

Chairperson's Background and the Donation Income of Non-Profit Organisations *

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Abstract

As the third department among the three major sectors of modern social structure, non-profit organisations can alleviate market and government failures in providing public goods, reconciling social contradictions, and redistributing wealth. Using a sample of 8,865 charitable foundations from 2006 to 2014, we examine the development of charitable foundations in China from the perspective of a chairperson's background. We find that charitable foundations hiring chairpersons with corporate management experience can attract higher donation income. Mediation analysis shows that a chairperson with corporate management experience may enhance donation income through higher fund-use efficiency and information transparency. Moreover, this significant effect only occurs when the fund is publicly raised, the region's external governance environment is poor, or the foundation is not audited. Our findings are relevant to China's lawmakers, regulators, and external donors of non-profit organisations.

Keywords: Charitable Foundations, Donation Income, Information Transparency, Fund-Use Efficiency

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I. Introduction

The three major sectors of modern social structure (enterprises, governments, and non-profit organisations [NPOs]) are essential for developing a healthy social economy. Enterprises are directly involved in developing productive social forces and creating means of production, both of which are pivotal to a country's economic development. The government sector provides products and services in socio-economic fields in which companies cannot or are unwilling to participate (e.g. public goods provision, market supervision, and implementing macro control). As the "third sector", NPOs alleviate market and government failures to provide public goods, reconcile social conflicts, and redistribute wealth.

The end of 2016 saw 702,000 NPOs in China involved in various fields, such as scientific research, education, charity, and culture, with a total endowment income of over 100 billion yuan. Given the rapid development of China's economy, the continuous progress of social civilisation, and the increase in civic awareness, NPOs are irreplaceable in social and economic development. First, China's society is undergoing a period of drastic change. Wealth polarisation is intensifying, and social problems are increasing. Therefore, the development of NPOs is gradually penetrating the vacuum zone of public service areas. Second, a series of rules and regulations governing the charity market have been introduced intensively in recent years, showing that the government has been paying increasing attention to regulating NPOs; for example, the 18th National Congress of the Communist Party of China proposed speeding up "the formation of a modern social organisation system with separation of government and society, clear rights and responsibilities and autonomy according to law." This shows that research on NPOs is an important topic. Moreover, the institutional environment in China's emerging markets significantly impacts social philanthropy. Tang *et al.* (2014) find that Chinese private enterprises, which are in a weak position in the market competition, may choose to seek business environment stability through charitable donations. Chen and Zhang (2014) find that selecting a top-100 accounting firm can significantly enhance the relationship between foundation accounting information and donations and that the influence is mainly reflected in attracting domestic institutional donors. Li *et al.* (2017) find that individual donors pay more attention to the social welfare benefit of their donations, while institutional donors pay more attention to the promotion of their own social value. These findings indicate that the behaviour of Chinese NPOs and donors offers unique scope for further research.

Therefore, given the economic volume of NPOs, the diversification of the social fields involved, and the party's and government's close attention to developing NPOs, research on NPOs in China has important practical significance. Thus, we examine charitable foundations (a kind of NPO) from the accounting and finance perspective. We choose charitable foundations as the research object on the basis of the following considerations. First, the

importance of charitable foundations in regard to charitable donations in China highlights the importance of examining related issues. Second, foundations have a corporate governance structure similar to that of a modern enterprise, thus retaining the trustee characteristics of a trust fund; therefore, relative to other NPOs, the most advantageous aspect of modern foundations is the introduction of corporate governance mechanisms, which facilitates related studies as the existing accounting and finance literature can be used as a reference. Third, the availability of data on the “regulation on the information disclosure of charitable foundations” that was implemented on 12 January 2006. This regulation requires foundations to submit their previous year’s annual report to the registration administration authority and to publish the full text of the report in the designated media. Thus, relative to several other types of NPOs, charitable foundations provide a database for archival studies.

In respect of considerations for research on charitable organisations, China’s charitable foundations have been prominently regarded as part of the government’s service functions (the Red Cross Foundation being the most typical example). The employees of some foundations (e.g. Soong Ching Ling Foundation) must pass the civil service examination or be managed by a public institution (a competent business unit). The chairpersons of charitable foundations were then mainly appointed by the government. NPOs have long pursued market-oriented transformation, especially since the 18th National Congress of the Communist Party of China. There has been an increasing call for foundations to operate in a socialised manner. Various regions in the country have actively explored how to socialise charitable foundations. For example, the chairpersons of the Shenzhen Futian Charity Association were civil servants before its socialisation, but since the socialisation reform, the chairperson and board members have been entrepreneurs and other social personages. Liu *et al.* (2019) find that the accounting information quality of socialised foundations is higher than that of non-socialised ones. To fulfil the wealth redistribution function fully, a public welfare foundation must obtain sufficient endowment income. Therefore, the impact of a chairperson’s background on a foundation’s ability to obtain endowment resources is a valuable research topic. However, to date, few studies have examined this important issue.

Hence, on the basis of data on charitable foundations in China from 2006 to 2014, we examine the relationship between the personal background of chairpersons and the donation income obtained by foundations. We employ data from the Chinese NPO database of the China Research Data Service Platform (CNRDS). Currently, only a small part of the annual reports of foundations disclose information on the external appointment of chairpersons. Therefore, we obtain the backgrounds of chairpersons via a Web search. We find that if a foundation’s chairperson has corporate management experience, it could obtain a higher donation income. Mediation analysis shows that a chairperson with corporate management experience may enhance donation income through higher fund-use efficiency and higher information transparency. Our main results are robust to matched sample tests, two-stage

analysis, and alternative indicators. Cross-sectional tests indicate that the results only hold when the fund is publicly raised, the region's external governance environment is poor, or the foundation is not audited.

Our study contributes to the existing literature in two ways. First, NPOs are an important subject of accounting research. However, due to limited data availability given the short history of Chinese NPOs, prior research has mainly involved normative theoretical analysis. In recent years, the gradual improvement in foundation information disclosure has made empirical research possible. Existing research has examined the impact of foundations' accounting information on fund donations. We choose the personal background of the chairperson as the research perspective, which is an incremental contribution to the existing NPO research.

Second, our study has important policy implications. The research results have reference value for lawmakers, regulators, and NPO donors in China. We find that a chairperson's background matters when foundations can raise funds publicly, the external governance environment of the foundation is poor, or foundations are not audited. It strengthens the supervision of NPOs, improves various information disclosure systems, and promotes the transformation of NPOs in China. For example, regulators could adopt different regulatory measures for foundations with different characteristics.

The remainder of this paper is organised as follows: Section II reviews the related literature and develops our hypothesis; section III describes the sample selection and research design; section IV presents the empirical results analysis; section V presents further analysis and robustness tests; and section VI concludes the paper.

II. Related Literature and Hypothesis Development

2.1 Related Literature

Due to the early development of NPOs in Western countries, various systems have emerged. Foreign explorations in this field have included charity foundations and other NPOs; moreover, their research paradigms and conclusions have similarities. Early studies focused on choosing accounting methods and information disclosure for NPOs (Chase and Coffman, 1994). For example, using a sample of 170 annual reports of museums, Christensen and Mohr (2003) find that some organisations' annual reports do not contain any financial information, while those of other organisations provide complete financial statements, notes, and audit reports, with art museums and historical museums usually disclosing more financial data.

