research are similar in terms of age and net assets to all foundations that received the questionnaire.

Findings and Analysis

Thirty-two valid questionnaires from the Mainland and 40 valid questionnaires from Taiwan were scored and calculated based on the EIVFG, and then the EIVFG score was calculated. The scatter diagrams of the EIVFG scores of 32 educational foundations in the Mainland and 40 educational foundations in Taiwan are shown in Figs. 1 and 2.

Overall Evaluation Analysis

According to Figs. 1 and 2, the average EIVFG score for 32 educational foundations in the Mainland is 631.5, and the average EIVFG score for 40 educational foundations in Taiwan is 741.3. The distribution of EIVFG is presented in Table 4. Notably, educational foundations in the Mainland are at various levels of development, based on a statistical analysis of the data from the questionnaire. Specifically, 12.5 and 21.76 % of educational foundations have EIVFG scores in the interval of [800, 900] and [700, 800] separately, and these foundations also have a high capacity for foundation governance. In addition, 28.125 % of educational foundations with scores under 600 are confronting the challenge of improving their governance capacity. The development level of Taiwan's educational foundations is high and balanced, despite the existence of some unevenness. All the educational foundations in Taiwan have EIVFG scores of greater than 600, with most in the

¹⁶ Because of their different histories—foundations in the Mainland have undergone rapid growth since 2005, whereas foundations in Taiwan increased sharply during the 1990s—the average age of foundations in Taiwan is significantly higher than that of foundations in Guangdong and Fujian.

¹⁷ These data are calculated based on responses to the questionnaire and information from the CFC website, Taiwan's Ministry of Education and each foundation.

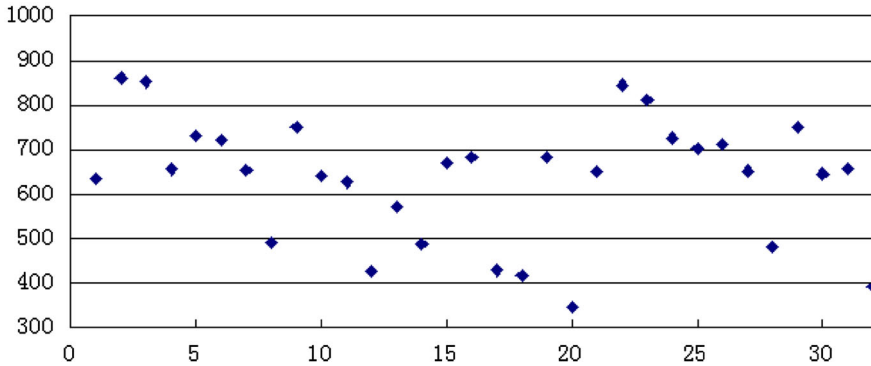


Fig. 1 The EIVFG scores of 32 educational foundations in Guangdong and Fujian

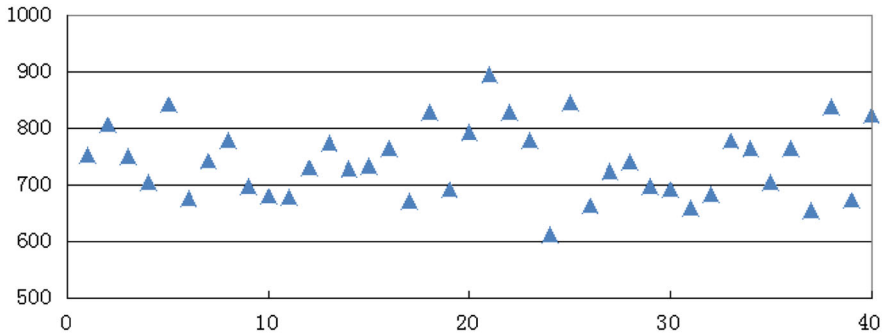


Fig. 2 The EIVFG scores of 40 educational foundations in Taiwan

interval of [700, 800]. Therefore, we drew the following preliminary conclusion: the average capacity of foundation governance in Taiwan is better than that in the Mainland. This conclusion matches the development status of Taiwan's NPOs and tests the rationality of both the evaluation index value model and the evaluation index system of foundation governance in this research.

Analysis of Governance Structure

We converted the fourth-level EIVFG to the third-level, second-level, and first-level index values, which are presented in Table 5. Although the EIVFG scores for the Mainland and Taiwan are similar with respect to governance structure, there are substantial differences between them (see Table 5 for details).

