

THE INSTITUTIONAL CONTEXT OF KOREAN PHILANTHROPY
AND THE ROLE OF GOVERNMENT AND
(QUASI-) COMMUNITY FOUNDATIONS

by

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Yu Jean Sohn

DEDICATION

To my son, Noah.

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“Caring creates resilience.”

I am truly grateful for the endless caring from my parents, husband, and brother, my mentor Dr. Elizabeth Graddy, my committee members, Dr. David Kang, and Dr. Nicole Esparza, all of my professors, and every academic and practitioner colleague.

I believe “creative philanthropy” makes resilience in our society, and I will work for it.

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ABSTRACT

This dissertation examines the South Korean foundation field in terms of governance in different sectors, and the processes and outcomes of institutionalization in the field. It also elucidates the effects of political-economic factors and institutional norms on the establishment of foundations over a 35-year span, 1975-2009. Three main chapters are organized as follows:

Chapter 2 clarifies the societal conditions of the Korean foundation field using comparative historical analysis to foundations in the United States, based on social origin theory, and historical institutionalism. Korean foundations and American foundations have several differences. Whereas American foundations have built up strong partnerships with nonprofits and have gained their legitimacy from those partnerships (Hammack, 2006), Korean foundations have been led by the government and have mirrored the government's objectives. Many traditional foundations were established in collusive relationships between business elites and government, and earned a negative image through misbehaviors and corresponding public policies for regulations. As a result, the private passions of founders and partnerships with nonprofits have rarely been encouraged. However, recent foundations have experienced new public policies to boost the field and have taken some opportunities to formulate their identities and share new norms.

Chapter 3 deals with two cases of quasi-community foundations or quasi-public foundations, and adopts case studies and interviews. Based on the world-polity perspective and public resource dependence theory, it examines the processes of institutionalization of the Korean foundation field from the end of the 1990s. The processes are aligned with the development of Korean nonprofit sector and have been affected by a community foundation model, as a global cultural norm. Two cases from Korea, the Community Chest of Korea (a more

traditional fundraising organization) and The Beautiful Foundation (a more diffused model from world-polity), show different fundraising and corporate giving, designated and donor-advised funds, the relationship with recipients, and legitimacy seeking. A different relationship with government is likely to lead to different levels of legitimacy and autonomy; thus, it is reasonable to say that Community Chest of Korea can achieve quantitative growth and qualitative evolution was initiated by The Beautiful Foundation. Their coexistence seems to affect each other, and many kinds of sectoral norms have diffused to other foundations in the field.

Chapter 4 presents empirical evidence using the foundation population data with event history analysis. As such, 1,376 foundation establishments and combined yearly information during from the risk period of 1975-2009 were used to estimate the hazard rate of the creation of foundations. The result demonstrates that not only political economic factors but also cultural factors affect the foundation inception in Korea. “Logic of instrumentality” and “logic of appropriateness” are likely to complement rather than compete. As examined separately, the creation of government-related foundations tend to be influenced by political and economic factors, and at the same time are exposed to institutional pressures, such as coercive and mimetic isomorphism. Relatively, nongovernmental foundations tend to be more reflective of institutional norms, especially in terms of global diffusion and mimetic pressures. In this case, internal factors within the field seem to be more powerful influences for nongovernmental foundations.

Korean society may view the U.S. cases and policies in a dialectical and critical way, as American foundations are going through various complicated situations due to inevitable tension between public ends and private means (Fremont-Smith, 1965; Prewitt, 2006b; Sacks, 1961). Regardless of many counterclaims and arguments, foundations hope to use their independent dynamics to “stimulate democratic debate” (Anheier & Leat, 2006).

CHAPTER 1: INTRODUCTION

1.1. Statement of Purpose

Philanthropic foundations are special entities seeking a “delicate balance of public ends and private means” (Sacks, 1961, p. 217). The modern model for foundations has been regarded as an invention of capitalism and a “unique American answer” to U.S. society’s problem of excessive asset accumulation and poorly functioning profit distribution (Anheier, 2006; Lindeman, 1988). There were more than 60,000 foundations with assets of \$476 billion in the U.S. (Anheier, 2006). Nowadays, foundations are not only an American phenomenon.

By 2012, the South Korean foundation population had grown to 4,582, with diverse founders, resources, and purposes (The Beautiful Foundation, 2012). When we reflect on traditional institutional Korean philanthropy, this evolution marks a dramatic shift—just two decades ago, institutional Korean philanthropy had been exclusively led by the government. In those days, most foundations in South Korea (hereafter, Korea) had been established by the conglomerates (*chaebols*), and those corporate and individual foundations usually mirrored the government’s objectives. These models and their activities were taken for granted at that time, and many of those traditions still exist. Many Asian countries have branched out from government-leading philanthropy. What factors explain recent changes, such as the emergence of public foundations, grant-making, and policymaking activities in Korea?

A shift of institutional philanthropy aligned to the development of the Korean nonprofit sector. Many Korean nonprofit scholars have argued that some critical conjunctures such as the

democratic breakthrough in 1987 and the economic crisis of 1997 triggered the institutionalization of the Korean nonprofit sector (Ju & Tang, 2011). Foundations themselves are philanthropic nonprofit organizations and put down their roots in the nonprofit sector. For American foundations, David Hammack (2006) has pointed out:

How have American foundations made themselves legitimate in the face of such diverse criticism? Perhaps the most fundamental answer is that in the United States, foundations are an integral part of the nonprofit, nongovernment sector. Nonprofit organizations have played key roles in American since the adoption of the Constitution and the rise of corporation. We can date their prominent role to the period between 1787 and 1833 when the Constitution, the Bill of Rights, the Marshall Court, and other actions affirmed the rights of private property, separated church and the state at the national and state levels, and fragmented national power over domestic affairs . . . Fundamentally, then, American foundations derive their legitimacy from the nonprofit sector as a whole. (p. 52)

These remarks raise an intriguing point. While American foundations “derive their legitimacy from the nonprofit sector as a whole,” and grant-making foundations are the dominant type of modern foundation in the United States (Hammack, 2006; Toepler, 1999), traditional Korean foundations tend to give their money to individual beneficiaries directly, rather than having partnerships with nonprofit organizations distribute their grants. Then, why are Korean foundations different from American foundations? This dissertation seeks to answer this question. As some have argued, “The historical conditions, processes, and outcomes of social economic and political modernization in Korea are not and cannot be the same as those of Western societies” (Park & Chang, 1999, p.153).

Paradoxically, a snapshot of the distinctiveness of Korean foundations frames another issue in this dissertation. Given these different histories and economic and political conditions, each society can have a distinct prototype of foundation at any given moment. Why, then, have recent Korean foundations become similar to American modern foundations? These likenesses are partly explained because some models of foundations in the United States have been diffused

and translated. But Korean nonprofit scholars who have studied the evolution of the nonprofit sector and the foundation population in Korea have rarely addressed this global diffusion. To address this gap, this dissertation will examine how global cultural norms have influenced processes of institutionalization.

This dissertation will elucidate how economic-political factors as influenced by distinctive historical conditions have intersected with cognitive factors through diffusion. Finally, it will posit a policy design for the Korean foundation population. In American cases, the Tax Reform Act 1969 shows the bright and dark sides but was successful “in altering some forms of behavior by foundations and their donors without jeopardizing the continued use of the foundation form” (Clotfelter, 1985, p. 272). This analysis is expected to suggest some government roles in strengthening regulations to control and boosting interorganizational networking in order to share cultural norms.

1.2. Research Questions

This dissertation consists of three separate yet related studies of Korean foundations. Chapter 2 will focus on Korean foundations’ “distinctiveness.” What are Korean foundations’ history and distinctiveness compared to those of American foundations? What kinds of societal conditions in Korea make for a different foundation model? Most institutionalized philanthropy in Korea has been led by the government. Indeed, just two decades ago, Korean citizens were encouraged to donate to the government’s fund. In addition, many Korean conglomerates (*chaebols*) were associated with government through backroom dealings with politicians and their gifts included corporate giving. These kinds of political and economical forces produced homogeneous organizational forms of foundations in Korea—quite different from the

foundations in the United States—until the 1980s.

Chapter 3 will take a closer look at recent foundations that led the “structuration” of the foundation field. As Paul DiMaggio (1991) has argued, “structuration processes are historically and logically prior to the processes of institutional isomorphism” (p. 267). Two representative cases in Korea, the Community Chest of Korea (a more traditional fundraising organization) and The Beautiful Foundation (a more diffused model from world-polity) will be explored here. Despite having a different relationship to the government, both quasi-community foundation models go beyond asset building by aiming to effect social change. Two research questions will guide this study: first, how has the Korean traditional fundraising model been influenced by the global cultural norm, and what is the process of institutionalization? Second, do the different types of relationships with the government make a difference in fundraising, grant-making, and legitimacy-seeking? And what role does each organization take (i.e., deinstitutionalization, restructuration, professionalization)?

Lastly, based on understandings of Korean foundations’ history and structuration of the foundation field, chapter 4 will investigate the population data of foundations in Korea to explicate economic and political factors—such as tax regimes, law enactment, and political shifts—as well as cultural factors—such as social expectation, global diffusion, and institutional isomorphism—as possible explanations to the establishment of foundations from 1975 to 2009. Resource dependence theory argues that organizations will use their external environments as resources, while sociological new institutionalism explains the diffusion via cultural factors. Do political-economic factors and/or cultural factors explain the foundations’ inception? Furthermore, do government-related foundations and nongovernmental foundations have different identifiable factors in their establishments?

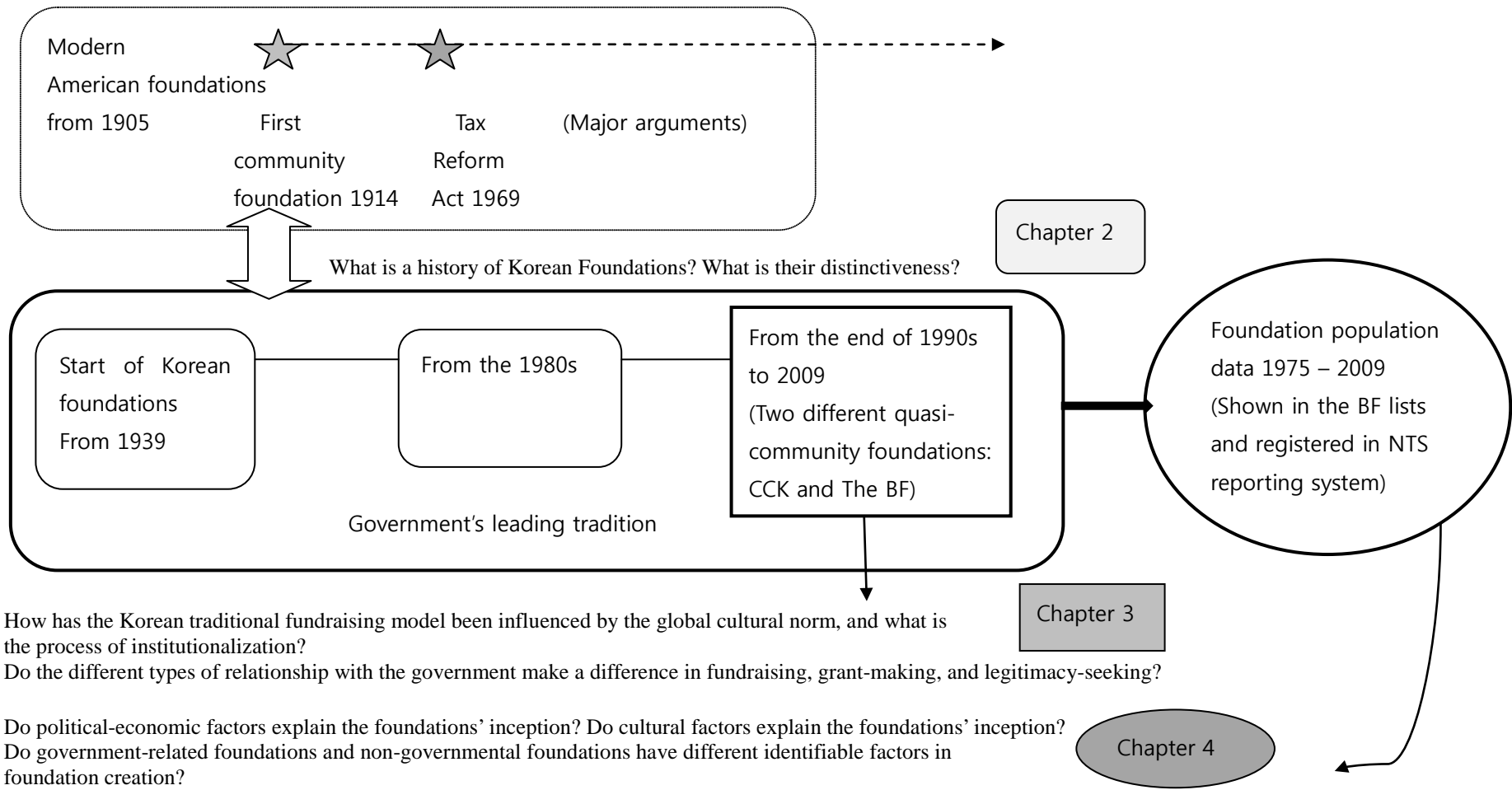


Figure 1.1 Chapters' framework.

1.3 Overview of Methodology

This study may represent the first dissertation to explore the foundation field in Korea. By using historical analysis, case studies, interviews, and data analysis, it examines the field and evolution of Korean foundations broadly and in depth.

Chapter 2 presents a literature review of historical analyses to examine the distinct tradition of Korean foundations. To this end, Korean societal conditions for institutionalized philanthropy will be compared to some of the historical markers and major changes in American foundations. This chapter's analysis and comparison will employ the social origin theory and historical institutionalism. Both theories seem to adopt comparative historical analysis, as they do not claim a universal causal model for every case or offer an interpretative explanation through one case description; rather they make mid-range generalizations through comparative analysis emphasizing histories and contexts (Ha, 2011). Moreover, historical institutionalism can be regarded as "approaches, analysis frameworks, or perspectives" rather than theory (Ha, 2011; Immergut, 1998; Jung, 1996).