Given the continuous development of organisational governance theory and the many governance problems associated with NPOs, NPO governance is a hot topic for accounting research (Yetman, 2001; Baber *et al.*, 2002; Brickley and Van Horn, 2002; Eldenburg *et al.*, 2004; Core *et al.*, 2006; Petrovits *et al.*, 2011). In addition, many studies have examined the

factors affecting the endowment income of NPOs. For example, Okten and Weisbrod (2000) find that direct influences (e.g. advertising) increase donation income. Other income generated from government subsidies and NPO project sales does not have a “squeezing out effect” on donation income. On the contrary, it has a positive effect in some industries. Trussel and Parsons (2007) find that some donors use financial information when making donation decisions; however, whether the donor's decision is affected by non-financial information remains unclear. They constructed a framework for financial reporting factors that influence donations via four factors that affect donation behaviour: the efficiency of organisation resource allocation, the financial stability of the organisation, the availability of information to the donor, and the reputation of the organisation. Bottan and Perez-Truglia (2015) examine the impact of US welfare agency scandals on donation income, showing that the number of employees in welfare institutions decreases and donation income decreases significantly after media disclosures of local welfare agency scandals. These and other similar literatures are closest to our study.

2.2 Hypothesis Development

Efficient organisations must address the key issue of insider control, namely the principal-agent problem, which is a fundamental problem in the governance of corporate and charitable foundations. Many studies have shown that inefficient organisational governance from insider control can reduce an organisation's information transparency and fund-use efficiency. Specific to charitable foundations, donors incorporate information on a foundation's information disclosure quality and operating efficiency into the decision-making process (Trussel and Parsons, 2007; Harris *et al.*, 2015). These decision-making grounds are influenced by the internal governance mechanism of the foundation. A foundation's internal governance mechanism is unique because its important stakeholders comprise donors (principals), grantees (trustees), and beneficiaries; however, none own full property rights. First, when a donor completes a donation, although she/he enjoys the right to know and supervise the property, it is no longer her/his private property. Second, when a grantee receives the entrusted property, she/he cannot become the subject of ownership of the property. When we interpret ownership as a residual claim and control, the grantee has only the residual control of the donated assets, while the residual claim is dissipated, which results in the splitting of residual control and residual claim. Notably, the complexity of a foundation's interest and stakeholder diversity can aggravate insider control. Thus, a foundation's property does not belong to any one person or any institution; rather, it is a social and communal ownership.

The internal composition of a foundation is more complicated than that of an enterprise. In profit organisations such as enterprises, the manager (the director) must pay attention to the agency problem. In charity foundations, a significant gap remains relative to the complete external supervision and governance mechanism of enterprises. For example, Core *et al.*

(2006) investigate the agency problem of NPOs regarding excessive donations and find that if an NPO has too much donation income, it will not increase the corresponding charity project expenditure and the corresponding supervision will not be improved. This situation only leads to higher executive compensation, indicating that too much donation income only aggravates agency problems. In China, the main reasons for the weak internal governance of charitable foundations are as follows: (1) The rules and regulations of the foundation are still imperfect, and, for many activities, there is no rule to follow, under which circumstances insiders are likely to make behaviour choices according to their interests; (2) there is a lack of effective external supervision mechanisms for foundations, and this is currently among the main problems faced by Chinese foundations; and (3) in foundations, there is no mechanism similar to a company's stock price that could be used to assess insiders' code of conduct. In short, the issue of the unique institutional backgrounds faced by foundations has induced a lack of corresponding supervision mechanisms for insider behaviour, which likely reduces the information transparency and fund-use efficiency of charitable foundations.

Prior studies have shown that information transparency can affect foundations' donation income (Parsons, 2007). The requirements for the disclosure of a foundation's information stem from the information asymmetry among donors, beneficiaries, and foundations. Generally, the higher the transparency of information, the more information on responsibility fulfilment is disclosed to donors. Effective information disclosure can reduce information asymmetry (Liu *et al.*, 2019), enable donors to make donation decisions better, protect the rights of donation beneficiaries, and increase the endowment income of foundations.

Existing studies have also reached a relatively consistent conclusion on the fund-use efficiency of foundations: High fund-use efficiency means that foundations use most of their donation income for public welfare undertakings to better fulfil their fiduciary responsibilities, thus attracting more donations (Tinkelman, 1999; Parsons, 2007; Chen *et al.*, 2015). This means that the higher their fund-use efficiency, the more endowment income foundations can earn.

In practice, donors pay attention to the information transparency and fund-use efficiency of foundations. When imperfect governance mechanisms lead to reduced governance effectiveness, the public's willingness to donate is reduced. For example, during the COVID-19 outbreak, the Wuhan Red Cross Society's fund-use efficiency and information transparency were low, causing public dissatisfaction. Thus, people preferred to donate directly to hospitals and other institutions.

Chinese researchers have discussed how to improve the internal governance efficiency of charitable foundations from a theoretical perspective. Li (2012, 2015) and Li *et al.* (2017) argue that NPOs can draw on the mature experience of existing organisations to build their governance structure, improve governance mechanisms, and achieve governance effectiveness. Directly hiring chairpersons with enterprise management experience is an

effective way to introduce mature governance experience into the governance mechanism of charitable foundations; it is effective mainly because the decision-making of these chairpersons hinges on their knowledge and experience (Nicolosi and Yore, 2015). Knowledge can be acquired through educational and practical experience. However, experience can only be obtained through practice. Custodio *et al.* (2013) note that managers' work experience comprises accumulating and acquiring management and professional skills in a certain field. Hambrick *et al.* (2007) also find that the different experiences and traits of executives can influence corporate governance. Moreover, many studies have examined the impact of business managers' early experience on their decision-making, such as their technology-related work experience (Daellenbach *et al.*, 1999), experience of the Great Depression (Malmendier *et al.*, 2011), and military experience (Luo *et al.*, 2017). If a foundation's chairperson has experience in business management, they can also accumulate experience and expertise in corporate governance. Meanwhile, the chairperson gains insight into the governance mechanisms of both foundations and enterprises. Thus, their integrated knowledge of the professional and efficient governance methods of multiple organisations can be applied to the governance of charitable foundations, thereby improving governance efficiency: for example, the information transparency of a foundation and its fund-use efficiency can be improved.

Hence, a chairperson with corporate management experience can apply the effective governance mechanisms of enterprises to the governance of foundations, which can improve the information transparency and fund-use efficiency, and ultimately increase the donation income, of foundations. Hence, we propose the following hypothesis:

Hypothesis: Ceteris paribus, foundations that employ a chairperson with corporate management experience can obtain a higher donation income.

III. Data and Research Design

3.1 Data Source and Sample Selection

We obtain data from the CNRDS spanning the period 2006 to 2014 and including 8,865 observations. China's foundations started disclosing their annual report in 2006, as stipulated by Article 5 of the "regulation for the publication of foundation information": "The Foundation shall submit the annual work report of the previous year to the registration administration authority and publish the full text and abstract of it in the designated media." However, in practice, many foundations do not disclose annual reports as required, and few foundations publish annually, especially before 2006. Therefore, our study cannot cover all foundations. Information on the external appointment of chairpersons was manually obtained via the Internet. Panel A of Table 1 shows the distribution of the number of foundations by year. Notably, the number of foundations in the sample increases annually. Panel B shows the

distribution of the registration province of foundations and indicates that Jiangsu (Gansu) Province has the highest (smallest) number of charitable foundations, providing 1,269 (4) observations.