- (1) *Board of Directors* Taiwan's AI EIVFG score is 161.1, which is much higher than that of the Mainland, which had a score of 128.8. The underlying reasons for these results are as follows: First, foundations in the Mainland have boards of directors that are large and that sometimes even exceed statutory requirements. The presence of fewer directors will affect the science and

Table 4 The distribution of EIVFG scores in Chinese Mainland and Taiwan

Interval (score)	Mainland China		Taiwan	
	Number	Percentage	Number	Percentage
900–1000	0	0	0	0
800–900	4	12.5	8	20
700–800	7	21.8750	18	45
600–700	12	37.5	14	35
<600	9	28.125	0	0

rationality of a board's decision-making; conversely, the presence of more directors than necessary will reduce a board's efficiency. Qualification of board members is regulated clearly in "*Regulation on Foundation Administration*" in the Mainland to prevent boards from being manipulated by certain families. The number of board members who have family relationships with one another cannot be over one-third when the foundation is set up using private assets. People who are close relatives are not allowed to sit on the foundation board at the same time. In addition, the presence of more directors than necessary will increase administrative costs and reduce the board's efficiency. Xie (2015) argued there is a positive correlation between board size and administrative costs when the number of board members exceeds 17.¹⁸ Second, board chairs are seldom elected by board members and are usually appointed by competent governmental business departments; boards and major donors are seldom formed by election. Regarding the board chair's selection method, in our Chinese Mainland sample, 22.5 % of board chairs are voted on by board members; 20 % of chairs are elected by governments, boards, and major donors; 42.5 % of chairs are recommended by major donors; 7.5 % of chairs are recommended by predecessor chairs; and 7.5 % of chairs are appointed by governments (competent departments). In Taiwan, 77.5 % of chairs are voted on by board members and 22.5 % are recommended by major donors.

- (2) Administrative body (secretariat): 56.3 % of educational foundations claimed a small number of full-time staff in Chinese Mainland foundations, whereas this was the case for only 25 % of Taiwan's educational foundations. In addition, 59.4 % of educational foundations in Mainland do not employ any volunteers, whereas only 20 % of Taiwan's educational foundations have no volunteers. "*Regulation on Foundation Administration*" in the Mainland stipulates that the wages of the staff of a foundation and the expenses of its administration shall not exceed 10 % of the annual total expenditures, which means that the number of full-time staff is limited. However, a certain number of full-time staff is necessary for the development and professionalization of a

¹⁸ The *Regulation on Foundation Administration* in the Mainland mandates that the board will comprise 5–25 members, whereas the boards of Taiwanese foundations must have fewer than 15 members.

- foundation. With regard to the appropriate number of full-time staff, the practical scale of foundation business must be considered. Xie (2015) presented empirical evidence that the donation income of Chinese foundations increases when the number of full-time staff is greater than 4, and Liu (2014b) empirically demonstrated a positive correlation between foundations' governance capacities and their fund-raising abilities. Moreover, the average number of full-time employees of foundations in the USA is 5.6 (Wang 2011).
- (3) Supervisory body: foundations in Mainland China are required to appoint supervisors or supervisory boards in accordance with the “*Regulation on Foundation Administration*”. In Taiwan, however, supervisory boards are optional for foundations pursuant to the “*Licensing and Supervision Points of Setting up the Education Foundation*”. Even if state-sponsored educational foundations are required to hire supervisors, the relationship between supervisors and boards of directors is auxiliary but not antagonistic. In general, effective supervisory boards will indirectly complement the governance structure to some extent, although foundations in the Mainland remain in their initial stages and their executive boards and secretariats still have room for improvement. In our sample, 55 % of Mainland educational foundations established supervisory boards and 44 % established supervisory positions but not boards. In Taiwan, only 7.5 % of foundations set up supervisory boards, 22.5 % of foundations set up supervisor positions but not supervisory boards, 15 % of foundations set up alternative internal supervision branches without either supervisors or supervisory boards, and 55 % had no supervisory bodies. Our empirical results show that the A31 and A32 scores are higher for Mainland foundations than for Taiwanese foundations. In general, the internal supervisory bodies of Mainland foundations are more unified and standardized than those in Taiwan. Of course, foundations in Taiwan are paying increasing attention to supervisory bodies and mechanisms in recent years.