Case studies and interviews will be used for chapter three, which concentrates on the process of Korean foundations' structuration. Community Chest of Korea and The Beautiful Foundation are the representative cases to lead recent institutionalization process. This chapter will compare and contrast the two cases because, if the origin of Community Chest of Korea can be seen as a traditional fundraising model from the 1970s, The Beautiful Foundation can be considered a newly diffused model from world-polity. Second, if it can be said that The Beautiful Foundation has maintained its independence from the government, then it can also be said that Community Chest of Korea has a relatively strong relationship with the government. For example, Community Chest of Korea has been supported by a special law that guarantees

favorable tax status; further, the government has carried on annual campaigns to promote donations (from government agencies, corporations, and citizens) solely for Community Chest of Korea. Meanwhile, The Beautiful Foundation has publicized that it does not get funds from the government, thus emphasizing its distance from the government. In this discussion, the researcher will consult data collected from 2000 to 2009 using public resource dependence theory and the world-polity perspective. Community Chest of Korea published this data in its report “Social Impacts and the Future of Community Chest of Korea” in 2010. In 2011, The Beautiful Foundation composed an internal report to summarize its activities during 10 years. I conducted several interviews with staff members who worked from 2000 to 2009 for the two organizations, information from which complements this data comparison.

Chapter 4 takes a closer look at the foundations’ establishments, which may depend on the “logic of instrumentality” and the “logic of appropriateness.” Based on resource dependence theory and sociological new institutionalism, the foundation population data were tested to identify which theory best explains the inceptions, and how the two theories compete with and complement each other.

Resource dependence theory and sociological new institutionalism have been cast as rival theories to explain organizational behaviors and practices (Frumkin & Galaskiewicz, 2004; Suárez & Hwang, 2009). Sociological new institutionalism suggests that a trend of organizing is a main motivation for adopting models because the “efficacy” of a trend cannot be easily proved but can provide legitimacy and increase reputation (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). On the contrary, resource dependence theory argues that organizations behave to maximize autonomy and to decrease uncertainty in their given contexts (Pfeffer & Salancik, 1978). In this way, the “logic of appropriateness” and the “logic of instrumentality”

can be compared to explain Korean Foundations' establishments.

Whereas the “logic of instrumentality” can address that political-economic factors, such as tax regime, and the law enactment or amendment, are determinants of the establishments, the “logic of appropriateness” can address cultural conformity such as peer pressure and global diffusion. I compare the two logics using a dataset of the Korean foundation population, testing hypotheses based on resource dependence theory and sociological new institutionalism. The data for foundations are cross-sectional and were collected by The Beautiful Foundation in 2012, and longitudinal data by year were combined additionally for this event history analysis. The discrete-time logit model will be employed to determine which kinds of independent variables—between political-economic factors and cultural factors—explain the hazard rate of foundation inception during the risk period of 1975 to 2009. The competing risks model will be used to distinguish identifiable factors between government-related foundations and nongovernmental foundations.

1.4. Expected Results and Contributions

This dissertation examines the Korean foundation field regarding governance and partnership with different sectors and global diffusion. Korean foundations' fewer partnerships with nonprofits and the close relationships with government can be captured by historical analysis through comparison to American foundations. Whereas foundations in the United States have been encouraged to undertake private experiments by relatively weak state intervention, Korean foundations have tended to mirror government-led objectives and might exploit passive charitable actions. This dissertation also explores convergence with American foundations and how Korean processes are influenced by a global model—a subject that has

been rarely addressed by Korean nonprofit scholars. Community Chest of Korea is a traditional government-sponsored foundation and The Beautiful Foundation is a civil society-initiated foundation modeling a community foundation. Comparison of these two representative foundations will yield information about different fundraising, grant-making, and legitimacy-seeking behaviors, and show structuration and institutionalization at work in the foundation field.

Next, statistical analysis of foundation population data will elucidate how political-economic factors relate to cultural factors. Because institutional norms have attracted little attention as influences on foundations, this dissertation will address whether they influence more than financial rewards and policy decisions.

The main anticipated contributions of the dissertation are twofold. First, a new theoretical argument of institutional norms and diffusion will be added to discussions of the Korean foundation field. Second, in terms of practices, comprehensive analyses are expected to address some advisable government roles and internal deliberation within the foundation field.

1.5. Summary of Chapters

The dissertation is organized as follows. The second chapter clarifies the societal conditions of the Korean foundation field using social origin theory and historical institutionalism based on comparative historical analysis to foundations in the United States. Assuming that American foundations have gained their legitimacy from the nonprofit sector (Hammack, 2006), and that grant-making foundations are the dominant type of foundation in the United States (Toepler, 1999), then this chapter tries to examine why typical Korean foundations are different and how they derive their legitimacy. In addition, the analysis

captures its evolutionary changes over time, providing redefinition and classification of Korean foundations.

The third chapter addresses two representative quasi-community foundations or quasi-public foundation models. It adopts case studies and interviews. By comparing different organizational behaviors based on the world-polity perspective and public resource dependence theory, it examines how different relationships to government have affected the two foundations in terms of fundraising, grant-making, and legitimacy-seeking; how the Korean foundation model has been influenced by the global cultural norm; and its process of structuration. Further, studying the institutionalization of the field reveals decoupling practices and isomorphism.

The fourth chapter presents empirical evidence in support of arguments that resource dependence theory and the sociological new institutionalism make. Which factors between political-economic and cultural variables can explain foundation inception? Do government-related foundations and nongovernmental foundations have different explanatory factors in their establishment? To answer these questions, chapter 4 employs event history analysis, extracts foundation population data from The Beautiful Foundation research conducted in 2012, and combines other collected data from 35 years in the foundation field. More specifically, 1,376 foundation establishments during 1975–2009 are assessed; the dependent variables are the hazard rate of foundation inception for each year in the discrete-time logit model and the competing risks model.

The last chapter summarizes the main findings and implications of the three chapters, and suggests their limitations and directions for future research.

CHAPTER 2:
THE INSTITUTIONAL CONTEXT OF KOREAN PHILANTHROPY AND ITS
DISTINCTIVENESS

2.1. Literature Review

2.1.1. Foundations and Government in Comparative Perspectives

What is the Korean foundation's "distinctiveness"? This study will answer two research questions: What are Korean foundations' history and distinctiveness compared to American foundations? What societal conditions in Korea make a different foundation model?

We need to start with "foundation" and its relations to government. What is a foundation? Although the definition may vary from one country to another due to law traditions (common law or civil law), legal personalities (membership or assets), and other dimensions (Anheier, 2001; Anheier & Daly, 2006; Anheier & Toepler, 1999), many scholarly works draw upon the definition by Emerson Andrews (1956), which was adopted by the Foundation Center (Anheier, 2005):

a nongovernmental, nonprofit organization with its own funds (usually from a single source, either an individual, a family, or a corporation) and program managed by its own trustees and directors, established to maintain or aid educational, social, charitable, religious, or other activities serving the common welfare, primarily by making grants to other nonprofit organizations. (Renz, 1997, p. 111)

Under civil law tradition, Korea, Japan, German, and Italy have foundations with a legal personality. Those foundations conduct their public activities with "endowment" assets that nonprofit organizations and member-based organization do not have (Park & Hwang,

2008). Meanwhile, the United Kingdom, Canada, and Australia, with common law traditions, usually take a “trusteeship” for foundations, which means they define a relationship between property and trustees (Anheier, 2005). The United States is the exceptional case because the Internal Revenue Code and section 501(c)(3) defines a foundation as a tax-exempt organization (Anheier, 2006; Park & Hwang, 2008). Here, Korea and the United States share qualities despite their different law traditions. Their foundations have a legal status that is defined in the tax law (Park & Hwang, 2008). Both governments admit foundations’ publicness and support their activities when they satisfy governments’ standards that can be employed by the taxation system. This is a starting point in the relationship between foundations and governments.

Other dimensions for foundations are also suggested by Helmut Anheier and Siobhan Daly (2006): “founder type” (private or public), “purpose” (charitable or other), “activities” (grant-making or operating), “revenue structure” (single or multiple funding sources), “asset type” (own endowment or regular allocations), “degree of independence from the state,” and “business or family interest.”

Lester Salamon and Helmut Anheier (1998) proposed a general definition for a nonprofit organization, and Anheier (2005) articulated the following modification to the structural-operation definition of a foundation:

- An asset-based entity, financial or otherwise: the foundation must rest on an original deed, typically a charter that gives the entity both intent of purpose and relative permanence as an organization.
- A private entity: foundations are institutionally separate from government, and are “nongovernmental” in the sense of being structurally separate from public agencies. Therefore, foundations do not exercise governmental authority and are outside direct majoritarian control.
- A self-governing entity: foundations are equipped to control their own activities. Some private foundations are tightly controlled either by governmental agencies or corporations, and function as parts of these other institutions, even though they are structurally separate.
- A nonprofit-distributing entity: foundations are not to return profits generated by either

use of assets or commercial activities to their owners, members, trustees, or directors as income. In this sense, commercial goals neither principally nor primarily guide foundations.

- An entity for a public purpose: foundations should do more than serve the needs of a narrowly defined social group or category, such as members of a family, or a closed circle of beneficiaries. Foundations are private assets that serve a public purpose. (p.196)

Andrews (1956) also explained that foundations primarily make grants to other nonprofit organizations, which means that foundations are the funding intermediaries between donors and recipient nonprofit organizations. At the same time, Anheier and Daly (2006) pointed out that, historically, “foundations were operating institutions primarily, for example, hospitals, orphanages, schools, and universities, though many did distribute money (alms-giving) and contributions in kind (for example, food)” (p. 196). Is the shift from operating foundations to grant-making foundations a process of the evolution of foundations? Or, is it a variation across countries? Not many scholars deal with the international variation of foundations across countries, but Anheier (2005) has considered some growth patterns that are not equally spread.

Table 2.1

Cross-Comparison of Growth Patterns

	Countries	Growth timing	Characteristics	Additional examples
High-growth countries	US	From 1980	Sustained expansion	Turkey
	Italy	1990	Law 218 (or Amato law)	
	Spain	1994	The Foundation Act, after democratization	
	Portugal	After 1980	Law 460, after democratization	
Medium-growth countries	Finland	1990s	Economic boom	Switzerland and the UK
	Germany	After 1950	High incomes and stable political systems	
	Greece		Stabilization of Greek, increasing immigrants, and Olympic games	
Moderate-growth countries	Czech Republic	From 1999	High growth but many inactive foundations, and not belong to typical definition of foundation	Central and Eastern Europe
	Poland	From 1989		
Low-growth countries	Japan	Between 1980 and the early 1990s	Largely stagnated due to difficult economic conditions, regulatory environment	
	France	Before post-war period	Highly regulated and complicated in establishment, and few incentives for potential founders	
	Austria	From 1960s	The 1994 Private Foundations Act attracting foundation not necessarily with public purpose	
	Belgium	From 1960s	Highly regulated and complicated in establishment, and few incentives for potential founders	

Source: Anheier, 2005, pp. 315–316.

The categories in Table 2.1 show facets of the relationship between foundations and governments that are likely to be influenced by economic conditions, political situations, and legal environments. The dynamics of the state-foundation vary and affect the development of a foundation field. Next, we will explore the Korean foundation in relation to the nonprofit sector. The institutionalization of foundations is embedded not only in state-foundation relations but also in the institutionalization of the nonprofit sector. Without understanding Korea's political

dynamics among foundations, the nonprofit sector, and governments, the institutionalization of the foundation population cannot be identified.

2.1.2 The Social Origin Theory and a Positioning of Korean Philanthropy

Although a few previous scholarly works offer theories for foundations at the national level, some scholars illuminate theories for nonprofit organizations and the nonprofit sector in general. Salamon and Anheier (1998) developed the social origins theory for explaining various sizes, characteristics, and compositions of NGOs in different countries. Nonprofit sectors across countries have their own development process reflecting “path-dependence,” and this comparative-historical theory could delve into social origins and social factors that make every society have particular nonprofit sector (Salamon & Anheier, 1998).

Table 2.2

Government Social Expenditure and Nonprofit Sector Size

Government Social Spending	Nonprofit Sector Economic Size	
	Small	Large
Low	Statist (Japan, most developing countries)	Liberal (US, UK)
High	Social democratic (Sweden, Norway, Denmark, Finland)	Corporatist (France, Germany)

Source: Anheier, 2005, p. 136.

According to Anheier and Salamon (2006), a fourfold division of nonprofit regime types are “liberal,” “social democratic,” “statist,” and “corporatist” models, as based on Esping-Anderson’s (1990) classification of welfare regimes and B. Moore’s (1967) analysis of three different political regimes.

The U.S. and the U.K. exemplify liberal models characterized as a lower level of

government social welfare spending and a larger scale of the nonprofit sector (Anheier, 2005). Rather than an extension of the social welfare system, the voluntary approach is preferred in those societies because the middle class is dominant (Anheier, 2005). Meanwhile, the statist model, for example, in Japan shows the powerful state holding policy for itself, the economic upper class, or business elites, but it also has “a fair degree of autonomy sustained by long traditions of deference and a much more pliant religious order” (Anheier, 2005, p.137). In Korean society, the statist model also has lower social welfare spending, but it did not bring about expansion of the nonprofit sector’s role until 1980. Sung-soo Joo (2012) argued that Korea and Japan have been experiencing stable growth in voluntary giving recently, but the recent volumes still do not reach a level complementing the lack of public social spending. In other words, he confirmed that the Korean society belongs to a “statist” model in spite of progress in philanthropic cultures.

According to Smith and Grønbjerg (2006), this theory requires understanding the character of the nonprofit organization as a core of historical development by social class interests in particular countries. Moreover, this approach is similar to social movement theory in that it focuses on political mobilization and its influence on policy as explanatory factors for the nature of the nonprofit sector and government-nonprofit relations in each country (Smith & Grønbjerg, 2006). Here, if we focus on state-nonprofit relations, Najam’s four Cs model (2000)—cooperative, complementary, co-optive, and confrontational—can be supplemented.

Table 2.3

Najam's Four Cs Model of Government-Nonprofit Relations

		Goals	
		Similar	Dissimilar
Means	Similar	Cooperation	Co-optation
	Dissimilar	Complementarity	Confrontation

Source: Anheier, 2005, p. 286.

Korea and the U.S. definitely have distinct historical origins to their nonprofit sectors, which have been shaped by their own political and institutional environments. In terms of the process of democratization, Korea has representative nonprofits that still have a “confrontational” model and some characteristics of traditional union and advocacy group in the pursuit of democratization. Compared to Korea, the U.S., based on liberal democracy and pluralism, emphasizes professionalized service organizations and advocacy groups as a significant partner to governments and foundations and the infrastructure of society unification.