Table 1 Distribution of Sample

Panel A									
2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
24	43	95	170	521	1,591	1,748	2,302	2,371	8,865
Panel B									
Province	Obs.			Province	Obs.				
Beijing	1,242			Liaoning	190				
Anhui	145			Neimenggu	231				
Fujian	544			Ningxia	62				
Gansu	4			Qinghai	27				
Guangdong	975			Shandong	248				
Guangxi	100			Shanxi	80				
Guizhou	82			Shaanxi	142				
Hainan	16			Shanghai	544				
Hebei	100			Sichuan	315				
Henan	220			Tianjin	91				
Heilongjiang	139			Xizang	6				
Hubei	212			Xinjiang	57				
Hunan	463			Yunnan	135				
Jilin	156			Zhejiang	879				
Jiangsu	1,269			Chongqing	114				
Jiangxi	77			Total	8,865				

3.2 Research Design

The collected data show that the backgrounds of the current chairpersons of Chinese foundations mainly include government officials, leaders of public institutions, corporate managers, industry association leaders, university leaders, and entertainment stars. We select the backgrounds of companies and industry associations to determine whether chairpersons have corporate management experience. Specifically, if the chairperson is currently working or once worked in a company or industry association, D_Corp takes the value of 1; otherwise, D_Corp takes the value of 0. Prior research usually controls for foundation characteristic variables and related operational efficiency variables when establishing an empirical model. Accordingly, we control for a foundation's characteristic variables (*age*, *size*, *type*, and *offer*) and related operating efficiency variables (administrative expense rate [Adm_cost]). Since our study involves foundation insiders, we also control for the age ($Dage$) and gender ($Dgend$) of the chairperson. Table 2 presents the variable definitions. Further, to avoid extreme values, all continuous variables are winsorised at the 1% and 99% levels.

Table 2 Variable Definitions

Variable	Definition
<i>LnDonare</i>	Donation income: the natural logarithm of all donation income received by the foundation in the current year
<i>D_Corp</i>	If the chairperson of the foundation works or once worked in a company or industry association, the value of <i>D_Corp</i> is 1; otherwise, the value of <i>D_Corp</i> is 0.
<i>Trsp</i>	The 2015 China Foundation Transparency Index, jointly published by the Foundation Center Website and the Tsinghua University Integrity and Governance Research Center, used as the measure of information transparency of a foundation
<i>Efficiency</i>	The ratio of business activity cost to total expenditure as a proxy for the efficiency of the foundation's programme
<i>Adm_cost</i>	The proportion of administrative expenses to total expenditure for the year
<i>Dage</i>	The age of the chairperson of the foundation
<i>Dgend</i>	Dummy variable that takes the value of 1 (0) if the chairperson of the foundation is a male (female)
<i>Age</i>	The age of the foundation
<i>Type</i>	Dummy variable that takes the value of 1 for nationwide foundations and 0 otherwise
<i>Offer</i>	Dummy variable that takes the value of 1 for public fundraising foundations and 0 otherwise. If charitable foundations have a public offering licence, they can openly raise funds from the public. If charitable foundations do not have a public offering licence, they can only raise funds from specific objects, such as members and directors of the foundation.
<i>LnAsset</i>	The natural logarithm of the total assets of the foundation at the end of the year
<i>Year</i>	Year dummy variable (total of nine years)
<i>Industry</i>	Industry dummy variable (total of 13 industries) including the following: Safety Relief, Education, Culture and Sports, Women and Children's Development, Health Care, Good Samaritan, Against Poverty, Environmental Protection, Disabled Persons, Public Service, Entrepreneurship, Scientific Research, and Comprehensive Industry; a Web search supplements the missing data
<i>Region</i>	The province, municipality, or city in which the foundation is registered (total of 31 provinces)

Donation income (*LnDonare*) is the natural logarithm of all donation income received by the foundation in the current year. In the mediation analysis model, we use the variables of information transparency (*Trsp*) and fund-use efficiency (*Efficiency*) as mediating variables. *Trsp*⁵ is the 2015 Foundation Transparency Index (FTI), jointly published by the China Foundation Center (CFC) website and the Tsinghua University Integrity and Governance

⁵ We also use the annual assessment of social organisations by the Ministry of Civil Affairs as a proxy for the transparency of the foundation's information disclosure for a robustness test. The regression results for information transparency do not change substantially.

Research Center. We use this index as the measure of the foundation's information transparency. *Efficiency* is the ratio of business activity cost to total expenditure as a proxy for the programme efficiency of the foundation.

Moreover, we group the sample according to the way funds are raised by the foundation (public or non-public), the external governance environment in the area in which the foundation is registered, or whether the foundation hired an accounting firm. We investigate whether the impact of the chairperson's corporate management experience on the foundation's endowment income differs among the different groups. The main test model was as follows:

$$\begin{aligned} LnDonare_{i,t} = & \alpha_0 + \alpha_1 D_Corp_{i,t-1} + \alpha_2 Adm_cost_{i,t-1} + \alpha_3 Dage_{i,t-1} + \alpha_4 Dgend_{i,t-1} \\ & + \alpha_5 Age_{i,t-1} + \alpha_6 Offer_{i,t-1} + \alpha_7 Type_{i,t-1} + \alpha_8 LnAsset_{i,t-1} \\ & + \Sigma Year + \Sigma Industry + \Sigma Region + \varepsilon_{i,t}. \end{aligned}$$

Moreover, to verify the reliability of the hypothesis, we use the following three-stage regression model based on the Sobel intermediate factor test method of Baron and Kenny (1986) and Wen *et al.* (2004):

$$\begin{aligned} LnDonare_{i,t} = & \alpha_0 + \alpha_1 D_Corp_{i,t-1} + \alpha_2 Adm_cost_{i,t-1} + \alpha_3 Dage_{i,t-1} \\ & + \alpha_4 Dgend_{i,t-1} + \alpha_5 Age_{i,t-1} + \alpha_6 Offer_{i,t-1} + \alpha_7 Type_{i,t-1} \\ & + \alpha_8 LnAsset_{i,t-1} + \Sigma Year + \Sigma Industry \\ & + \Sigma Region + \varepsilon_{i,t}, \end{aligned} \tag{Path A}$$

$$\begin{aligned} InterMedia_{i,t-1} = & \beta_0 + \beta_1 D_Corp_{i,t-1} + \beta_2 Adm_cost_{i,t-1} + \beta_3 Dage_{i,t-1} \\ & + \beta_4 Dgend_{i,t-1} + \beta_5 Age_{i,t-1} + \beta_6 Offer_{i,t-1} + \beta_7 Type_{i,t-1} \\ & + \beta_8 LnAsset_{i,t-1} + \Sigma Year + \Sigma Industry \\ & + \Sigma Region + \varepsilon_{i,t}, \end{aligned} \tag{Path B}$$

$$\begin{aligned} LnDonare_{i,t} = & \lambda_0 + \lambda_1 D_Corp_{i,t-1} + \lambda_2 InterMedia_{i,t-1} + \lambda_3 Adm_cost_{i,t-1} \\ & + \lambda_4 Dage_{i,t-1} + \lambda_5 Dgend_{i,t-1} + \lambda_6 Age_{i,t-1} + \lambda_7 Offer_{i,t-1} \\ & + \lambda_8 Type_{i,t-1} + \lambda_9 LnAsset_{i,t-1} + \Sigma Year + \Sigma Industry \\ & + \Sigma Region + \varepsilon_{i,t}. \end{aligned} \tag{Path C}$$