Analysis of Governance Mechanisms

The major difference in the governance of educational foundations between the Mainland and Taiwan is reflected in their mechanisms. The scores of the governance mechanism indexes for the educational foundations surveyed in the Mainland and Taiwan are 311.6 and 418.8, respectively (see Table 5 for details):

Regarding the incentive mechanism (including incentives for directors and normal full-time staff), 50 % of educational foundations in the Mainland admitted that they conducted no relevant business training, whereas only 17.0 % of the educational foundations surveyed in Taiwan admitted the same. When the level of training is too low in foundations, foundations' leadership quality may be affected. In total, 82.5 % of the educational foundations in Taiwan believed that their normal full-time staff members were paid a decent wage, welfare, and social insurance, whereas only 40 % of respondents in the Mainland agreed with this statement. Most of the educational foundations in the Mainland lack training programs for full-time

Table 5 Detailed table of EIVFG in Chinese Mainland and Taiwan

		Chinese Mainland	Taiwan	
Total score		631.5	741.3	
Governance structure (A)		319.9	322.5	
Board of directors (A1)	Board of directors (A1)	128.8	161.1	
	Composition (A11)	69.3	85.5	
	Meeting (A12)	59.6	75.6	
	Secretariat (A2)	Secretariat (A2)	93.8	117.4
		Composition (A21)	32.3	39.3
		Staff (A22)	29.1	42.1
		Secretary-general (A23)	32.5	36
	Supervisor (A3)	Supervisor (A3)	97.3	44
		Establishment (A31)	35.2	14.6
		Initiative of power exercising (A32)	62.1	29.4
Governance mechanism (B)		311.6	418.8	
Incentive mechanism (B1)	Incentive mechanism (B1)	75.9	102.1	
	Directors (board chair, CEO, etc.) (B11)	26.6	40.9	
	Normal full-time staff (B12)	49.3	61.2	
	Decision-making mechanism (B2)	Decision-making mechanism (B2)	129.7	168.7
Decision rule (B21)		46.8	61.4	
Decision maker (B22)		65.3	75.7	
Decision-making relief (B23)		17.5	31.6	
Supervision mechanism (B3)	Supervision mechanism (B3)	105.9	147.9	
	Internal supervision mechanism (B31)	40.5	62.4	
	External supervision mechanism (B32)	65.4	85.5	

staff, and the staff lack the ability to identify their foundations' goals, mission, and culture, leading to degradation of the foundation's executive functions.

Regarding the decision-making mechanism, only 31.2 % of the educational foundations in the Mainland have formal methods to solve decision-related disputes; thus, they lag far behind the foundations surveyed in Taiwan, where 62.5 % of foundations employ such methods. Relief channels provided when a party refuses to accept a decision were provided in 28.1 % of the educational foundations in the Mainland and 62.5 % of the foundations in Taiwan.

Regarding supervision mechanisms, an internal supervision mechanism operates as a vocational evaluation system for board members, executive directors, secretary-generals or CEOs, and normal staff. More than half of the educational foundations

in the Mainland have not established such systems. Most educational foundations in Taiwan have these systems and operate them well. An external supervision mechanism is primarily reflected in information disclosures. In all, 37.5 % of the educational foundations in the Mainland reported the regular disclosure of operational situations to authorities. The proportion of those surveyed in Taiwan is 65 %. Moreover, the content of public information is higher overall and there are more ways to make information public in Taiwan than in the Mainland. Furthermore, the proportion of educational foundations joining self-discipline alliances in Taiwan is 82.5 %, which is a much higher proportion than that in the Mainland (31.3 %). Our empirical results show that the EIVFG score for B3 (supervisory mechanisms) for Mainland foundations is only 105.9, which is much lower than that for Taiwanese foundations (147.9). However, the EIVFG scores for A31 and A32 for educational foundations in the Mainland are higher than those for foundations in Taiwan. The reason for this apparent discrepancy is that foundations in the Mainland have established supervisory boards, which is better than the situation in Taiwan, but many supervisory boards of Mainland foundations exist in name only and do not play active supervisory roles. Zhang and Li (2013) also empirically proved that the role of boards of supervisors of Mainland foundations is currently weakening. In general, active information disclosure and the awareness of educational foundations' self-discipline in the Mainland are weaker than those in Taiwan.

Conclusion and Suggestions

NPO governance is a comprehensive process involving static structures and dynamic mechanisms that is similar to corporate governance. In this research, we selected the GDM-AHP to determine the weight coefficient for an evaluation index system of foundation governance and an EIVFG model. Next, we conducted a comparative study on educational foundations in Guangdong and Fujian (the Mainland) and in Taiwan by administering a questionnaire survey and performing data analysis. Our conclusions are as follows:

1. Educational foundations in Taiwan were more mature in terms of development than educational foundations in the Mainland. According to our statistical analysis of valid questionnaires, there are 32 educational foundations in the Mainland with an EIVFG score of 631.5, which demonstrates that although the average foundation's governance capacity has improved,¹⁹ governance capacity remains unequal among Mainland organizations. Indeed, 28.125 % of educational foundations have EIVFG scores of less than 600 and thus must improve. The average EIVFG score of the Taiwanese respondents is 741.3, which is significantly higher than that of the Mainland respondents. All the Taiwanese foundations surveyed achieved an EIVFG score of greater than 600. The

¹⁹ After 2004, educational foundations in the Mainland began to enter the stage of rapid development and gradually entered the construction system stage (Xu et al. 2014). The average foundation's governance capacity has improved relative to earlier developmental periods.