Although the recent Korean nonprofit sector has experienced governance and partnership through changing regimes and interaction with global contexts, major nonprofits have kept their anti-government and anti-corporation orientation. Until two decades ago, founders of Korean foundations were mainly corporations and the business elite. This may be one reason that traditional Korean foundations have hesitated to form active partnerships with nonprofit organizations and their philanthropic resources rarely went to nonprofit organizations involved in social movements. This factor is likely to make the relationship between foundations and nonprofits in Korea different from partnerships in the United States.

2.1.3. Historical Institutionalism and the Path of Korean Foundations

Social origins theory and historical institutionalism can illuminate “institutional continuity,” in other words, “path-dependence”; social origins theory emphasizes long-lasting effects of class relations; historical institutionalism concentrates on the “lock-in” effects of institutional form (Ju & Tang, 2011). Path-dependence is relevant here in that “policy structures create resources and incentives that lead to the formation of social groups, and these policies influence the activities of these social groups and affect social learning among major political actors” (Ju & Tang, 2011, p. 40; Pierson, 1994). In this vein, as time goes on, other institutional options are hard to choose because the cost of altering is high enough (Ju & Tang, 2011; Pierson, 2000).

Despite its consideration of path-dependence, historical institutionalism has its strength in embracing institutional changes (Ju & Tang, 2011). Earlier historical institutionalism tried to explain institutional changes as more fundamental and episodic (e.g., Krasner, 1984, “punctuated equilibrium”); but Campbell (2005), for example, argued that previous institutional factors are handed over and reunified for new institutions, and accordingly, institutional changes ought to be dependent on past paths and show incremental and evolutionary processes (Ha, 2011).

Adopting historical institutionalism and institutional embeddedness, Sang Min Lee (2012) analyzed the history of Korean foundations. He argued that foundations have been established in response to “social criticism,” and forming foundations has functioned for the traditional landed elites. In his study, Korean foundations’ historical markers are divided thusly: (a) 1939–1960s, the first period of the beginning of foundation and disorder; (b) 1970s, the second period of detecting *chaebols*’ foundations’ misbehaviors and government’s monitoring; (c) 1980s–1990s, the third period of the introduction of CSR and growing social criticism; (d)

1997–present, the fourth period of the emergence of social welfare activity of foundations and public foundations. His argument mainly focuses on the development of Korean foundations in response to negative public opinion and government monitoring of foundations' malfunctions; it does not address the role of Community Chest of Korea and global diffusion of foundation models. Meanwhile, institutional changes can be amplified when institutional factors from other countries are newly adapted (Ha, 2011).

The path of Korean foundations is likely to fit into an incremental and evolutionary process model rather than a punctuated equilibrium one, whereas institutional changes to Korean nonprofits can match fundamental and episodic processes. It is well known that the growth of Korean civil society is closely related to the June democratic movement in 1987, which changed Korean social structure dramatically. Over 90% of Korean NGOs—the total number of which is around 20,000—were established after 1987, an expansion that reflects that Korea's democratization and the rise of nonprofits are highly correlated (Park, 2006). Traditionally, most activists of nonprofit organizations in the social movement tradition pursued fundamental changes to political and economic conditions, but founders of foundations, such as the business elite, corporations, and the social elite, were reluctant to support those changes and be central members of the nonprofit sector. Rather, global models from Western society and moderate logics for the evolution have exercised more power to persuade them in pursuit of legitimacy.

2.2. Comparisons with American Foundations

2.2.1. Historical Markers and Major Changes of American Foundations

It is well known that the United States provides considerable tax exemption and tax benefits to the nonprofit sector, including foundations. The U.S. government chose to offer policy support for foundations rather than to gather tax income from them. According to Prewitt (2006b), foundations are expected to demonstrate flexibility and imagination for effective public activities, and to enhance pluralism in innovative and adventurous ways. Nevertheless, foundations under the accountability system exist in pursuit of the public good, which is a virtue of this institutional model (Prewitt, 2006b).

James Allen Smith (1991) suggested chronological markers that divide foundation history into five periods: (a) 1890–1911, the first period for a proto-foundation era; (b) the early 1910s–the early 1930s, the second period of increasing size and forms; (c) the early 1930s–the mid-1940s, the third period of economic crisis and World War II; (d) the late 1940s–1970, the fourth period for renewed confidence; (e) from the early 1970s, the last period of the post-era of the Tax Reform Act 1969.

The first period represents when the Carnegie Foundation was established, in 1905, and the Rockefeller Foundation, in 1913. The Carnegie Foundation believed that a private entity is more appropriate to solving social problems than ineffective governments, and that foundations can find solutions through a scientific approach (Prewitt, 2006b). Similarly, the Rockefeller foundation aimed for strategic “philanthropy” beyond “charity,” which:

rested on the distinction between outright support of the poor and the search for the cause of their property, in order to build institutions that would obviate the need for either charity or welfare by correcting the condition that brought such needs into focus (Karl & Karl, 1999, pp. 56–57)

Andrew Carnegie and John D. Rockefeller as businessmen are controversial figures in that their firms accrued tremendous assets in the problematic process of industrialization, and many issues are raised in the evaluation of their business and philanthropic achievements.

However, as Prewitt (2006b) argued, they made substantial social changes under a comparatively small government, and their foundations were not an invention for targeting tax benefits—compared to foundations established after the emergence of high excise and property taxes.

The second period saw the beginning of community foundation in 1914 (Smith, 1991). In Cleveland, some bankers and trust companies put their pocket money in the community center, and this money was used to solve social problems at the community level. To date, the community foundation model has had great successes; we can cite two reasons for this growth.

Firstly, community foundations have introduced and promoted donor-advised funds (Frumkin, 2006). Many donors buy their competitive advantages because they can keep some degree of control but do not have to endure the administrative cost of establishing and maintaining their own organizations. In other words, donors want to establish donor-advised funds rather than unrestricted funds. Once they put their funds in those institutions, they can get tax exemption immediately and maintain control as long as they want (Steuerle, 1999). However, it reduces the institutions' role as community leaders to define community issues and set up agendas. Rather, they take intermediary roles to match donor interests to nonprofit needs by increasing donor-advised funds (Ferris, 2001). When institutions' own resource allocation is limited and their agenda-setting for the community is diminished, they are likely to prioritize the roles of donor services and matchmakers (Graddy & Morgan, 2006). Such is the case when we observe the United Way's recent diminishing position in many regions (Ferris, 2001). Community foundations as well are struggling to integrate donors' option into broader community needs.

Secondly, community foundations are successful because they are “public charity,”

unlike private foundations. This point relates to the fourth period, ending with the Tax Reform Act 1969 (hereafter, TRA 1969), a new regulatory regime (Smith, 1999). Nowadays, the highest benefits for American nonprofit organizations can be employed only when a nonprofit organization passes a “public support test,” which proves that its resources come from the public, not from one source. In other words, until 1969, the distinction between a private foundation and a community foundation was just conceptual and tried to identify the founders, but TRA 1969 assigned different tax treatment and regulations to the two kinds of foundations. TRA 1969 classifies a private foundation as 501(c)(3) but clarifies its status with more duties and less tax benefit. If resources come from one corporation and individual, the foundation should endure more monitoring and reduced tax benefits compared to a community foundation registered as a “public charity.” From the donor’s side, the community foundation became a more convenient institutional vehicle in terms of administrative costs and prompt and generous tax exemptions.

TRA 1969 was inevitable because many private foundations had accumulated bad public images as “tax shelters,” “enriching donors and their families,” functioning for “controlling businesses,” and so on (Hammack, 2006). It was designed and suggested by government officials, and foundations finally met a duty of significant reporting (Form 990PF), more taxes and fewer benefits, and a penalty when violations occurred. Based on time series data until 1985, Clotfelter (1985) reported that the birth rate had decreased and the death rate had risen to some extent after the enactment of the TRA 1969, foundations’ experimental or controversial grant-making had reduced, payout rates had increased slightly, and an “announcement effect” worked adversely for new foundations; but he was cautious to confirm these findings without longer-term data. According to Frumkin (2006), TRA 1969 brought

about changes to foundations' management structures and hiring practices in the 1970s and 1980s, and their outcomes were "balance sheet," "new staff to manage their increasingly complex external relations," "day-to-day involvement of legal counsel," and a "high administrative expense" (p. 114). He added:

The implementation costs of the new regulations are evident when one considers changes in foundation administrative expenses between 1966 and 1972. Administrative expenses include all costs related to the operation of a foundation, excluding grant outlays. During this six-year period, administrative expenses as a percent of grant outlays increased from 6.5 percent to 14.9 percent. This increase was a significant change from the trend during the previous decade, when administrative costs were dropping. . . It will no longer be possible to operate a foundation out of a banker's pocket. The new legislation regarding private foundations – the possible stiff penalties, the danger of personal liability for each and every officer and trustee, the more extensive reporting and auditing requirement, expenditure responsibility for particular grants – all lead inevitably to the conclusion that someone had best be on duty full-time, minding the store. (2006, pp.114–115)

Similarly, Hall (1987) elucidated that the nonprofit sector faced demands of professionalized nonprofit management in the early 1970s, and "the movement was both a specific response to the regulations contained in the 1969 Tax Reform Act and a general response to broad public criticism of the performance of private nonprofit organizations" (p. 13).

In this sense, the professionalization and bureaucratization of foundations were paths to correcting their misbehaviors in the past, but can be interpreted as a double-edged sword because the original strength of foundations, such as innovative attempts and venturesome grant-making, might be weakened. While Smith (1991) focused on recent historical markers with economic fluctuations and political situations, Anheier and Leat (2006) identified three broad paradigm shifts in American philanthropy. According to them, "the charity/service approach"

evolved into “the philanthropic/scientific approach” through the emergence of large private foundations that regarded philanthropy as social engineering. “New scientific philanthropy” was followed by the traditional scientific approach, which is referred to, variously, as “new philanthropy,” “strategic philanthropy,” “venture philanthropy,” and “entrepreneurial philanthropy.” These approaches show an evolution of perspectives and emphasize effective investment for social impact, business models, and managerial modes. These hands-on approaches are complemented by “bottom-line thinking,” but Anheier and Leat (2006) believe that foundations can go beyond business-like functions, and move to “innovator, change-agent, and contributor to pluralism” (p. 38).

2.2.2. Legitimacy Seeking of Foundations in the United States

One of the issues in the American foundation tradition is the extent to which private wealth needs to be used for public ends. Korean society has not experienced those issues yet. Frumkin (2002) demonstrated four functions of nonprofit and voluntary actions (see Table 2.4).

Table 2.4

The Four Functions of Nonprofit and Voluntary Action

	Demand-Side Orientation	Supply-Side Orientation
Instrumental rationale	<u>Service delivery</u> Provides needed services and responds to government and market failure	<u>Social entrepreneurship</u> Provides a vehicle for entrepreneurship and creates social enterprises that combine commercial and charitable goals
Expressive rationale	<u>Civic and political engagement</u> Mobilize citizens for politics, advocates for causes, and builds social capital within communities	<u>Values and faith</u> Allows volunteers, staff, and donors to express values, commitments, and faith through work

Source: Frumkin, 2002, p. 25.

Frumkin further argued that two instrumental and expressive rationales ought to coexist

while balancing each other in the nonprofit sector. For example, foundations need to distribute their money for the public good such as social welfare; at the same time, they are able to take experimental approaches and pursue their own passions (Frumkin, 2002).

Both points have merits and demerits. In terms of public purpose, although foundations can enjoy their autonomy, there should be public accountability (Hwang & Powell, 2009). For example, the National Committee for Responsive Philanthropy, a watchdog organization, recommended the guideline “Criteria for Responsive Philanthropy” in 2009. It suggests that foundations have to respond to the community and make grants for marginalized populations.

However, the argument to overcome fragmented philanthropy has a pitfall in justifying the logic that governments can transfer their burden to private and the nonprofit organizations (Kettl, 2000). This is an issue repeatedly mentioned by many nonprofit scholars to criticize the weak state tradition in U.S. society: the “hollow state” (Milward & Provan, 2000) or the “shadow state” (Wolch, 1990), “run by third-party government” (Salamon, 1987), or “government by proxy” (Kettl, 1988). Decentralization provokes “governmentalization” of the nonprofit sector rather than “privatization of the public sector” (Kettl, 2000). However, the argument also reflects a liberal democracy and pluralism, two virtues of American society (Hwang & Powell, 2009). However, many people believe that the right to property should be limited, which was a rationale for TRA 1969. This is because foundations enjoy their tax-exemption status and public subsidies. Although they objected to state regulation on principle, foundation leaders agreed to new policies under the Tax Reform Act of 1969, which is one way foundations have defended their legitimacy (Hammack, 2006).

Meanwhile, an active way for foundations to win legitimacy is to work “within the context” of the nonprofit sector (Hammack, 2006). They usually search for their partners

among nonprofit organizations. For example, Porter and Kramer (1999) argued that foundations need to “select a high performing grantee” and develop cases as an example of high impact practice in the field to disseminate knowledge and create more value. Fleishman (2007) agreed with their strategy and argued that funders need to focus on “organizations that are already strong or that could be made strong with short- or medium-term foundation support” (p. 254). While strategies keeping a strategic fit ensure higher-impact practice for funders, their strong signaling might cause some spin-off, including a widening gap in the nonprofit sector.

A further step for partnership is suggested by the “capacity-building grant” for substantive goal achieving and social impact. Brest and Harvey (2008) have observed the power of “general operating supports” that enable nonprofit partners to develop capability and satisfy funders in the long run. Also, Fleishman (2007) pointed out that “general operating funds” could cultivate nonprofit partners and create more persuasive role models to the field. However, they observed, too, that in most examples, philanthropists are usually interested in project-specific funds. Previously, Letts, Ryan, and Grossman (1997) criticized that there was no investment for “nonprofit organizational capacity” such as “time for nonprofit staff to plan new programs and processes,” “training and development for managers,” and “sound operating systems in the areas of finance, quality, and human resource development” (p. 3). They saw a limited impact from a lack of funds for capacity-building.