This method is divided into three steps to test the mediating effect of the background of the chairperson on donation income. In this research design, the mediating variables are *Trsp* and *Efficiency*, respectively. The first step is to examine the influence of the chairperson's background on donation income without adding intermediary variables: that is, whether the regression coefficient α_1 of Path A is significant. The second step is to investigate the influence of the chairperson's background on intermediary variables (*Trsp* and *Efficiency*): that is, whether the regression coefficient β_1 of Path B is significant. The third step is to investigate the significance of λ_1 and λ_2 based on regression by adding intermediary variables (*Trsp* and *Efficiency*).

First, we use Path A to perform the regression analysis to investigate the influence of the chairperson's background on donation income without adding intermediary variables. If the coefficient α_1 is significant, the total effect of the chairperson's background on donation income occurs. Second, we use Path B to investigate the influence of the chairperson's background on the intermediary variables. Third, based on the investigation of Path C, the regression results show that if the coefficient β_1 of Path B and the coefficient λ_2 of Path C are both significant, a mediation effect occurs. At this stage, if λ_1 is not significant, *Trsp* (or *Efficiency*) plays a complete mediation role. If λ_1 is significant and the Z-value of the Sobel test reaches a significant level, then *Trsp* (or *Efficiency*) plays a partial mediation effect.

IV. Empirical Results

4.1 Descriptive Statistics

Table 3 presents the descriptive statistics for the main variables. The mean value of *D_Corp* is 0.699, which means that 69.9% of the chairpersons of foundations currently work or once worked in a company or industry association. The average proportion of foundations' administrative expenses in total expenses for the year is 9.4%, which accords with the provisions of the 2004 regulations on the administration of foundations (the administrative fees should not exceed 10% of the total expenditure for the year). The average age of chairpersons is 57 years, and male chairpersons account for 82% of the total sample. The natural logarithm of the donation income is 12.240. The mean value of type of foundation (*Type*) is 0.078, which means that the proportion of nationwide foundations in the sample is 7.8%. The average value of fundraising method (*Offer*) is 0.409, indicating that 40.9% of the funds are publicly raised. The mean value of *Audited* is 0.238, indicating that only 23.8% of the foundations in the sample hired accounting firms.

Table 3 Descriptive Statistics

	Obs.	Mean	Median	Std.	Min	Max
<i>LnDonare</i>	8,865	12.240	14.122	5.665	0.000	18.964
<i>D_Corp</i>	8,865	0.699	1.000	0.459	0.000	1.000
<i>Adm_cost</i>	8,865	0.094	0.037	0.191	0.000	1.000
<i>Dage</i>	8,865	57.219	58.000	11.503	29.000	82.000
<i>Dgend</i>	8,865	0.821	1.000	0.383	0.000	1.000
<i>Age</i>	8,865	6.768	4.000	7.125	0.000	27.000
<i>Type</i>	8,865	0.078	0.000	0.268	0.000	1.000
<i>Offer</i>	8,865	0.409	0.000	0.492	0.000	1.000
<i>LnAsset</i>	8,865	16.086	15.896	1.336	13.260	19.945
<i>Eviro</i>	8,865	7.733	7.930	1.617	3.49	9.95
<i>Audited</i>	8,865	0.238	0.000	0.426	0.000	1.000
<i>Trsp</i>	8,865	56.996	51.200	17.804	8.800	100.000
<i>Efficiency</i>	8,475	0.900	0.955	0.193	0.000	0.999

Table 4 Pearson Correlation Analyses

	<i>LnDonare</i>	<i>Trsp</i>	<i>Efficiency</i>	<i>D_Corp</i>	<i>Adm_cost</i>	<i>Dage</i>	<i>Dgend</i>	<i>Age</i>	<i>Type</i>	<i>Offer</i>	<i>LnAsset</i>
<i>LnDonare</i>	1.000										
<i>Trsp</i>	0.244***	1.000									
<i>Efficiency</i>	0.145***	0.142***	1.000								
<i>D_Corp</i>	-0.005	0.054***	-0.008	1.000							
<i>Adm_cost</i>	-0.142***	-0.127***	-0.786***	-0.0003	1.000						
<i>Dage</i>	0.007	-0.038***	0.009	-0.334***	0.012	1.000					
<i>Dgend</i>	-0.022**	-0.071***	-0.012	-0.080***	0.008	0.207***	1.000				
<i>Age</i>	0.007	0.082***	0.038***	-0.247***	-0.013	0.311***	0.011	1.000			
<i>Type</i>	0.159***	0.277***	0.027**	0.017	-0.031***	0.083***	-0.018*	0.157***	1.000		
<i>Offer</i>	0.089***	0.019*	0.018*	-0.491***	0.017	0.291***	0.081***	0.407***	0.049***	1.000	
<i>LnAsset</i>	0.270***	0.233***	0.148***	-0.130***	-0.134***	0.216***	0.034***	0.268***	0.357***	0.270***	1.000

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 4 lists the Pearson correlation coefficients between the main variables. The correlation coefficient between *D_Corp* and *Trsp* is 0.054, which is significant at the 1% level. No significant correlation exists between *D_Corp* and *LnDonare*; thus, it must be further tested after adding control variables. The correlation coefficient between *Adm_cost* and *Efficiency* is -0.786, which is significant at the 1% level. In general, the higher the amount of expenditure on the foundation's business activities, the greater its administrative expenses. However, given the total expenditure, the higher the value of *Efficiency*, the lower the value of *Adm_cost*.

4.2 Regression Results

Table 5 reports the hypothesis test results regarding the relationship between the corporate management experience of the chairperson and the donation income. The regression in column (1) does not control for the fixed effect of year, industry, and region. Under this regression, the coefficient of *D_Corp* is 0.402 (t-statistic is 2.72), which is significant at the 1% level. Column (2) further controls for year, industry, and region fixed-effects, and the coefficient of *D_Corp* remains significantly positive at the 1% level. Table 5 shows that,

Table 5 Chairperson's Corporate Experience and the Donation Income

Dependent Variable	(1)	(2)
	<i>LnDonare</i>	<i>LnDonare</i>
<i>Constant</i>	-2.437*** (-2.88)	-0.366 (-0.25)
<i>D_Corp</i>	0.402*** (2.72)	0.339*** (2.86)
<i>Adm_cost</i>	-3.246*** (-9.25)	-1.137*** (-3.94)
<i>Dage</i>	-0.016*** (-2.76)	-0.012** (-2.50)
<i>Dgend</i>	-0.356** (-2.37)	-0.109 (-0.88)
<i>Age</i>	-0.070*** (-7.42)	-0.029*** (-3.74)
<i>Type</i>	1.729*** (8.77)	0.772*** (3.80)
<i>Offer</i>	0.993*** (6.96)	1.214*** (9.40)
<i>LnAsset</i>	1.009*** (19.17)	0.790*** (18.16)
<i>Year</i>	No	Yes
<i>Industry</i>	No	Yes
<i>Region</i>	No	Yes
Obs.	8,865	8,865
Adj.R ²	0.100	0.425

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

ceteris paribus, a chairperson with corporate management experience can help to obtain more donation income, which supports the hypothesis. Moreover, the regression results also show that a foundation's characteristics significantly affect its donation income. For example, if administrative expenses account for a higher proportion of total expenditure, the foundation's donation income for the subsequent year is negatively affected. When a foundation has been established for a long time, its donation income is relatively low, while larger foundations have higher donation income. Nation-spanning foundations and public fundraising foundations enjoy significantly higher endowment income. From the perspective of the personal characteristics of the chairperson, older often implies lower donation income.