- experiences of Taiwanese foundations might be worth studying as a reference for foundations in the Mainland, although room for improvement remains with respect to governance of foundations in Taiwan.
2. Governance mechanisms are more important than governance structures. Governance mechanisms are responsible for a large proportion of educational foundations' EIVFG scores. Governance mechanisms affect foundations' governance capacity to a greater extent than governance structure, which indicates that the difference in foundation governance capacity between the Mainland and Taiwan depends on the difference between their governance mechanisms. The lack of effective motivation and training programs for directors and other full-time staff, the absence of methods to solve decision-making disputes, and information disclosure and awareness of self-discipline will affect the professionalism, executive ability and credibility of educational foundations in the Mainland. With respect to governance structure, a foundation's leadership depends on the integrity and completeness of its executive board's structure. With respect to governance mechanisms, decision-making mechanisms determine a foundation's executive ability, and supervision mechanisms are critical for normalizing and institutionalizing a foundation.
 3. Despite having a similar EIVFG score, the internal governance structures of educational foundations in the Mainland and Taiwan each have their own idiosyncratic characteristics. Foundations in the Mainland are required to establish supervisory bodies to make up for the shortage of boards of directors and administrative bodies, such as a secretariat. Foundations in Taiwan are not required to have supervisory bodies within their organizations and are thus free to hire supervisors or establish supervisory boards as needed. Practice has shown that although supervisory bodies are conducive to improving internal governance, they can be dysfunctional and may even increase a foundation's burden. Accordingly, it may be helpful to establish such bodies only on an as-needed basis.

In the Mainland, the educational foundation is the main type of public-welfare foundation. Of course, the problems and disadvantages of developing educational foundations are common to all the foundations studied. According to our data analysis and conclusions, we make the following suggestions:

1. Improving the external environments of foundations. Today, the Mainland is paying more attention than ever to NPO development and aims to encourage action by social organizations such as public-welfare foundations. The "*Regulation on Foundation Administration*" should be revised to protect foundations' rights and independence by perfecting the articles of the code of conduct for directors and senior managers, providing effective management and motivation for volunteers, establishing decision-making methods and appeal rights, etc. As the legal framework and trust atmosphere is improved and perfected, the operation of foundations in the Mainland can be adjusted by implementing laws and regulations that are both more applicable and more normative.

2. Perfecting the internal governance structure. The board of directors is both the decision-making center and the leadership body of a foundation's internal governance structure. To promote the operational efficiency of the board, a foundation's top priority is to strictly control the board's size, to implement genuine election and appointment systems for board chairs, and to establish essential boards of supervisors and professional councils. Simultaneously, authorities in the Mainland should comprehensively advance "de-administration" reformation, disconnect foundations from the government administrative system, build new relationships between the government and foundations, and make the selection of boards of directors more independent and legitimate. Administrative bodies charged by the general secretary or CEO are working organizations for foundations. Professional individuals and teams should be hired to implement modern management philosophies and advanced management styles. Although the use of supervisory bodies represents an innovation for foundations in the Mainland, the governance capability of Mainland foundations is lower than that of Taiwanese foundations because a significant number of supervisory boards do not play an active supervisory role. It is important to ensure that supervisory boards and supervisors remain both independent and objective. Furthermore, supervisory bodies might be enlarged for this purpose, thus enhancing their power and strengthening their supervisory functions.
3. Optimizing internal governance mechanisms. On the one hand, a people-oriented incentive mechanism is an important part of internal governance mechanisms. Foundations in the Mainland should give free reign to organizational members' initiative and creativity, thus improving members' job performance. An effective incentive mechanism includes at least three features. The first is the organization's cultural incentive. Foundations should shape a common identity related to the value, concept, and vision of the organization. The second is a reasonable salary system. Organizational members of foundations are altruistic and not driven solely by money, as opposed to those of for-profit companies (Wein 1989). Nonetheless, non-profit and for-profit organizations are competing for human resources, which leads to hiring staff who care about both mission and salary in the current marketing environment. Therefore, foundations should reform the salary system and attempt to make incentive wages work. The third is a targeted training program. A balanced and effective decision-making mechanism may facilitate foundation governance. Foundations should regulate the decision-making processes of boards of directors, should clearly define the decision scope of boards of directors, and should establish appeals systems to solve internal disputes among diverse stakeholders.
4. Strengthening external governance mechanisms. On the one hand, government supervision mechanisms that support and promote foundations should be built. For many years, the Central Government in China has focused on examination and approval—and not on support and supervision—in the practice of foundation administration. The system of permitting foundations to register is strict, but the primary supervisory method is an annual inspection. Because the current "Annual Inspection Method of Foundations" do not clearly stipulate the