Meanwhile, Anheier and Leat (2006) showed concern that partnership with nonprofits not be based on “romantic notions of [a] nonprofit organization,” which means that nonprofits do not exist in perfect relation to social need and as innovate centers in reality, set aside the tax law preventing direct giving to “not tax-exempt” beneficiaries. Nevertheless:

Foundation donors have preferred to operate behind closed doors, but in response to the suspicions of their critics foundations have provided more and more information to the

public. Relatively small groups of very large foundations have always held the great majority of foundation wealth, but the foundation form has also served numbers of people of modest means, and this has also helped foundations maintain their status as legitimate institutions. Overall, defenders of American foundations have successfully appealed to widely accepted notions of property, citizenship, and nongovernment action. (Hammack, 2006, p. 53)

In sum, to seek their legitimacy, foundations have not worked alone; instead they have worked with nonprofit organizations; they have made grants to institutions that do not relate to their own controlling; and, lastly, they have followed the rules and regulations and have tried to make their information more transparent by creating a directory and further constructing umbrella organizations and research institutes (Hammack, 2006).

2.3. Distinctiveness and Redefinition of Korean Foundations

2.3.1. The Evolution of Korean Foundations

Korea has not seen much scholarly research on foundations. According to Lee (2012), relatively little attention has been paid to foundations despite the rise of nonprofit research. For example, most research has addressed definition and categorization (Hwang, 1998; Lee, 2007), tax incentive systems (Kim, 1997, 2007; Park, Yook, & Yoon, 2004; Son, 2009; Son & Park, 2008) and legal regulations (Je, 2008; Kim, 2008; Park, 2007), and introductions to other countries' foundation models (Jung, 1995; Park & Hwang, 2008). A few researchers have discussed foundations' relationship to government, and governmental foundations (Cho, 2002; Hwang, 1998). Furthermore, empirical studies have come from corporate-sponsored foundations (Hwang, 1998; Jung, 1995; Kim, 1997; Park & Hwang, 2008, Son, 2009; Son & Park, 2008). Then, based on the analyses of Korean foundations' history (The Beautiful Foundation, 2012; Lee, 2012), Korean foundations will be examined by three distinctive

historical markers.

2.3.1.1. The Beginning of Korean Foundations and Modernization of Korean Society

The first foundation in Korean history is Yangyounghoe, which was established in 1939 by a businessman named Kim Yeon-Soo. The foundation was renamed the Soodang Foundation, and has been maintained as a corporate-sponsored foundation (Samyang Corporation, 2012). The foundation created scholarships for students who suffered from poverty during the period of Japanese colonial rule (Park & Hwang, 2008). Other scholarship associations like Yangyounghoe created direct scholarships to individuals' education during the colonial era (which ended in 1945) and the Korean War in the 1950s. Despite their small scale, these associations continued to be founded until the 1960s. However, after the Korean War, some foundations participated in shady conduct, as the wealthy used their foundations as a tool to evade taxes and escape from the duty of fair distribution (The Beautiful Foundation, 2012). While society went through confusion and reconstruction, foundations were established to redress the unjust accumulation of profits (Lee, 2012). The effects on Korean society are significant even nowadays, as they instigated negative images of the accumulation of wealth. Korean citizens observed how the newly emerged elites took advantage of a national crisis and built up their wealth in the colonial era of Japan, the Korean War, and military's coup d'état (Sohn, 2003). For example, Koreans who stood for the Japanese government and the U.S. government successfully gained assets and social status. Unfortunately, fairness was not a consideration of the elites and the logic of profit maximization for its own good was regarded as virtue by society at large.

According to The Beautiful Foundation (2012), 56 foundations were established in the

1970s, but their true objectives were dubious because of their inoperativeness and undeserved tax-exemptions. In the 1970s, the responsibility of “giving back profits to society” was introduced, so Korean conglomerates (*chaebols*) rooted in state-driven economic development began to establish their own foundations (Lee, 2004). However, foundations could not gain social respect from the public. The media intensively watched their misbehavior, such as using foundations as tax shelters and family banks, which provoked the enactment of Public Corporation Law in 1975 (The Beautiful Foundation, 2012; Lee, 2012). Lee (2012) posited that the Korean conglomerate system explains the privatization of foundations, because the establisher of foundations and the owner of companies are the same in the management structure by the owner family. This period represents one of serious economic hardship and modernization in Korea, with less systematic governmental oversight and institutional rules over foundations. Moreover, skepticism from the Korean public strengthened through the 1980s and the 1990s (The Beautiful Foundation, 2012).

2.3.1.2 Government-Leading Philanthropy from the 1980s.

Rather than paying taxes properly, many corporations created and then took advantage of their own foundations to gain controlling interest and maintain their assets. For example, founders of conglomerates (*chaebols*) tried to transfer ownership to their children, and used their foundations to evade inheritance taxes (Lee, 2012). Consequently, the government amended the Inheritance and Gift Tax in 1984, preventing foundations from getting tax exemption inappropriately, and strengthening monitoring and oversight over those foundations. In 1993, another government regulation was enacted—tax restrictions on public corporations, which lowered foundations’ retainable stock proportion for tax exemption from 20% to 5%

(The Beautiful Foundation, 2012).

Condensed industrialization by strong state intervention had a major impact. In 1979, President Chung-hee Park's regime collapsed from internal power struggles. In 1980, President Doo-hwan Chun came to power through a coup d'état. He was a soldier like President Chung-hee Park, and continued to implement and maximize the government's top-down control. His military regime lacked legitimacy—ironically, the government's catchphrase was “construction of welfare state,” but its solution was to push *chaebols* to give back rather than to increase its own social welfare spending (Lee, 2004). In other words, corporations felt burdened to donate their money to the government's Social Service Fund as quasi-taxes.

In fact, “quasi-taxes” had influenced Korean companies. David Kang (2001) has argued that Korea's political funds usually came from corporations that wanted to avoid hidden penalties and protect their business incentives from the strong state. According to Kang (2001), “[to] not make ‘voluntary’ donations is to run the risk of payback in the form of tax audits or rejected loan applications” (p. 163). In order to respond to government pressure, many corporations established their own foundations. Most of those foundations had individual gifts program, usually for “academic” purposes and occasionally for “social welfare” ones. Often these actions were taken out of obligation rather than altruistic purposes, which can be expected of American foundations. Another institutional choice was to donate to the government's Social Service Fund.

The government launched a fund to help citizens in need in the 1970s, and established a special law in 1980 called the “Social Services Fund Act,” which supported merged funds for needy neighbors and disabled people (Community Chest of Korea, 2010). The fund in the Ministry of Health and Welfare did not provide its distribution transparently, and a main target

of fundraising was not usually citizens but companies (Community Chest of Korea, 2010). For many corporations, their donations were regarded as quasi-taxes with some advertising effects. Sung, Kim, Lee, and Kang (1997) argued that the biggest issue arising from this fundraising was that responsibility for social welfare, which belongs to the central and local governments, was transferred to companies and citizens. In other words, companies' and citizens' donations replaced the social welfare budget allocation. According to Sung et al. (1997), some government agencies misused the funds for politically preferable policies or specifically targeted populations to make themselves seem caring.

As with the Social Service Fund, President Jeon Doo-Hwan's administration and President Ro Tae-Woo's administration established various government foundations and government-sponsored organizations, which they utilized to support political elections (Hwang, 1998). In 1994, the regime of President Kim Young-Sam, the first civilian, embarked on an "anti-corruption campaign," requesting that government and military officials provide their fiscal records under the "the real-name financial transaction system." Some officers resigned and some resisted revealing information with excuses of establishing foundations (Lee, 2012), confirming the misuse of foundations again, not only by conglomerates (*chaebols*) but also by the social elites (Lee, 2012). Cho (2002) argued that the regime of President Kim Young-Sam began to consider foundations as "extremely conservative" and "corrupted" forces and placed more restrictions than ever.

Companies of considerable size and the wealthies established foundations in the 1990s (The Beautiful Foundation, 2012). In this period, corporate social responsibility gained some recognition, and rich individuals and families considered themselves possible founders. However, the concerns of their foundations had limited scope, such as scholarship and

academic purposes by direct giving, rather than partnership with nonprofit organizations, which American foundations pursue. Interestingly, partnership among the social elites was maintained through foundations.

Kang (2002) argued that corruption and mutual hostage situation in the 1990s helped economic development; political elites and economic elites were tight but, Kang explained:

having smaller numbers of rent seekers reduces the total social cost because property rights over the rent are more secure. The balance of power meant that neither political nor bureaucratic elites could gain a decisive edge over the other. The bargain these elites struck was collusive – not cooperative – and both groups took as much advantage of the other as possible. But the process never spun out of control because the elites were vulnerable with respect to each other. (p. 183)

Meanwhile, he compared the Korean state to the Philippine state, concluding that the overwhelmed democratic governance didn't help comprehensible policy design and limit rent-seeking demands. State-driven philanthropy in dictatorships and the process of democratization show the most distinctive characteristics of Korean foundations, which saw a new phase at the end of the 1990s.

2.3.1.3. The End of the 1990s–Present, a Transformation of Institutional Philanthropy

At the end of the 1990s, Korean society faced two transformative events: the IMF (the International Monetary Fund) crisis in 1997, and the victory of President Kim Dae-Jung's administration in 1998. The IMF financial crisis brought serious economic hardship to Koreans and public resentment took some roles for the opposition party's first victory in the presidential election. Politically, President Kim Dae-Jung's administration (1998–2002) and President Roh Moo-Hyun's administration (2003–2007) can be described as “the moderate reformist regimes” (Jung, 2013). Also, founders and potential funders started to recognize the need for diverse purposes, such as the environment, local community, gender inequality, human rights,

unemployment problems, and so on, since the two regimes encouraged the diversification of citizen wills and legitimized nonprofit organizations and social movements. One example is the enactment of the NGO Support Law in 2000.

According to Hyuk-Rae Kim (2000), the National Congress for New Politics passed legislation to promote the nonprofit sector in 1999. The legislation itself sought to enhance the “institutional status” of nonprofits and to expand public money for them. In addition to granting incorporated status and tax exemptions, the legislation provides “legal foundation to file complaints if corruption occurs in state bureaucracy” (Kim, 2000). As an administrative method for implementation, the NGO Cooperation Division is under the Ministry of Government Administration and Home Affairs, which could facilitate collaboration between the nonprofit sector and government, take charge of policy and budget for nonprofits, and bring about significant growth of financial support (Kim, 2000). Because all nonprofit organizations are permitted to hand in their project proposals, the shift in the amount of grants has fostered a lot of nonprofit organizations for public purposes and “the political climate” reflects “demands for participatory democracy with citizens as active agents” (Kim, 2000).

Next, the government’s “Social Service Fund” was transferred to a new nonprofit organization, Community Chest of Korea in 1997; and The Beautiful Foundations was established in 1999. Community Chest of Korea gained its legitimacy through the government’s annual campaigns and a special law for itself, and The Beautiful Foundation was initiated by the nonprofit sector. Korean civil society was successfully acting against the government’s top-down control, such as its anti-campaign for the April 2000 elections and grassroots fundraising. Also, more people enjoyed exposure to information about global institutional philanthropy, which led to disputes about the legitimacy of traditional foundations.

Won Soon Park, a key leader in the anti-campaign for the April 2000 elections and grassroots fundraising, observed the U.S. phenomenon and visited several community foundations to adapt their practices to Korea. The ideas for The Beautiful Foundation were embraced even by the upper class, which felt more comfortable with Western culture and believed that soft power could change society. Won Soon Park chose “soft” philanthropy instead of a “strong” social movement. Prior to The Beautiful Foundation in Korea, philanthropy was not a central issue.

The BF produced the novel concept of stories for fundraising—such as the memorial donor-advised funds of American community foundations and meaningful small amounts of donations by marginalized Koreans. Traditionally, philanthropic organizations had shown stories of beneficiaries; for example, stories of the poor, disabled, and “children in rags” were utilized to appeal to public sympathies. Contrary to these traditional methods, The BF distributed beautiful donors’ stories that relay the message that giving is not difficult and should be a rational and consistent decision. Moreover, The BF adopted a transparent system that revealed all financial and operational details, big and small, to donors and the public alike, down to the last one. From its website, everyone is granted access to financial statements and the salaries of all staff members. This transparency came at a time when the public was weary of embezzlement scandals by other philanthropic organizations, and was reluctant to donate money to what appeared to be untrustworthy organizations.

The BF came to represent a paradigm shift. Through significant exposure to The BF’s activities in the media, many of its concepts such as “1% Sharing” and “beautiful donor” become normalized. The subject of The BF, namely philanthropy, was also propagated. Philanthropy is the idea that efforts undertaken to think of and help others are beautiful and

should occur on a daily basis. This idea can be seen as having evolved from a past concept, namely, one-time donations to help those in need.

While CCK and The BF share similarities, such as community focus and fundraising from the public, new norms have been distributed to a “public foundation model” or “quasi-community foundation model.” The Korea Human Rights Foundation (in 1999), the Korea Foundation for Women (in 1999), the Korea Green Foundation (in 2002), and Work Together Foundation (in 2003) were established in this period, and targeted new areas and new kinds of ownership. Before them, companies and the wealthy were usually the founders, but new founders emerged. They were leaders of civil society and members of the nonprofit sector who struggled with a lack of financial resources.

To raise funds and sustain organizational management, public foundations shared innovative movements in two ways. First, they valued the meaning of the individual donation, rational and regular giving cultures, and independent philanthropy by the citizen, which make a distinction from the government and conglomerates. Second, they publicized their purpose to make grants to nonprofit organizations. Although they were stagnated sometimes by an increasing amount of designated funds and decreasing amount of unrestricted funds, The Beautiful Foundation started its grant-making in 2004, for instance (The Beautiful Foundation, 2010).

With a narrower scope of scholarship and academic purpose, traditional foundations did not require partnership with nonprofits and tended to give their money to beneficiaries directly. Moreover, they regarded nonprofits as too risky because many emphasized an antigovernment and anti-corporation campaign—a quality that makes the Korean model different from the U.S. model. Even these days, foundations are likely to maintain partnerships only at the beginning

phase. More specifically, some recent corporate foundations have formed partnerships with nonprofit organizations, focusing on social welfare at the beginning then inventing their own CSR program without nonprofit partners afterward. Still, public foundations like The BF are distributing money to their nonprofit partners, and are trying to gain legitimacy from the public and other kinds of foundations. Nowadays, the supporting areas of foundations can have a wider spectrum, and social problems at the community level can more easily be a fundraising issue. Moreover, citizen and potential funders can regard themselves as possible “founders” or “funders” even with a comparatively smaller endowment (see Table 2.5). On the other hand, if we adopt the U.S. argument between instrumental and expressive orientations, ironically, this would be a starting point of fragmentation of collective will in the long-term. It might be dilemma that “compared to taxation and national spending, private charity and volunteerism were seen as preferred means of solving social problems because they permitted greater individual freedom and choice” (Frumkin, 2002, p. 18).