4.3 Mediation Analysis

The hypothesis development section notes that a chairperson with corporate management experience can improve the internal governance efficiency of a foundation, thus improving the foundation's information transparency and fund-use efficiency. Finally, donation income increases. Therefore, this section tests the influence mechanism.

4.3.1 Information transparency

We choose the 2015 FTI Index (hereinafter referred to as FTI2015), jointly published by the CFC website and the Tsinghua University Integrity and Governance Research Center, as a proxy variable for measuring foundation transparency (*Trsp*). Notably, the FTI2015 is based on and thus reflects the information disclosed by foundations in 2013. Our study spans the 2006–2014 period, while the FTI index has only been released since 2012. Considering that the level of information disclosure of foundations will not change significantly in a short period, we use FTI2015 as a proxy for FTI in other years. The greater the value of this indicator, the higher the information transparency of foundations.

Table 6 shows the three-stage regression results for whether the foundation that employs a chairperson with corporate management experience gains higher donation income through the mechanism of higher information transparency. The dependent variable of Path A is donation income ($\ln Donare$). The coefficient of D_Corp is 0.339 (t-statistic is 2.86), which is significant at the 1% level. The dependent variable of Path B is information transparency (*Trsp*). The coefficient of D_Corp is 2.12 (t-statistic is 5.30), which is significant at the 1% level. Path C adds the intermediary variable (*Trsp*) to Path A for regression, and the results show that the chairperson's business management experience and the information transparency of the foundation are significantly related to donation income. Moreover, the coefficient value of D_Corp is reduced after adding the intermediary variable (*Trsp*). The Z-value of the Sobel test is significant at the 1% level. Table 6 shows that information transparency plays a partial intermediary role in the relationship between the personal background of the chairperson and donation income.

Table 6 Mediating Effect Analysis: Information Transparency

Dependent Variable	Path A	Path B	Path C
	<i>LnDonare</i>	<i>Trsp</i>	<i>LnDonare</i>
<i>Constant</i>	-0.366 (-0.25)	18.528*** (3.99)	-1.329 (-0.87)
<i>Trsp</i>			0.038*** (13.56)
<i>D_Corp</i>	0.339*** (2.86)	2.120*** (5.30)	0.259** (2.19)
<i>Adm_cost</i>	-1.137*** (-3.94)	-5.245*** (-5.82)	-0.937*** (-3.27)
<i>Dage</i>	-0.012** (-2.50)	-0.083*** (-4.98)	-0.009* (-1.86)
<i>Dgend</i>	-0.109 (-0.88)	-0.858* (-1.94)	-0.076 (-0.62)
<i>Age</i>	-0.029*** (-3.74)	-0.006 (-0.23)	-0.029*** (-3.74)
<i>Type</i>	0.772*** (3.80)	12.087*** (13.36)	0.313 (1.54)
<i>Offer</i>	1.214*** (9.40)	-0.323 (-0.69)	1.226*** (9.58)
<i>LnAsset</i>	0.790*** (18.16)	2.317*** (15.15)	0.702*** (15.95)
<i>Year</i>	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes
<i>Region</i>	Yes	Yes	Yes
Obs.	8,865	8,865	8,865
Adj.R ²	0.425	0.321	0.431
Sobel Z	/	/	4.72***
p-value	/	/	(0.00)

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively

4.3.2 Efficiency of using funds

Chairpersons with experience in corporate management can enhance insider behaviour supervision and apply their knowledge and practical experience of effective corporate management governance mechanisms to a foundation's governance to improve fund-use efficiency. Article 62 of Chapter VI of the accounting system for non-governmental, non-profit organisations, promulgated by the Ministry of Finance of China in 2004, stipulates that the expenses of NPOs refer to the outflow of benefits or service potential to conduct business activities and reduce net assets in the current period. Expenses are divided into business activity costs, administrative expenses, fundraising expenses, and other expenses according to their functions. Therefore, in the research process, the ratio of cost of business activities to total expenditure is usually used as the main variable to measure programme efficiency; this is because whether a foundation's expenditure is mainly used for public welfare can directly measure whether the foundation as a trustee has fulfilled the commission of the donors and

used donated funds properly. We choose the ratio of cost of business activities to total expenditure disclosed in the published annual report as the proxy variable for fund-use efficiency (*Efficiency*), which is the business activity cost rate mentioned in prior studies. The greater the value of this variable, the more efficient the use of funds by the foundation.

Table 7 Mediating Effect Analysis: Efficiency

Dependent Variable	Path A	Path B	Path C
	<i>LnDonare</i>	<i>Efficiency</i>	<i>LnDonare</i>
<i>Constant</i>	0.082 (0.07)	0.774*** (23.04)	-0.659 (-0.52)
<i>Efficiency</i>			0.958** (2.38)
<i>D_Corp</i>	0.298** (2.45)	0.007** (2.00)	0.292** (2.39)
<i>Adm_cost</i>	-1.265*** (-5.05)	-0.778*** (-114.43)	-0.520 (-1.30)
<i>Dage</i>	-0.012*** (-2.59)	0.000 (0.95)	-0.012*** (-2.61)
<i>Dgend</i>	-0.162 (-1.28)	-0.002 (-0.51)	-0.160 (-1.27)
<i>Age</i>	-0.026*** (-3.31)	0.001*** (2.77)	-0.027*** (-3.38)
<i>Type</i>	0.734*** (3.28)	-0.005 (-0.80)	0.738*** (3.30)
<i>Offer</i>	1.228*** (9.32)	-0.001 (-0.19)	1.229*** (9.33)
<i>LnAsset</i>	0.782*** (18.64)	0.005*** (4.77)	0.777*** (18.50)
<i>Year</i>	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes
<i>Region</i>	Yes	Yes	Yes
Obs.	8,475	8,475	8,475
Adj.R ²	0.426	0.641	0.427
Sobel Z	/	/	3.66***
p-value	/	/	(0.00)