contents of the operation and process of annual inspections, randomness and formalization are common, and annual inspections do not play a guiding and correcting role, as a consequence. Following *The Third Plenary Session of the 18th Communist Party of China*, the government changed its administrative emphasis from prior registration to supervision during and after formation. However, if government supervision is exercised only to control or to discover excess, foundations will be become ineffective. Therefore, government supervision aiming at facilitation and support is necessary. Moreover, a third-party evaluation mechanism that is both scientific and efficient should be built. Since 2008, NPOs' performance evaluations have been determined by civil affairs departments in Beijing, Fujian, and Guangdong; in 2014, these evaluations were conducted by every province in the Mainland. Currently, civil affairs departments at all levels are conducting several studies on evaluating foundations, such as introducing third-party evaluations as an effective method of supervision before, during, and after a foundation is formed. Effective third-party evaluations can improve foundations' governance capabilities and credit-appraisal systems, easing the government's burden. Simultaneously, the government can implement systems of purchasing services and make special grants based on evaluation results.

5. Establishing required information disclosure by foundations. Credibility is vital for foundations' survival and development. If foundations want to gain the public's trust and attract donations, they should both establish and improve their information-disclosure systems to solve the crisis arising from asymmetric and incomplete information. First, the content of information disclosure should be refined and detailed. The survey of the "2013 China Charity Transparency Report"²⁰ indicates that half of the respondents felt dissatisfied with charity organizations' information-disclosure situations. Foundations have the right to make their own decisions about the degree and scope of information disclosure because there is no unified standard of information disclosure for foundations in the Mainland. Several foundations make only simple disclosures of their financial information and business information, and the public is unable to learn where funds have gone. Second, a unified information platform should be established. In recent years, independent third-party organizations that evaluate foundations' information disclosure have been established in the Mainland, including the China Charity Information Center, but the supply of such organizations does not meet the demand. A unified information platform should be built to achieve information sharing and facilitate public scrutiny.

The current differences in the two regions' governance of foundations are based on the histories of their different social environments. Since martial law was abolished in 1987 and since NPOs have acted pursuant to international conventions, the concept of democracy and freedom has become increasingly embedded in the Taiwanese people's minds, resulting in higher levels of autonomy, transparency, and accountability for Taiwanese NPOs. In Taiwan, the absence of unified

²⁰ China Economy Net. News: "2013 China Charity Transparency Report" was published. http://gongyi.ce.cn/xwrd/redianxinwen/201309/24/t20130924_1111116.shtml, 2013-09-24/2014-11-23.

legislation (and for some types of foundations, the lack of any type of legislation) does not seriously affect foundations' governance capabilities. Thus, strict legal inspections cannot provide a climate for foundations to mature and develop. The concept of the fair-minded and impartial application of legal principles can establish an atmosphere of trust in which a powerful driving force provides a foundation with a secure footing upon which they can build. Moreover, foundations in the Mainland will not improve or perfect their governance capabilities without public attention and governmental support. Given the general objective of *The Third Plenary Session of the 18th Communist Party of China* to continue to modernize foundations' national governance systems and governance capabilities, Mainland NPOs (including foundations) are currently enjoying prosperity that is helping them develop and that eventually will narrow the gap between foundations in the Mainland and those in Taiwan. The contribution of this research is that it is the first attempt to compare the governance of foundations using data analysis of the governance capabilities of relatively mature educational foundations in the Mainland and Taiwan. Further research will attempt to investigate educational foundations at different development levels that are characterized by different governance capacities. This research will extend to all kinds of foundations (not just educational foundations) in the Mainland and Taiwan when the conditions are ripe, in an attempt to draw more effective conclusions and develop findings that can help improve governance capacity and build both transparency and trust in foundations in the Mainland.

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Compliance with Ethical Standards

Conflict of Interest The authors declare that they have no conflict of interest. This manuscript has not been published and is not under consideration for publication elsewhere. All authors have read and approved the final version of the manuscript.

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