Table 2.5

Asset Size and Established Year of Korean Nongovernmental Foundations

Era	Asset Size					Total
	Below \$1 million dollars	More than \$1 million and below \$1 million	More than \$5 million and below \$10 million	More than \$10 million and below \$100 million	Over \$100 million	
Before 1960	0	6	0	3	0	9
The 1960s	2	7	2	6	3	20
The 1970s	4	18	2	22	3	49
The 1980s	4	89	20	26	2	141
The 1990s	6	182	51	67	5	311
After 2000	19	286	66	90	6	467
Total	35	588	141	213	19	997

Source: The Beautiful Foundation, 2012, p. 41.

We will next examine the Law on Charitable Solicitation and Usage in 2006 and the

beginning of the Association of Fundraisers in 2014. The law about fundraising was first made in 1951, and prohibited all private fundraising, under the name of “Prohibition on Charitable Solicitation.” Then, it only admitted government agencies and local governments as possible fundraisers. This inactive and unrealistic law was changed in 2006 to some extent, and its correction is under way. Moreover, the Association of Fundraisers was formed to ensure ethical fundraising in March 2014, supported by Ministry for Health, Welfare and Family Affairs. Although Korean foundations do not have an umbrella organization like the Council on Foundations and Foundation Center yet, fundraising has become legal and familiar in Korean society, and citizens are beginning to regard themselves as actors and funders for foundations.

Meanwhile, the Korean government has emphasized the transparency of Public Corporations, and thus started the “Public Corporation Self-Reporting System” (see <http://npoinfor.hometax.go.kr>) in 2009 and expanded the system based on an amendment of the tax rate in July 2011 (Son, 2012). According to The Beautiful Foundation (2012), approximately 35% of the foundation population has its own webpage. Rather than informally monitoring and assessing penalties, as in the past, the Korean government has tried to build up institutional systems for transparency and communication.

2.3.2. Foundation-Related Dimensions and Future Issues

Before we examine foundation-related dimensions, we need to illuminate the legal boundaries of foundations in Korea. Figures 2.1 and 2.2 show four kinds of laws that affect foundation corporations: Corporation Tax Law and Civil Law, defining nonprofit corporations; Inheritance and Gift Tax Law, defining a wider concept of public corporations; and Public Corporation Law, defining a narrower concept of public corporation.

First, we look at Korean nonprofit boundaries. As nonprofit corporations, foundation

corporations are under the purview of Corporation Tax Law and Civil Law. Foundation corporations are one of various kinds of nonprofit corporations and public corporations. Second, if the foundation corporation as a public corporation wants to enjoy tax exemption under Inheritance and Gift Tax law, it should be established based on this law. Lastly, the highest tax incentives—at the same time the strictest conditions—belong to foundation corporations based on Public Corporation Law. To be registered as a “Public Corporation,” the purpose of the activities must be limited to scholarships, or research, philanthropic, and academic support.

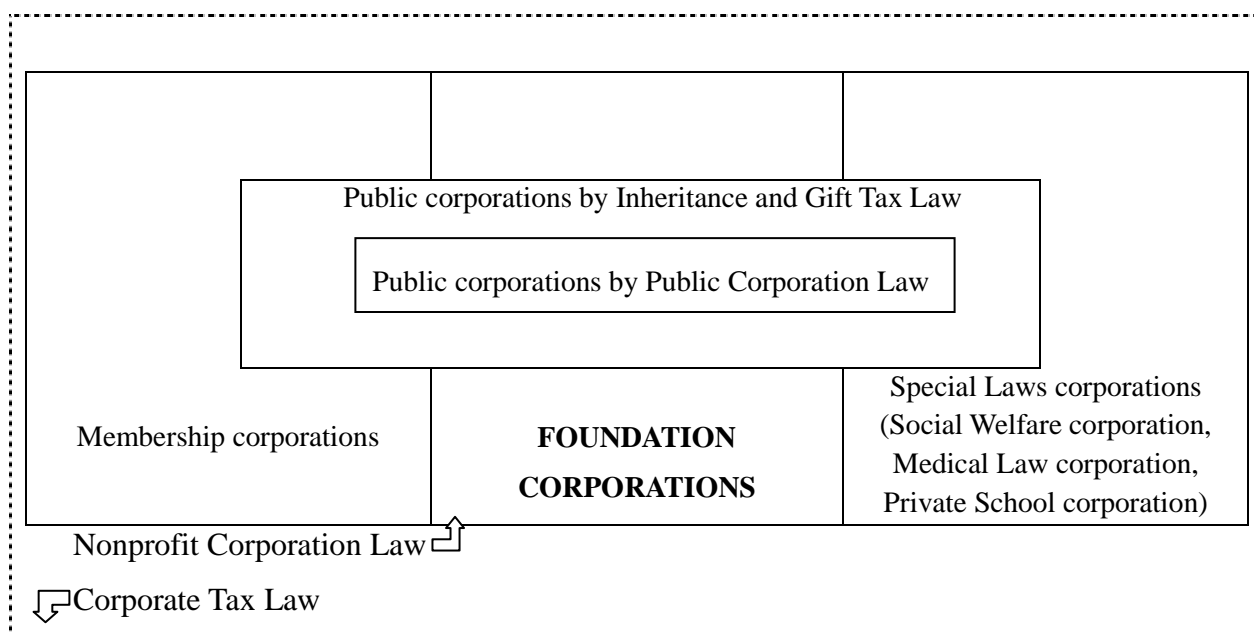


Figure 2.1 Foundation corporations' location in Nonprofit Corporation Law.

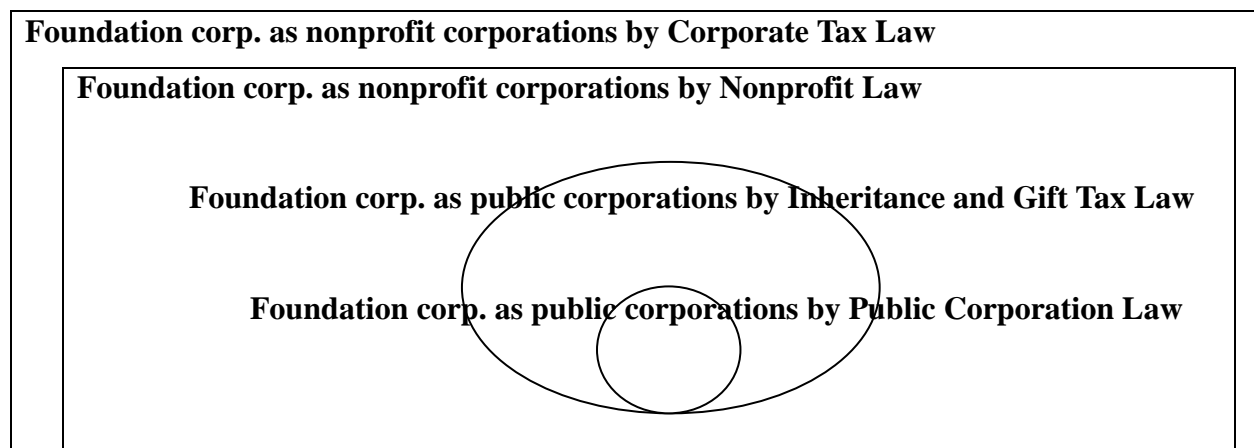


Figure 2.2 Foundation corporations by different based laws. Adopted from Jeon, 2011, p. 20.

2.3.2.1. Supply-side perspectives: Familiarity by public foundation model

For founders, foundations are “an institution, respond[ing] to existing demand, and provid[ing the] (actual and potential) philanthropist with a legal instrument for expressing and pursuing their philanthropic interest” (Anheier & Leat, 2006, p. 29). As mentioned earlier, TRA 1969 made a clear distinction between private foundations and community foundations. Before TRA 1969, the distinction was just a conceptual difference that tried to identify the founders; it introduced different tax treatment and regulations for the two kinds of foundations. The TRA 1969 classifies a private foundation as 501(c)(3) but clarifies its status with more duties and fewer tax benefits. If resources come from a small number of corporations and individuals, the foundation should endure more monitoring and reduced tax benefits than a community foundation registered as a “public charity.”

This reformation provided a competitive advantage to community foundations but has been criticized for transforming private foundations into dinosaurs with administrative burdens and regulations. Although the Korean government wants to regulate foundations with government-sponsored foundations, some policies, informal monitoring and penalties, and a frame to define and classify foundations are yet to be constructed deliberately. As such, actors who want to create foundations should consider activities and the laws that oversee them (Civil Law, Inheritance and Gift Tax Law, or Public Corporation Law), just as actors in America make a distinction between foundation forms for a “public charity” and a “private foundation.” Table 2.6 shows different standards between nonprofit corporations and public corporations.

Table 2.6

Foundation Corporation as Nonprofit Corporations and Public Corporations

	Nonprofit Corporation Foundation	Public Corporation Foundation
Based Law	Civil Law	Laws on Establishment and Operation of Public Corporations
Applicable Purpose	Academic, religious, philanthropy, artistic, social intercourse, and other nonprofit purpose foundations	Scholarship for scholars and researches, academic support, and philanthropic purpose corporations
Applying Institution	Supervising government departments	Supervising government departments
Bylaws	Foundation Corporation 1. Purpose 2. Rules on appointment of board of directors	1. Purpose 2. Name 3. Location of office 4. Asset type, status, and amounts 5. Financial management of assets 6. Numbers and terms of board of directors 7. Voting right and representative right 8. Change of bylaws 9. Announcement and a way of announcement 10. Enduring period and dissolution way 11. Audit and inspection 12. Activities 13. Etc.
Change of Bylaws	Only possible when stated change of bylaws	Change of bylaws stated in bylaws
Standards of Permission	Different by supervising government department	Examination of related factors Enough amount of resources for endowment (in case of foundation corporation)
Standards of Cancellation	By supervising government department 1. Activities out of purpose 2. Disobey standards of permission 3. Damage the public good	By supervising government department giving permission 1. Permitted by wrong and deceiving ways 2. Disobey standards of permission 3. Impossible case of achieving goals 4. Activities out of purpose 5. Obey this law, orders, and bylaws 6. Damage the public good 7. Do not begin activities after 6 months and do not have visible outcome after permission without reasonable explanation
Registration	- Registration or change of registration to local agency within 3 weeks after permission and changes - 1. Purpose, 2. Name, 3. Location, 4. Date of Permission, 5. The reason of enduring period and dissolution, 6. Total assets, 7. Investment ways if any, 8. Name and Address of board of directors, 9. Limitation of representative right of board of directors	

Source: Son, 2011, p. 10.

Then, Korean foundations may justify their existence through their future performance and support of giving cultures. Nowadays, a “foundation” is a comparatively easy institutional option for various actors. Government agencies do not have agreed-upon standards for

establishing foundations and granting tax-exemption, which allows them to make decisions arbitrarily (Jeon, 2011). The merit will be to gather people hoping changes of society together in the nonprofit sector, for example, the social activists seeking grants and the wealthy deliberating justification of the money.

If we can assume that the discourse about foundations will move in a similar direction as U.S. foundations' legitimacy, there will be many more foundations considering how to select good nonprofit partners, and how to leverage grassroots. They will also communicate their mission and activities more clearly and frequently for financial stability and organizational legitimacy.

On the contrary, establishing foundations without considering financial perpetuity or sun-setting will bring about more inactive foundations, and invite stronger government intervention because government fundamentally provides tax incentives to foundations.

2.3.2.2. Inter-organizational perspectives: The foundation field

Tax incentives and social expectations for public foundations and private foundations can be differentiated in the U.S., but Korean society does not have those standards yet. According to Park and Hwang (2008), in Korea different treatment within the foundation field only come from presidential decree and the Public Corporation Law, which means that more favorable tax incentives are given when the government establishes foundations and when foundations are established for government-imposed purposes and functions, such as scholarships and academic support. However, tax incentives in the future can come from proved funding resources (i.e., "public support test" in the U.S.) and their activities. This issue will prove important sooner or later, and ought to cover a wide range of institutionalization

beyond laws and taxation. As an insider pressured by institutional norms, a foundation as a partner of nonprofits is more likely to value nonprofit spirit and autonomy than government contracts and collaboration with business funders. Of course, there have been political dynamics and power games, but it may be reasonable to assume that actors tend to behave based on institutional logic. Anheier and Leat (2006) argued that foundations are “an independent source of funding that helps civil society counterbalance the forces of markets and state, helping to prevent either from dominating and atomizing the rest of society” (p. 29).

In 2012, The Beautiful Foundation presented the first foundation analysis, which marked a turning point in discussions of the institutionalization of foundations. Dialectical discourses can be addressed to further the foundation field. For example, is it appropriate to group corporate foundations, individual foundations, and public foundations together for discourse? In the case of Japan, NGO support law excluded corporate foundations (Cho, 2002). If we group various kinds of foundations, is it possible to share “sectoral norms” as constituents of the foundation field? How can they make network-based rules and monitor constituents within the field? Is it feasible to create a central association to lead the field and to form a consensus? Those issues need to be answered for the future of foundations.

2.3.2.3. Demand-side perspectives: Government and nonprofits

Government policies and tax incentives have influenced the institutionalization of the nonprofit sector, both intentionally and unintentionally. For example, Korean foundations tend to stick to scholarships and academic purposes, as other purposes—such as philanthropy—require a new path to find an appropriate government agency, get permission, and maintain the relationship. The Beautiful Foundation and other community foundations had a hard time

finding the right department; it took a long time (approximately two to three years) to be permitted and appointed a tax-deduction applicable organization (The Beautiful Foundation, 2007). To be established, community foundations had gone through procedural inconvenience and confused standards (i.e. “enough amount of resources” for endowment), which even government officials are not aware of. Figure 2.3 shows the original process to establish foundations, and most Korean nonprofit scholars and practitioners are cautious about the fact that permission may depend on officials’ arbitrary decisions and other political dynamics.