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 7 shows the regression results for whether the foundation that employs a chairperson with corporate management experience gains higher donation income through the mechanism of higher fund-use efficiency. The dependent variable of Path A is donation income (*LnDonare*). The coefficient of *D_Corp* is 0.298 (t-statistic is 2.45), which is significant at the 5% level. The dependent variable of Path B is fund-use efficiency (*Efficiency*). The coefficient of *D_Corp* is 0.007 (t-statistic is 2.00), which is significant at the 5% level. Path C adds the intermediary variable (*Efficiency*) to Path A for regression. It shows

that the chairperson's corporate management experience and the fund-use efficiency are significantly related to donation income. Moreover, the coefficient value of *D_Corp* is reduced after the intermediary variable (*Efficiency*) is added. The Z-value of the Sobel test is significant at the 1% level. Table 7 shows that fund-use efficiency plays a partial intermediary role in the relationship between the chairperson's background and donation income. Admittedly, the coefficient on *D_Corp* in Path A, 0.298, changes to 0.292 in Path C. Although the value of the coefficient is decreasing, the degree of change is not large. We consider this as one of the limitations of the study.⁶

4.4 Cross-Sectional Analyses

The basic logic of the theoretical analysis is that a chairperson with corporate management experience can apply relatively efficient corporate governance mechanisms to a foundation's governance, thereby improving its efficiency and reducing the information asymmetry between the foundation and external donors, which, ultimately, increases the public's willingness to donate. Accordingly, the next question is under what circumstances does the corporate management experience of the chairperson impact the endowment income of the foundation significantly? On the basis of existing regulations and prior findings, we select three aspects (fundraising methods, regional governance environment, and whether the foundation hired an external auditor) to analyse the cross-section differences.

As regards the first aspect, Article 3 of the regulations on the administration of foundations stipulates that China's foundations are divided into foundations with public fundraising (public fundraising foundations) and foundations that are not allowed to raise funds publicly (non-public fundraising foundations). As regards the second aspect, many studies have examined the impact of regional governance environments on micro-organisational behaviour (Ke *et al.*, 2015; Li *et al.*, 2017). When the external governance environment is poor, the effect of the external environmental indicators donors employ to make decisions is weak. Hence, the improvement of the foundation's own governance efficiency is more important. Therefore, a significant influence of the chairperson's corporate management experience on donation income may occur when the regional governance environment is poor. In regard to the third aspect, the information quality of charitable foundations that employ accounting firms for audits is often high. Therefore, when the foundation's information quality is high, the effect of the chairperson's personal background may have an insignificant impact on donation income. Table 8 reports the cross-sectional regression results based on the fundraising methods (public or non-public) of the foundation,

⁶ As efficiency is a typical financial indicator for normally functioning foundations, it may not be appropriate for evaluating foundations in the early stages which have not yet had time to fully develop and engage in the charitable actions they are intending to perform. We conduct the test after removing samples that have been established for less than three years. The coefficient of *D_Corp* is reduced from 0.272 (t-statistic is 2.07) to 0.260 (t-statistic is 1.98) after the intermediary variable (*Efficiency*) is added. We argue that there is compelling evidence that the mediation effect is present.

the governance environment (relatively good or bad) in the area where the foundation is located, and the audit firm hired (whether the foundation hired an accounting firm).

Columns (1) and (2) of Table 8 report the regression results, grouped according to the fundraising method of the foundation. We find that when the foundation is publicly funded, the coefficient of *D_Corp* is 0.465 (t-statistic is 3.37), which is significant at the 1% level. When the foundation is non-publicly funded, the coefficient of *D_Corp* is 0.218 (t-statistic is 0.97) and statistically insignificant.⁷ This result means that when foundations need to raise funds from the public, the foundation that employs a chairperson with corporate management experience can obtain a higher donation income. If the fund is not publicly raised, then the corporate management experience of the chairperson has no significant impact on donation income.

Notably, Table 4 shows that the correlation between *D_Corp* and *Offer* is negative. This means that foundations that raise funds publicly can get more donations if they hire a chairperson with a corporate background. However, they do so much less often than foundations that do not raise funds publicly. Per our investigation of an official of the Shanghai Civil Affairs Bureau, we argue that there are two reasons for this phenomenon. First, the fundraising objects of non-public fundraising foundations include foundation members, sponsors, and board members. The information disclosure requirements are relatively low. Public fundraising foundations have higher requirements for information disclosure. Therefore, in public offering foundations, a chairperson with enterprise management experience can play a vital role. Second, charitable foundations currently regard the change from non-public to public offering as an “upgrade”. Thus, to obtain a public offering licence, a foundation must first apply for a Civil Affairs Bureau review and its approval. Foundations with public offering licences primarily remain those with government backgrounds, and the government usually appoints the chairpersons of such foundations.

We use the Fan Gang index to measure the external governance environment in a region. If the legal system score of the province or municipality in which the foundation is registered is greater than the sample median, it is allocated into the sample group with a better governance environment; otherwise, it is allocated into the sample group with a poor governance environment. Columns (3) and (4) of Table 8 report the results of group regressions under the external governance environment. We find that when the external governance environment of the foundation is good, the coefficient of *D_Corp* is 0.237 (t-statistic is 1.30), which is not statistically significant. When the external governance environment of the foundation is poor, the coefficient of *D_Corp* is 0.324 (t-statistic is 2.04), which is significant at the 5% level. The results show that the chairperson’s corporate management experience (does not matter) matters when the external governance environment

⁷ There is no significant difference in coefficients between the two groups of samples. In this test, we mainly want to explain the subsample in which the results of this article “exist” and “do not exist”. We do not stress whether there are any differences in coefficients between the two subsamples.

of the foundation is (good) poor. In other words, when the external governance environment of a foundation is good, the effect of the chairperson's management experience is not significant; however, when the external governance environment is poor, the chairperson's corporate management experience can help the foundation to obtain more donation income.

Columns (5) and (6) of Table 8 report the regression results grouped by the audit firm hired. We find that our sample includes some annual reports that have not been audited or are missing the names of accounting firms. We define this situation as an unaudited foundation. We divide the sample into two groups according to whether an accounting firm audits the foundation's annual report. The empirical results show that in the sample group of "audited" foundations, the corporate management experience of the chairperson has no impact on the donation income. In the sample group of "non-audited" foundations, however, the corporate management experience of the chairperson affects donation income. The results show that the influence of a chairperson with corporate management experience on donation income only occurs in the unaudited samples.

Table 8 Cross-Sectional Test Results

<i>LnDonare</i>	(1)	(2)	(3)	(4)	(5)	(6)
	Public Offering	Private Offering	Good Governance	Poor Governance	Audited	Non-Audited
<i>Constant</i>	4.356*** (3.62)	-0.313 (-0.19)	1.605 (0.89)	-0.826 (-0.45)	-6.752* (-1.72)	0.781 (0.50)
<i>D_Corp</i>	0.465*** (3.37)	0.218 (0.97)	0.237 (1.30)	0.324** (2.04)	0.280 (1.22)	0.335** (2.42)
<i>Adm_cost</i>	-0.419 (-0.92)	-1.518*** (-4.09)	-1.630*** (-3.43)	-0.743** (-2.06)	-1.985** (-2.49)	-1.062*** (-3.45)
<i>Dage</i>	-0.009 (-1.44)	-0.010 (-1.43)	-0.007 (-1.02)	-0.016** (-2.36)	-0.011 (-1.14)	-0.011** (-2.05)
<i>Dgend</i>	-0.245 (-1.35)	-0.004 (-0.03)	-0.087 (-0.50)	-0.081 (-0.45)	-0.214 (-0.95)	-0.058 (-0.40)
<i>Age</i>	-0.008 (-0.83)	-0.065*** (-4.28)	-0.033*** (-2.96)	-0.027** (-2.48)	-0.007 (-0.44)	-0.034*** (-3.72)
<i>Type</i>	0.729* (1.74)	0.772*** (2.68)	0.747*** (2.93)	0.824** (2.41)	0.974** (2.02)	0.931*** (3.12)
<i>Offer</i>	/	/	0.859*** (4.65)	1.579*** (8.68)	1.040*** (3.81)	1.258*** (8.38)
<i>LnAsset</i>	0.941*** (13.51)	0.714*** (12.54)	0.769*** (13.33)	0.816*** (12.24)	1.013*** (13.17)	0.715*** (13.68)
<i>Year</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Region</i>	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	3,627	5,238	4,397	4,468	2,107	6,758
Adj.R ²	0.512	0.382	0.430	0.433	0.472	0.408
Chi(2)/P-value	0.89/0.346		0.13/0.719		0.04/0.835	