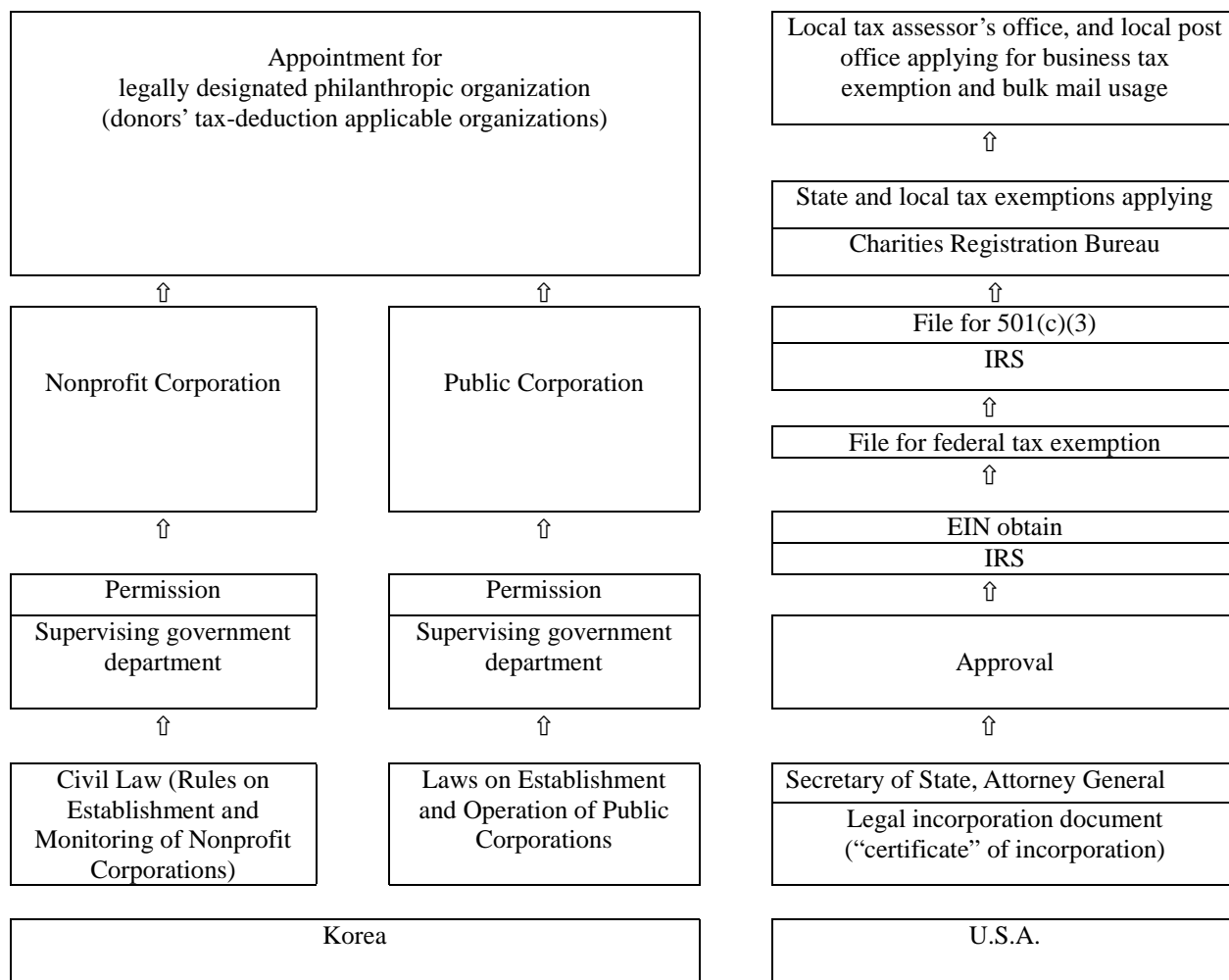


Figure 2.3 Procedural steps to establish foundation in Korea and the U.S. From Son, 2011, p. 13.

As government provides tax incentives and a public subsidy, it can require some

functions of foundations. The function that government cannot do or wants to share will relate to issues of “devolution” and “privatization” of government. Moreover, foundations will be involved in public policy-making processes—such as “problem identification,” “agenda-setting,” “policy adaptation,” “implementation,” and “evaluation” (Eyestone, 1978; Ferris, 2009).

From the nonprofit perspective, as grants of Korean foundations increase and diversify, nonprofits will expect partnerships with foundation more than ever—and foundations will consider the impact of these partnerships on their funds. In fact, foundations are very significant carriers of professionalized practices in the nonprofit sector, as they convey “particular mind-set and practices” with their grants and requirements (Hwang & Powell, 2009). Given that capacity-building grants are rare, and nonprofit organizations are struggling with insufficient resources all the time, the continuing experiments and attempts by foundations have infiltrated into nonprofit practices, as they adjust to more challenging requirements for performance outcome and more uncertainty with regard to the fragmented visions of individual donors and foundations (Ferris, 2001).

Sievers (2004) criticized current specific funders’ expectations and requirements in American philanthropy, predicting that inevitable outcomes are more demands and a narrower focus:

These days, the need to satisfy funders’ desires for numerical targets has become something of a joke among nonprofit organizations. Many set their targets artificially low in order to insure a final report that will look good . . . In order to achieve measurable outcomes, the next step typically taken by foundations is the narrowing of program focus. With more tightly focused programs, so the logic goes, a foundation can target its resources in such a way as to maximize impact and better assess (through metrics) its progress toward objectives. And it is a natural next step that the foundation becomes more proactive, setting its own agenda rather than responding to diverse requests from others engaged in the fields in which it operates. The ultimate consequence is foundation-driven, narrowly conceived programs that

pursue narrowly defined objectives (pp. 134–135).

According to Anheier and Leat (2006), foundations as risk-takers need to make evaluation and performance measurement “a constant learning loop” over the long run rather than a judgment of “success or failure” at the last stage of grant-making. They further pointed out the importance of foundations’ effective knowledge management for nonprofit partners’ learning.

More equivalent relationships with governments, more demanding partnerships with nonprofits, and more involvement in policymaking can be embraced by both conservatives and liberals, but at the same time can be attacked by both (Frumkin, 2004). For example, foundations can face criticism for serving the interests of the wealthy. On the contrary, people can make a different critique in that foundations may subvert governments by grant-making for citizen participation, radical policymaking, and community leadership roles. Moreover, in terms of accountability and autonomy issues, boards of directors consisting of social elites are a controversial topic, as they often enact their own “vision of the public good,” and procedural transparency and immeasurable outcome may be a contentious issue as well (Prewitt, 2006a). The pitfall of professionalized staff members distorting the aims of the original founders (Frumkin, 2006) will also raise concerns in near future. Those issues are yet to come, but Korean foundations will face problematic situations as this field is growing at a high speed. Then, the Korean society can look to U.S. cases in a dialectical and critical way, as a strained coexistence between “private deliberation” and the “public good” is inevitably universal, as Prewitt (2006b) has argued. Regardless of many counterclaims and arguments, foundations may very well use their independent dynamics to “stimulate democratic debate” (Anheier & Leat, 2006).

2.3.3. Redefinition and Classification of Korean Foundations

How can we define the range of Korean foundations? In a case of The Beautiful Foundation research (2012), it excluded government-related foundations and focused on private and public foundations. However, government-directed and government-sponsored foundations belonging to the Korean foundations field, coexist and compete with nongovernmental foundations, and—mostly importantly—address a distinctiveness of Korean foundations. In a global context, “nongovernmental foundations” are a main topic, but in Europe, government-related foundations are also analyzed (Anheier & Toepler, 2002).

Next, how can we treat cultural foundations? This issue was raised by The Beautiful Foundation’s presentation of research in June 2012. In the United States, cultural foundations tend to accrue resources from “fees for service,” a factor that is intertwined with the distinction between grant-making foundations and operating foundations. It’s not just conceptual distinction, and tax incentives for operating foundations are more generous than ones for private foundations, for instance, relieving private operating foundations of the 5% payout requirement (if they can satisfy financial requirements), as IRS website illustrated. In fact, operating foundations are hard to deal with, as they are hybrids of private foundations and public charities (Anheier & Toepler, 1999). An operating foundation is defined as “making qualifying distributions directly for the active conduct of their educations, charitable, and religious purpose” (Anheier & Toepler, 1999, p.175; Internal Revenue Service, 1992, p.31).

In this regard, it seems reasonable to ask whether Korean educational foundations with scholarships are operating foundations or not. For instance, Cho (2002) introduced the argument that foundations can be easily regarded as normal public corporations with more resources and may not require further lawmaking. Such foundations are conducting their own

programs directly rather than making grants to nonprofit partners. Nevertheless, even educational foundations are still open to institutions such as universities and research institutions, and to grant-making through nonprofits in the future. Then, they might not be typical operating foundations—such as The J. Paul Getty Trust operating the Getty Museum and the Getty Villa. Cultural foundations can be regarded as more of a prototype of operating foundation in Korea as well.

Table 2.7 shows the Korean reality and the classification of American Foundations. The major pillar, based on founders, addresses whether the entity was founded by a nongovernmental funder or directed and sponsored by the government. The second pillar, based on activities, divides foundations into “grant-making” or “operating,” and can categorize their foci on “within local” or “beyond local,” which may include national and international activities. If we focus on “nongovernmental” foundations (which The Beautiful Foundations dealt with), nongovernmental foundations can be divided into individual and family foundations, corporate-sponsored foundations in private foundations, or a group of public foundations. However, those categorizations exist only for classification, as foundations are not static organizations and may depart from the standard pattern. Sometimes, the distinctions between of foundations are blurred because individual and family foundations can be located in related corporations, and corporate-sponsored foundations also work by the individual establisher as a sole decision maker. In addition, foundations created by members are ambiguous in the sense whether they are private foundations or public foundations. Lastly, recent individual and corporate foundations are fundraising from the public, and major donors might intervene in public foundations too much. Therefore, if this classification can only capture one point in time, the dynamic of foundations should be examined in terms of each

fundraising, grant-making, way of governance, and change in board members.

Table 2.7

Classification of Korean Foundations

Activities - Grant-making or Operating - Local focus	Funders		Nongovernmental		Government directed and sponsored
			Private	Public	Governments
	Individuals and families	Corporations			
Grant-making beyond local focus	Gwanjung Lee Jeon-hwan Foundation, Hyundai Motors Jung Mong-gu Foundation	LG Social Welfare foun- dation, Kyobo Life Insurance Education and Culture Foundation	The Beautiful Foundation, Women Foundation, Environment Foundation		The Korea Foundation, National Research Foundation of Korea Foundation
Grant-making with local focus	Local education foundations	Ulsan Social Welfare Foundation (S- oil)	Cheonan Grassroots Hope Foundation, Gimhae Life Sharing Foundation		Dongjak Welfare Foundation, Yangcheon Love Welfare Foundation
Operating beyond local focus	Private Museum foundations	Samsung Culture Foundation	Aruemjigy Foundation		Northeast Asian History Foundation, National Museum Foundation
Operating with local focus	Wonju Togi Culture Foundation (Park Gyong- lee)	Yeosu GS Caltex Foundation	Incheon Syeul Culture Foundation		Seoul Women and Family Foundation, Jungsun Arirang Foundation

2.4. Conclusion

The tension between publicness and privateness in foundations may cause various kinds of controversy (Fremont-Smith, 1965; Prewitt, 2006b; Sacks, 1961). This chapter made a cross-comparison of different countries, focusing on the U.S. and Korean cases. In sum, we can observe several differences. First, U.S. foundations tend to provide grants mostly to nonprofit

organizations, forming strong partnerships that let foundations “derive their legitimacy from the nonprofit sector as a whole, as an integral part of nonprofit sector” (Hammack, 2006, p. 5). By contrast, Korean foundations have worked alone without the need for nonprofit organizations—which they have seen as too risky and progressive because of their tradition of anti-corporation and antigovernment campaigns.

Second, American foundations are generally encouraged to support the innovative issue-making projects of nonprofit partners and to represent the relatively diverse passions of private wealth; but Korean foundations have usually used their money in direct service, distributing money to individual beneficiaries and not promoting their mission beyond the government’s objectives in the government-leading philanthropic tradition. While this approach sustains the “charity” paradigm to some extent, there are increasing requirements of evaluation and performance measurement pursuing “scientific” and “strategic” approaches.

Third, American foundations as a field have built up their directory and association, and can deliberate their identity and share their norms, while Korean foundations do not have their umbrella organizations and are less likely to open their information to the public. Nevertheless, changes from inside and outside make the field move forward.

Lastly, foundations in the U.S. have been deeply influenced by TRA 1969 and have followed governments’ formal rules and regulations yet have negotiated with governments—for example, in the case of revising Form 990 in 2008. In Korea, there have been not only formal rules such as Public Corporation Law but also informal monitoring and strong punishment, as the government has tried to control conglomerates in the collusive relationship between politics and business. However, from the 2000s, some supporting laws newly emerged to boost nonprofits and foundations, and their modification is still under way.

In terms of the distinctiveness of Korean foundations, strong state tradition has affected the Korean foundation field, and this is not history long ago. The next chapter will look at concrete examples for constructing the foundation field in the relation to government.

CHAPTER 3:
A TRADITIONAL MODEL VS. A GLOBAL NORM, ROLES OF TWO
(QUASI-) COMMUNITY FOUNDATIONS

3.1. Conceptual Framework

For over two decades, institutional Korean philanthropy has been intensively developed, and the government-leading tradition has shifted. For example, President Myung-Bak Lee and previous presidential candidate Chul-Soo Ahn have one interesting factor in common despite their different political parties and perspectives: they are the founders of their own foundations whose endowments come from their businesses. Both publicized their plans to give back to society through their foundations before the presidential elections. Some believe their plans were driven by their personal ambitions to become president.

However, just two decades ago, Korean citizens were encouraged to donate to the government's fund, and they rarely doubted that their donation would go to social welfare with specific political meaning. Meanwhile, many Korean conglomerates (*chaebols*) were associated with the government through backroom dealings with politicians, and their gifts included corporate giving. Some created foundations, while others gave money to the Social Service Funds of the government, enjoying tax exemptions and publicity via such charitable actions. Of course, there have also been exceptions in the form of genuinely altruistic donations. But, in the past, charitable action by conglomerates in general could be "quasi-taxes," which led to public resentment and skepticism toward many foundations and donations.

In the late 1990s, a progressive candidate from the opposition party won the presidential election for the first time, and the 1997 Asian financial crisis hit Koreans. Under these

circumstances, the public grew to doubt top-down control by the government and democratization has been consolidating. The Community Chest of Korea (hereafter, CCK) and The Beautiful Foundation (The BF) were established. Unlike previous foundations, they are neither private foundations nor government foundations, and have tried to broaden a philanthropic scope and widen national focus to communities. The Korean government established CCK with 17 satellites in 1998, succeeding the “Social Service Funds.” Won Soon Park, a representative of Korean civil society, established The BF in 1999, modeling it after community foundations from the United States.

Currently, CCK and The BF have fostered philanthropic cultures and have set the main agendas in the field of charity in Korea. In the American context, one can call these foundations as quasi-public foundations or quasi-community foundations. In the Korean nonprofit sector, these types of foundations are funding intermediaries with public funding resources. The figure below summarizes the concepts of Korean funding intermediaries. Quasi-public foundations or quasi-community foundations in this article refer to intermediaries in bold font.

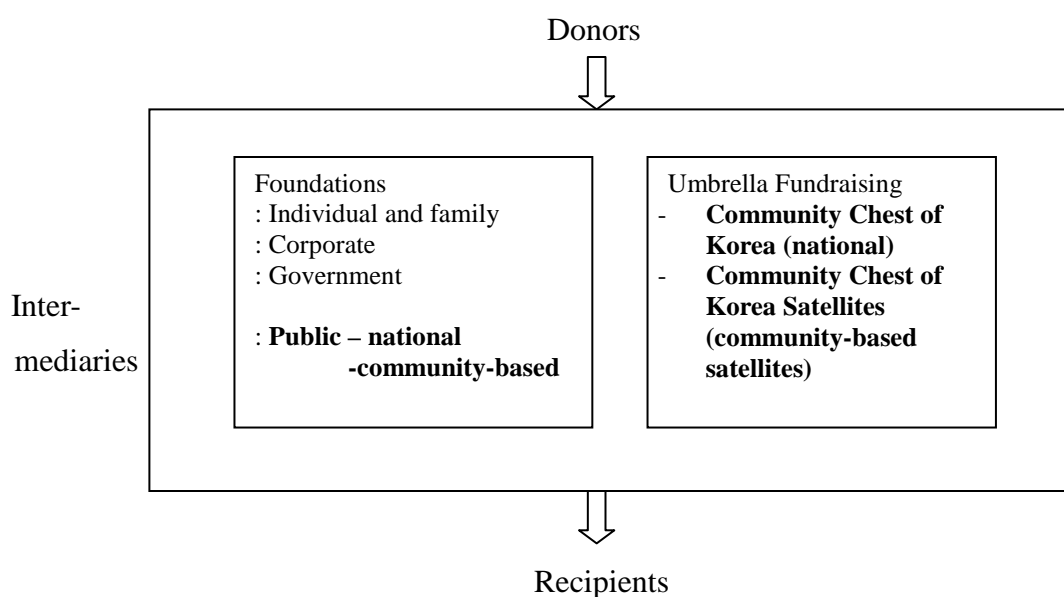


Figure 3.1 Funding intermediaries in Korea. Adopted from Clotfelter, *Federal Tax Policy and Charitable Giving*, 1985, p. 7.

This chapter will compare and contrast CCK and The BF. While CCK is a traditional fundraising model initiated by government, The BF represents a civil foundation affected by a diffused global cultural norm. As such, this chapter will demonstrate how different foundations affect the process of structuration in the foundation field. After comparing and contrasting the two foundations, this chapter will answer two research questions: First, how has the traditional Korean fundraising model been influenced by the global cultural norm, and what is the process of institutionalization? Second, do the different relationships with the government make a difference in fundraising, grant-making, and legitimacy-seeking? If so, what role does each organization take?

3.2. Two Cases: Community Chest of Korea and The Beautiful Foundation

3.2.1. Traditional Korean Philanthropy: A History of Community Chest of Korea

After the collapse of President Chung-hee Park's regime, President Doo-hwan Chun came to power through a coup d'état in 1980. As a soldier, like President Chung-hee Park, Doo-hwan Chun continued to make the most of the government's top-down control, but a lack of legitimacy led his regime to try to adjust public sentiment (Lee, 2004). The government's catchphrase was "construction of welfare state," but its solution was to pressure *chaebols* rather than to allocate social welfare budget (Lee, 2004). In other words, corporations felt burdened to donate their money to the government's Social Service Fund as quasi-taxes.

As Kang (2001) argued, corporations needed to endure "payback" in the form of sudden

tax audits or declined loan applications if they refuse to provide “quasi-taxes.” Instead, many corporations responded to those pressures by establishing their own foundations. Most of those foundations had individual gifts programs, usually for “academic” purposes and occasionally for “social welfare” ones. Those passive purposes did not reflect efforts to get rid of root causes of social problems or leverage nonprofit partners. Another institutional choice of potential founders was to donate to the government’s Social Service Fund.

During the period of condensed industrialization, most institutionalized philanthropy was led by the Korean government, and the history of CCK reflects this. In the 1970s, the Korean government started a fund to help citizens in need in 1980, it established a special law called the “Social Services Fund Act,” which supported merged funds for needy neighbors and disabled people (Community Chest of Korea, 2010). The fund was located in the Ministry of Health and Welfare. In 1992, the government launched an association for helping needy neighbors using several pseudo-civil organizations (namely, *Kwanbyun Danch’e*), and carried on nationwide fundraising campaigns via media outlets, such as newspapers and television broadcasts (Community Chest of Korea, 2010). However, the government had not discovered how to use fundraised money, and brought in a low level of public participation. A main target of fundraising was companies rather than usual citizens (Community Chest of Korea, 2010). Meanwhile, corporations took advantages of quasi-taxes to advertise donations on TV and in newspapers. The problem was that nongovernmental funds were collected by tax payers’ money, replacing the social welfare budget, and distributed to the public again. The worst cases arise when government agencies are used for political purpose or to serve public officials’ interests (Sung et al., 1997).

As public opinion against the “Social Services Fund Act” grew, a turning point came

about in 1996 with the Board of Audit and Inspection. It decreed that citizens' donations should not be used as government funds, and recommended the development of a new organization from the independent sector (Community Chest of Korea, 2010). In other words, funds from private donations should not be part of the government's budget and should not be controlled by government agencies. From the findings of the audit, the previous act was discarded, and the funds were transferred to a new organization—CCK. This history shows government-leading traditions of philanthropy in Korea.

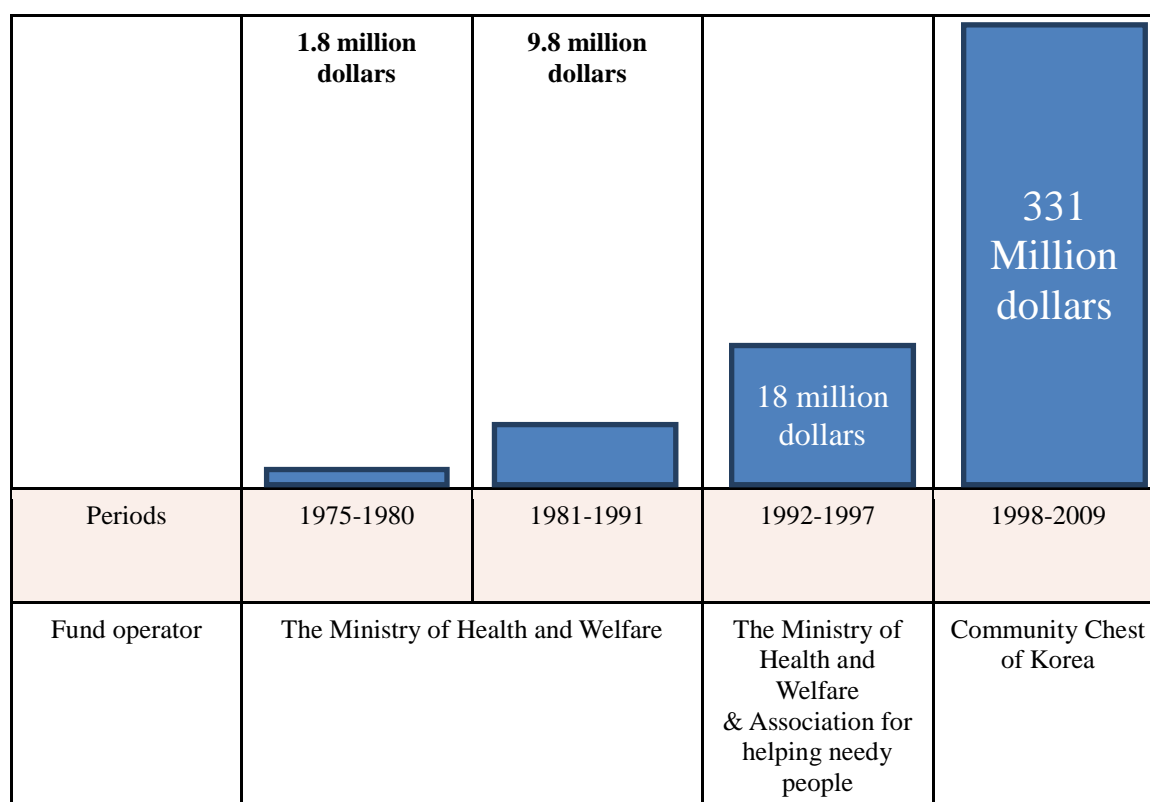


Figure 3.2 Averages of annually fundraised money of Community Chest of Korea. Adopted from Community Chest of Korea, 2012, www.chest.or.kr

Given the context of traditional institutionalized philanthropy, we can now analyze some of the impacts on Korean philanthropy and foundations. First, government control narrows the scope of philanthropic purposes, such as only helping the needy. Unlike in Korea, the mission

and purpose of U.S. foundations cover a wider, more general spectrum. Most activities by foundations in Korea have concentrated on academic programs and traditional social welfare “charity.” Most importantly, they have not provided grants to nonprofit organizations, and instead choose to give money directly to individual beneficiaries because they believed that nonprofit organizations were too risky and progressive to be considered reliable philanthropic partners. This meant that foundations did not further their mission beyond the government’s objectives and were not encouraged to support innovative issue-making projects or address the diverse interests of private wealth.

Second, backroom dealings between the state and businesses brought about many kinds of skepticism about the accumulation of wealth or “giving back.” Despite genuine altruistic giving from some of the wealthy, people usually focused on negative cases of tax evasion, control ownership of parent companies, and closed-door politics. For example, the government put pressure on corporations to donate and, if they refused, the government would penalize them with strict audits and publicize the negative reports via the media.

On the surface, Korea’s CCK was modeled after Japan’s Community Chest and United Way of America. For example, the United Way of America positioned CCK as an office of United Way of Asia. However, CCK is an entirely different entity in that it has had a strong relationship with the government from its origins, as with Community Chest of Japan.

The government established Community Chest of Korea and exclusively supported and monitored it from the end of the 1990s, directly appointing every chairman. In other words, it has reinforced implications that CCK is a desirable institutional choice for many corporations and individuals to donate to. Until now, the government has been providing favorable tax status and has also been supporting an annual campaign to CCK. Among nonprofit organizations in

Korea, only CCK has 50% tax exemption benefits for corporate donations, which is why many corporations choose it as their philanthropic partner (comparison: other institutions without a special law, 5%). As a result, CCK ranks first in total amount of fundraising and grant making, thanks to government sponsorship.

However, CCK's partnership and its exclusive status have been questioned by the government of President Myung-Bak Lee. Although special status such as favorable tax exemption and support for annual campaign has been maintained, the tradition of holding the First Lady as honorary president was denied for the first time. In 2010, the government raised questions about whether CCK should maintain its exclusive status, and audited CCK to uncover scandals. As a result, some key people left the organization, and a public apology for the organization's misbehaviors was made. In return, CCK maintained its exclusive status with a newly appointed philanthropic foundation, but its partnership with the government has come to face greater scrutiny. In December, 2011 First Lady Yun Ok Kim became the president of Community Chest. As public resource dependence theory explains, support from the government can strengthen the institutional legitimacy of organizations but, at the same time, weaken organizational autonomy (Jung & Moon, 2007).

On the other hand, The Beautiful Foundation was the first foundation to emphasize independence from the government. The founder, Won Soon Park, was an executive director of the People's Solidarity for Participatory Democracy, an NGO advocating Korean democracy. An emphasis on independence has been reflected by the fact that The Beautiful Foundation does not receive funds from the government. Although Won Soon Park's election as mayor of Seoul in 2011 led to some questions about BF's "independence," we can compare and contrast the relationships with the government and their consequences. We will then explore when and

why The BF emerged, and how it has coexisted with CCK.

3.2.2. Democratization and Diffusion of a Global Norm: The Beautiful Foundation

Haegun Koo (2002) argued that Korea's dominant government has its own origins and long-lasting traditions. Its "historical and geopolitical condition," such as colonial experience, the Korean War, the division of the peninsula, and rapid modernization in a condensed period established a centralized state structure and resulted in many kinds of oppression (Koo, 2002). Most Korean scholars agree that this structure has changed since the June democratic movement in 1987 and has brought about the growth of Korean civil society and the nonprofit sector. Kim and Hwang (2002) said that "a burst of citizens' energy" was released in 1987. To explain this movement and corresponding changes, Ho-ki Kim (1997) distinguishes economic, political, and internal factors.

First, strong state intervention resulted in condensed industrialization and economic growth. Citizens' discontent with and resistance to the authoritarian regime appeared at the same time, provoking the emergence of Korean civil society. In the democratic movement of June 1987, students and industrial laborers were initial key players, and it was their solidarity with the citizens' movement that finally led to "the demise of military rule" (Kim, 2000; Koo, 2002). Then, civil society and nonprofit organizations had space to diversify issues, such as the environment, women, education, and human rights, that had been previously ignored (Kim, 1997).

Second, despite Korea's democratic transition, citizens demonstrated political dissatisfaction. Many expected the consolidation of democracy by reformation of party politics. As Koo (2002) explained:

In the process of Korean democratization, it became clear that party politics, or political society, is probably the most difficult arena to reform. Korean party politics has long been based on regionalism, personalism, bossism, and parochial ties based on schools, clans, villages, and the like. Political parties depend on regional and personal loyalties to mobilize support, and parties have come and gone with the personalities around which they formed. The politics in the National Assembly is dominated by opportunistic partisan bickering but fails to address important substantive issues with any consistent policy orientations. People were extremely dissatisfied with rampant corruption, bossism, and money politics, but political society is very difficult to reform. (p. 43)

On the contrary, Korean nonprofit organizations started to make the legitimized space necessary for an institutionalized social movement to form and take root. Consequently, the nonprofit sector was expected to be the most trustworthy tool for pressuring politicians to transform by citizens (Koo, 2002). In other words, the Korean nonprofit sector came to perform the function of a “quasi-political party” (Kim, 1997).