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

V. Additional Analyses

5.1 Test of Hypothesis Using Matched Samples

A foundation's donation income is affected by the economic situation and cycle of the region in which it operates. A difference in donation income exists between foundations in economically developed regions and those in economically backward regions. Although we incorporate the fixed effect of the foundation's registry in multiple regressions, it is challenging to capture the many factors that influence donation income in different regions or within the same region. Thus, to solve this problem as much as possible, we consider the foundations whose chairpersons do not have corporate management experience as the target sample and conducts a one-to-one matching according to the four dimensions of year, region, industry, and size.

Table 9 Regression Results of Matched Sample

Dependent Variable	(1)	(2)
	<i>LnDonare</i>	<i>LnDonare</i>
<i>Constant</i>	-3.448*** (-3.08)	-2.997 (-1.16)
<i>D_Corp</i>	0.315* (1.70)	0.349** (2.30)
<i>Adm_cost</i>	-2.232*** (-4.62)	-0.276 (-0.73)
<i>Dage</i>	-0.049*** (-6.42)	-0.014** (-2.06)
<i>Dgend</i>	0.005 (0.02)	-0.358** (-2.15)
<i>Age</i>	-0.005 (-0.43)	-0.010 (-1.00)
<i>Type</i>	2.197*** (10.62)	1.113*** (3.86)
<i>Offer</i>	0.319* (1.75)	1.293*** (7.35)
<i>LnAsset</i>	1.161*** (18.45)	0.798*** (13.00)
<i>Year</i>	No	Yes
<i>Industry</i>	No	Yes
<i>Region</i>	No	Yes
Obs.	5,278	5,278
Adj.R ²	0.116	0.461

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 9 shows the regression results of the relationship between the corporate management experience of the chairperson and the donation income of the foundation using the matched sample. The regression in column (1) does not control for the year, industry, and region fixed-effects. Under this regression, the coefficient of *D_Corp* is 0.315 (t-statistic is

1.70), which is significant at the 10% level. Column (2) further controls for the year, industry, and region fixed-effects, and the coefficient of *D_Corp* is significantly positive at the 5% level. Table 9 shows that, ceteris paribus, the chairperson's business management experience can help the foundation obtain a higher donation income.

5.2 Endogeneity

The previous regression results indicate that a chairperson with corporate management experience can enhance a foundation's donation income. However, this result may be subject to the endogeneity concern of reverse causality: that is, the foundation with a high donation income may also employ a chairperson with corporate management experience. Thus, to alleviate this endogeneity concern, we use a difference-in-differences model. Further, to construct the difference-in-differences model, we define the dummy variable *Corp* as follows: If the foundation hires a chairperson with experience in enterprise management during any year of the sample period, *Corp* takes the value of 1 during the whole sample period; otherwise, it takes 0: that is, if the foundation's *D_Corp* takes a value of 1 in any year, then *Corp* has a value of 1 for all years; *D_Corp* is equivalent to a subset of *Corp*.

Table 10 Difference-in-Differences Model

Dependent Variable	(1)	(2)
	<i>LnDonare</i>	<i>LnDonare</i>
<i>Constant</i>	-2.639*** (-3.04)	0.927 (0.60)
<i>Corp</i>	-2.083*** (-3.99)	-1.234*** (-2.90)
<i>D_Corp</i>	2.330*** (4.47)	1.477*** (3.48)
<i>Adm_cost</i>	-3.241*** (-9.21)	-1.144*** (-3.97)
<i>Dage</i>	-0.017*** (-2.95)	-0.013*** (-2.64)
<i>Dgend</i>	-0.350** (-2.33)	-0.107 (-0.86)
<i>Age</i>	-0.068*** (-7.18)	-0.028*** (-3.59)
<i>Type</i>	1.730*** (8.89)	0.780*** (3.85)
<i>Offer</i>	0.965*** (6.80)	1.197*** (9.28)
<i>LnAsset</i>	1.010*** (19.29)	0.790*** (18.17)
<i>Year</i>	No	Yes
<i>Industry</i>	No	Yes
<i>Region</i>	No	Yes
Obs.	8,865	8,865
Adj.R ²	0.102	0.422

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 11 Two-Stage Heckman Regression

Panel A: <i>Mean_D_Corp</i> as Exogenous Variable		
	(1)	(2)
	<i>LnDonare</i>	<i>LnDonare</i>
<i>Constant</i>	-0.137 (-0.09)	-0.232 (-0.15)
<i>D_Corp</i>		0.337*** (2.84)
<i>Mean_D_Corp</i>	0.738 (0.45)	0.517 (0.32)
<i>Control Variables</i>	Yes	Yes
Obs.	8,865	8,865
Adj.R ²	0.421	0.422
Panel B: Two-Stage Heckman Regression		
	The First Stage	The Second Stage
	<i>D_Corp</i>	<i>LnDonare</i>
<i>Constant</i>	-2.139*** (-4.79)	-12.416*** (-7.13)
<i>D_Corp</i>		0.305*** (2.61)
<i>Mean_D_Corp</i>	3.267*** (6.43)	
<i>LnDonare</i>	-0.010*** (-2.81)	
<i>Adm_cost</i>	-0.125 (-1.41)	-1.582*** (-5.46)
<i>Dage</i>		-0.010** (-2.19)
<i>Dgend</i>		-0.111 (-0.90)
<i>Age</i>	0.019*** (7.46)	0.063*** (5.70)
<i>Type</i>	-0.116 (-1.41)	0.238 (1.15)
<i>Offer</i>	1.299*** (31.72)	7.459*** (12.37)
<i>LnAsset</i>	0.021 (1.46)	0.845*** (19.53)
<i>Imr</i>		6.631*** (10.74)
<i>Year</i>	Yes	Yes
<i>Industry</i>	Yes	Yes
<i>Region</i>	Yes	Yes
Obs.	8,865	8,865
Pseudo R ² / Adj.R ²	0.249	0.434

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

We do not include the year, industry, and region fixed-effects in the regression model in column (1) of Table 10. The coefficient of *D_Corp* is significantly positive after controlling for *Corp*. Column (2) employs the difference-in-differences model. By controlling for *Corp* and year fixed-effects, we establish a difference-in-difference estimation technique (Beck *et al.*, 2010). The coefficient of *D_Corp* remains significantly positive, indicating that the net effect of a chairperson with corporate management experience on donation income is positive. This result can address endogeneity concerns to a certain extent.

We also employ a two-stage Heckman regression to alleviate the endogeneity problem. We take the average value of *D_Corp* for all foundations in the industry where the foundation is located as an alternative identifying variable (named *Mean_D_Corp*). The regression results in columns (1) to (2) of Panel A of Table 11 show that the coefficient of *Mean_D_Corp* is not significant. These results mean that *Mean_D_Corp* is unlikely to be related to funding. The first stage of Panel B of Table 11 shows that *Mean_D_Corp* is positively correlated with *D_Corp*: that is, *Mean_D_Corp* meets the conditions of exogenous variables in the two-stage regression.

We examine the probability that a foundation hires a chairperson with corporate management experience using a logistic model. The dependent variable is a dummy variable (*D_Corp*) that represents the corporate management experience of the chairperson. The independent variables include the average value of *D_Corp* of all foundations in the industry in which the foundation is located (*Mean_D_Corp*), the donation income for the current year (*LnDonare*), the administrative expense rate for the current year (*Adm_cost*), the foundation's age (*Age*), nationwide foundation (*Type*), public fundraising foundations (*Offer*), and the total assets of the foundation for the current year (*LnAsset*). Moreover, the year, industry, and region fixed-effects are included in the first-stage model. In the second stage, we incorporate the inverse Mills ratio (*Imr*) obtained from the first-stage model into the regression model. Table 11 shows that the conclusions of our study hold using two-stage regression.

5.3 Subdivision of Positions

Regarding the chairperson's background, those who do not hold senior management positions may not have corporate management experience: for example, marketing managers have marketing knowledge and skills but do not understand the issue of reducing insider control. Therefore, we further collect the positions once held by the chairpersons with corporate management experience. Specifically, we split the variable of corporate management experience (*D_Corp*) into two variables. If the chairperson has corporate management experience and was once in a senior management position in a company (or industry association), such as chairperson, CEO, CFO, department manager, or secretary of the Party Committee, then *D_Corp_high* takes the value of 1; otherwise, it takes the value of 0. If the chairperson has experience in corporate management but did not hold a senior management position in a company (or industry association), *D_Corp_low* takes the value of

1; otherwise, it takes the value of 0. The regression results in Table 12 show that the coefficient of *D_Corp_high* is significantly positive at the 1% level, while the coefficient of *D_Corp_low* is not significant. This result further supports the hypothesis of our study.

Table 12 Position Level and Donation Income

Dependent Variable	(1)	(2)
	<i>LnDonare</i>	<i>LnDonare</i>
<i>Constant</i>	-2.661*** (-3.07)	-0.557 (-0.37)
<i>D_Corp_high</i>	0.625*** (3.90)	0.382*** (2.91)
<i>D_Corp_low</i>	0.081 (0.48)	0.211 (1.49)
<i>Adm_cost</i>	-3.220*** (-9.21)	-1.138*** (-3.95)
<i>Dage</i>	-0.016*** (-2.76)	-0.012** (-2.55)
<i>Dgend</i>	-0.377** (-2.51)	-0.116 (-0.94)
<i>Age</i>	-0.070*** (-7.40)	-0.029*** (-3.74)
<i>Type</i>	1.734*** (8.84)	0.761*** (3.74)
<i>Offer</i>	1.062*** (7.33)	1.239*** (9.20)
<i>LnAsset</i>	0.997*** (18.89)	0.788*** (18.03)
<i>Year</i>	No	Yes
<i>Industry</i>	No	Yes
<i>Region</i>	No	Yes
Obs.	8,865	8,865
Adj.R ²	0.100	0.422

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

5.4 Results after Deleting Extreme Samples

The sample has 249 observations with *Adm_cost*=100%. Even though all variables are winsorised at the 1% and 99% levels, the max for administrative fees remains 100%. Among the samples with *Adm_cost*=100%, 104 (104/249=0.42) foundations are in the first year of establishment and 168 (168/249=0.67) have been established for less than three years. We argue that some foundations have not yet had time to fully develop and engage in the charitable actions they intend to perform. Thus, to alleviate this problem, we excluded the foundations with *Adm_cost*=100% and those established for less than three years. Table 13 shows that after deleting extreme samples, the conclusions of our study hold.

Table 13 Results after Deleting Extreme Samples

Dependent Variable:	(1)	(2)
<i>LnDonare</i>	<i>Adm_cost</i> <100%	<i>Age</i> >2
<i>Constant</i>	0.068 (0.05)	-1.306 (-0.71)
<i>D_Corp</i>	0.382*** (3.19)	0.303** (2.36)
<i>Adm_cost</i>	-2.340*** (-4.42)	-1.629*** (-3.94)
<i>Dage</i>	-0.011** (-2.33)	-0.016*** (-3.01)
<i>Dgend</i>	-0.115 (-0.92)	-0.183 (-1.32)
<i>Age</i>	-0.026*** (-3.32)	-0.017** (-1.97)
<i>Type</i>	0.750*** (3.68)	0.622*** (2.62)
<i>Offer</i>	1.222*** (9.35)	1.177*** (8.23)
<i>LnAsset</i>	0.790*** (18.13)	0.838*** (17.73)
<i>Year</i>	Yes	Yes
<i>Industry</i>	Yes	Yes
<i>Region</i>	Yes	Yes
Obs.	8,616	6,917
Adj.R ²	0.419	0.454

***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

VI. Conclusion

With the deepening of reforms in China's economic, political, and social fields, philanthropic developments have entered a new stage. The healthy development of philanthropic organisations plays a unique role in building a harmonious society, promoting social equity, and embodying a people-oriented spirit. Therefore, whether regarding practical significance or academic contribution, it is beneficial to study the public welfare foundations in China from the perspective of endowment income. Using China's public welfare foundation data (2006–2014), we find that the corporate management experience of a chairperson can help a foundation to obtain a significantly higher donation income. Our mediation analysis shows that chairpersons with corporate management experience may enhance donation income through higher information transparency and higher fund-use efficiency. Our cross-sectional analysis shows that the corporate management experience of the chairperson will enhance donation income only when the foundation is a public fundraising foundation, the external governance environment of the region is poor, or the foundation is not audited. Our findings are robust to using a matched sample, a two-stage

analysis, and alternative indicators.

Due to China's special institutional environment, foundations generally play an administrative role in society. In China's transitioning economy and society, improving the resource allocation capacity and efficiency of foundations is an important issue that must be resolved urgently. Foundations and enterprises are different in terms of their operating objectives. However, our study proposes the following policy recommendations for the reference of the administrative authority of foundations and external donors in establishing a high-quality and efficient organisational governance mechanism to fulfil their fiduciary duties better.

First, authorities could introduce talents with corporate management experience to improve the organisational governance efficiency of foundations. When the external institutional environment facing a foundation is poor or the foundation is not audited, public welfare foundations may employ a chairperson with experience in corporate management or employ a market-oriented approach by hiring professional managers to manage and operate the foundation. Our empirical results show that this is a feasible way to improve the efficiency of China's NPOs in some cases.

Second, regulators may require charitable foundations, or at least force public fundraising foundations, to accept external audits to improve information quality. Specific to this study, if the fundraising method and place of registration are established, then the external audit process should be strengthened to provide effective audits of the donation information and financial statements of foundations: that is, foundations should hire accounting firms with a high audit reputation.

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