Finally, an internal change influenced the growth of civil society in Korea. In civil society, nonprofit organizations started the diversification and differentiation of their orientations, activities, issues, and strategies. Radical nonprofit organizations kept traditional antigovernment and aggressive anti-corporate social movement separate from the general public. On the other hand, moderate nonprofit organizations newly expanded under the name of “citizens’ movement” (Kim, 1997). These three factors were very important aspects in Korean nonprofit organizations’ history. At the same time, they were required to enhance the pluralism and diversification of issues, interests, activities, and orientations that represent the “citizens” themselves. Thus, the Korean nonprofit sector evolved by an expectation from the citizens who had been oppressed by the authoritative state, an opportunistic business sector, and unreliable politics.

In the 1990s, many transformations for consolidating Korean democracy influenced philanthropy as well. While CCK fundraising (with strong legitimacy granted by the

government) was quickly increasing, Korean civil society was consolidating and successfully acting against the government's top-down control—as with the anti-campaign for the April 2000 elections and grassroots fundraising. Also, more people enjoyed exposure to information on global institutional philanthropy, which led to questioning the legitimacy of traditional foundations. Won Soon Park, a key leader in the anti-campaign for the April 2000 elections and grassroots fundraising, observed U.S. phenomena and visited several community foundations to adopt their practices in Korea. While many criticized the dark side of money politics, he captured the positive side of money, arguing that it can be “beautifully spent” to express good will—as is the case in the U.S., where active citizens are aligned with institutional philanthropy. Although this way of thinking was doubted by many people, it still managed to gain support. The lists of supporters for the establishment of The BF were not the names normally found in Korea's nonprofits and traditional social movements. The ideas for The BF were embraced even by the upper class, which felt more comfortable with Western culture and believed that soft power could change society.

In 1999, a new entity entered the nonprofit sector and the foundation world: The Beautiful Foundation, which introduced the community foundation model to Korean society. The community foundation is considered one of the influential global cultural norms designed by the United States. A community foundation is defined as:

a tax-exempt, nonprofit, autonomous, publicly supported, nonsectarian philanthropic institution with a long-term goal of building permanent, named component funds established by many separate donors to carry out their charitable interests and for the broad-based charitable interest of and for the benefit of residents of a defined geographical area. (<http://www.cof.org/content/glossary-philanthropic-terms>)

Community foundations execute their grant making and fundraising activities with geographical focus. In America, they have the legal status of 501(c)(3) and are tax-exempted

like other nonprofit organizations, so they have the same legal accountability to the government and the public. As mentioned, their main activities are not only grant-making (providing grants to nonprofit organizations and beneficiaries), but also fundraising and undertaking donor services to raise funds and cultivate donors. Generally, community foundations have multiple funding resources, while the resources of private foundations come from a single major donor, such as individual, family business, and investment. With the same 501(c)(3) legal status as nonprofit organizations, community foundations are classified as “public charities,” which distinguishes them from private foundations. This means that community foundations are required by the IRS to file the 990 Form (Internal Revenue Service, 2009).

As of March 2009, 1,125 community foundations were registered with the Council on Foundation (Council on Foundation, 2009) at the U.S. national level. In addition to the Council on Foundation, umbrella organizations in some states (e.g., The League of California Community Foundation) are key players that help most community foundations share their languages, practices, and some standards across geographical boundaries (Graddy & Morgan, 2006).

There is a wide spectrum of assets, ages, and regions of community foundations. In terms of assets in 2008, larger foundations such as the New York Community Trust held assets worth up to \$2.1 billion, (The New York Community Trust, 2009), while smaller community foundations held less than \$100,000. Their total assets were over \$35 billion, and have been rapidly increasing with the growing number of community foundations (California Community Foundation, 2009). The age of community foundations varies as well. The first community foundation in the U.S. is the Cleveland Foundation, founded in 1914; new community

foundations keep forming.

Nowadays, the community foundation is a global phenomenon due to the diffusion of the model. Most research has focused on community foundations in the United States (Carman, 2001; Graddy & Wang, 2009; Hammack, 1989; Lowe, 2006; Morgan, 2007). But Wang, Graddy, and Morgan (2011) analyzed the goal, outcome, and financial mechanism of three representative community foundations in East Asia: the Osaka Community Foundation in Japan, The Beautiful Foundation in South Korea, and the Shanghai Charity Foundation in China. According to their analysis, the diffusion of this institution resulted in the creation of 1,441 community foundations worldwide by 2008, and it has even reached East Asia, despite relatively little public understanding of institutional philanthropy in the region and the strong government-led way of addressing social problems (Wang et al., 2011).

Theoretically, the diffusion can be explained by the world-polity perspective in sociological new institutionalism (Meyer, 2000). World-polity analyses “emphasize the importance of cultural or institutional frames . . . Empirical studies from a world-polity perspective find striking structural homology across countries and argue that this homology results from an overarching world culture” (Boli & Thomas, 1997, p. 172). Before the diffusion of this global cultural norm, Korean traditional philanthropy was led by the government. Missions of foundations have usually mirrored government-determined objectives like other Asian countries (Wang et al., 2011). Until the 1990s, “foundations” belonged to the government and corporations, whereas NGOs belonged to civil society. This dichotomy resulted partly from crony capitalism (Kang, 2001), which makes for strong connections between Korean government and conglomerates. This dichotomy also lent a unique form of legitimacy to Korean foundations. Many corporations with and without foundations donated

their money to Community Chest of Korea, and people interpreted those donations as functioning as quasi-taxes. This kind of taken-for-granted foundation type and similar behaviors match DiMaggio and Powell (1983)'s coercive isomorphism among three mechanisms of institutional isomorphic changes.

However, in 1999, a different type of foundation model was introduced with the creation of The Beautiful Foundation. As an enactor and carrier of this global cultural norm, The Beautiful Foundation brought about a cognitive change that led citizens to realize that they could be more than just “agents” participating in government funds—they could also be “actors” taking part in building philanthropic institutions. This was a strikingly entrepreneurial movement. Two decades ago, Koreans donated to government funds without fully knowing the intended usage. However, recently, they have started to claim donors' rights and have started to participate in the decision-making process to determine the distribution of grants.

In this vein, we can say that The Beautiful Foundation itself is an institutional entrepreneur in the Korean context. Interestingly, the world-polity perspective points out that institutional actors are very similar in their characteristics and objectives on the surface regarding the enactment of a cultural model, even with very different backgrounds and settings (Boli & Thomas, 1997). Yet a world-cultural model is not institutionalized without contestation and considerable conflict, as its enactment involves much ambiguity, disarticulation and conflict (Boli & Thomas, 1997).

Further, this diffusion of a new norm was possible due to an internal framework of consolidation of democratization and an external factor of exposure to a community foundation model, a cultural global norm.

3.2.3. Institutionalization of a Global Norm: Public Foundation and Community

Foundation

These Korean foundations responded to the diffusion of a global cultural norm then translated and localized its institutional logic (Heydemann & Hammack, 2009). Colyvas and Jonsson (2011) distinguished diffusion and institutionalization thusly:

As a process, diffusion emphasizes contagion and reinforcement, whereas institutionalization emphasizes patterned activation and reproduction. As an outcome, diffusion is contingent on alignment with existing cultural and cognitive frames, whereas institutionalization depends on actual integration into modes of reproduction. Diffusion emphasizes the pace and pattern of the object that spreads; institutionalization underscores depth and durability. Feedback in diffusion points to information and exposure, whereas feedback in institutionalization emphasizes the higher- and lower-order links that become mutually reinforcing. (p. 45)

In terms of activation and the reproduction of a model, The Beautiful Foundation successfully achieved institutionalization. Its establishment was not only a controversy for the Korean foundation's legitimacy, but it also gave insight to various local actors as a standard model, rationale, and organizational structure.

There are several phases to the institutionalization of Korean foundations' population. First, the foundation population has been increasing. Besides government foundations and corporate foundations, the number of private and public foundations doubled in the 2000s, according to The Beautiful Foundation (2012). Moreover, people's charitable actions went through qualitative changes, which demonstrate that citizens have become more active as principals in philanthropic deeds instead of just acting as agents.

Table 3.1

Newly Established Foundations

Established	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Before the 1960s	123	2.7	2.8	2.8
1960s	127	2.8	2.9	5.7
1970s	186	4.1	4.2	10.0
1980s	552	12.0	12.6	22.6
1990s	1387	30.3	31.7	54.2
After the 2000s	2004	43.7	45.8	100.0
Total	4379	95.6	100.0	
Missing data	203	4.4		
Total	4582	100.0		

Source: The Beautiful Foundation, 2012, p. 28.

Second, public foundations with multiple themes and different geographical foci were founded after the creation of The BF.

Table 3.2

Classification of Public Foundations in Korea

Public foundations/ Grant-making public charity	National- based	The Beautiful Foundation (1999), Korea Human Rights Foundation (1999), The Korea Foundation for Women (1999), Korea Green Foundation (2002), Work Together Foundation (2003), The Peace Foundation (2004), The Prume Foundation (2004)
	Community- focused	Cheonan Grassroot Hope Foundation (2006), Kimhae Life Sharing Foundation (2009), Bucheon Hope Foundation (2011)

Adopted from Foundation Research Association, 2012, <http://npongo.tistory.com/29>

. As Heydemann and Hammack (2009) argued, institutional logic is translated and the localized. Without exceptions, there have been “decoupling” practices in the

institutionalization of the community foundation. Decoupling practices can occur because organizations employ formal policies not to solve organizational problems, but to seek sociological legitimacy; that means the formal policies might not fit into the existing organizational setting and may hamper functional organizational effectiveness. According to Meyer and Rowan (1977), this is “ceremonial conformity.” To enhance functional organizational effectiveness, organizations are likely to undertake decoupling practices, which means they intend to make and keep the gap between organizational formal forms and organizational practices (Meyer & Rowan, 1977).

The BF, a community foundation, is located in Seoul (the capital of Korea) rather than being at a “local community” level. Its functions do not include fundraising and grant making for specific regions, but rather are similar to the activities of national public foundations in Western countries. As many nonprofit scholars in Korea argue, major Korean nonprofit organization activities are greatly preoccupied with political change and national politics. In other words, many Korean nonprofits are still performing both political and “comprehensive” activities to change the “macro-structure” rather than “everyday life” and “community” issues. For example, Dong Chun Kim (2006) pointed out that major NGOs in Korea remain in Seoul, where unreliable and corrupt party politics occur. Seoul-based activities hinder the development of place-based or community-based activities, which have greater influence on the day-to-day life of citizens. In this sense, what The BF instigated first in the Korean foundation population was not community foundations but public foundations. Institutional logics are simple here. At a time when most nonprofits in Korea were experiencing difficulty managing their organizations’ financial stability (with the exception of a few major nonprofit organizations such as Citizens’ Coalition for Economic Justice and People’s Solidarity for

Participatory Democracy), The BF gave new fundraising model insights. Although The BF was modeled after community foundations and had been advocating a community fundraising model, community foundations for local residents could not be reproduced until the middle of the 2000s. On the contrary, establishing public foundations emerged as a promising institutional option for nonprofit organizations that suffered from unstable financial situations.

Won Soon Park, founder of the BF, explains in his book, *Guidebook for Community Foundation* (2011), that it is hard to adapt community foundations in Korea because local communities have come to lose their identities as discrete communities due to the movement of populations between regions, and more importantly, due to local residents' failure to share the present of regions and future blueprints of that community. He posited that the colonial era of Japan, the Korean War, and ensuing poverty caused an exodus from rural communities and resulted in rapid urbanization and condensed industrialization. These events, in turn, destroyed the community spirit for building a common community identity and hope for prosperity (Park, 2011).

Third, and surprisingly, community foundations have been established by various kinds of actors, such as local citizens and municipal governments. Before The Beautiful Foundation, the national CCK had 17 satellites in 17 regions. While those offices were controlled by the national office and local governments, a new model was adopted in 2006. The first community foundation for a specific region applying a bottom-up approach was the Cheonan Grassroot Hope Foundation in 2006. However, local governments also established their own community foundations, and those opposite models have different aims and reflect complicated institutional contexts in Korean philanthropy. Meyer (2000) argued that local decoupling is one of the consequences of globalization since actors adopt “symbolic frames without substantive

meaning” (p. 244). According to him, although the relationship between organizational practices and institutional norms might not be strong at the initial stage, the standard model can penetrate the system over time.

There are four kinds of quasi-community foundations, which can be distinguished by types of leading actors and regional levels.

Table 3.3

Four Kinds of Quasi-Community Foundations Representative Examples in Korea

Level	Government Leading	Nonprofits and Residents Leading
National	Community Chest of Korea	The Beautiful Foundation
Local	CCK local satellites, Dongjak Welfare Foundation, Yangcheon Love Welfare Foundation	Cheonan Grassroots Hope Foundation, Gimhae Life Sharing Foundation

One type of community foundation is the Community Chest of Korea, which is organized by the national government. A second type is The Beautiful Foundation, organized by civil society on a national level; a third type includes the 17 satellites of Community Chest of Korea controlled by local governments; the last type is very similar to U.S. community foundations, which are organized by grassroots efforts, and money is distributed with a geographical focus.

Overlapping community foundations in one region can be attacked by inefficient competition (Cho, 2002); more importantly, public officials in local government can easily become involved in fundraising, grant-making—participation that may be criticized as the governmentalization of local citizens’ money and further political purpose distributions (The Beautiful Foundation, 2007).

To sum up, The Beautiful Foundation as an adopter of an institutional norm demonstrates decoupling practices from the community foundation in that it does not have a

geographical focus. In other words, it maintains a national model as a strategic means of embedding its political agenda. Seoul is a critical location even in philanthropy, and this location factor is unique when we refer to the Korean nonprofit sector as whole. However, as time goes by, things can change and the standard model can penetrate the system (Meyer, 2000), meaning that genuine community foundation models may eventually be replicated in Korea. In spite of different actors and geographical levels, this quasi-community foundation population appears homogenous in terms of legal structure, actors, institutional forms, governance, fundraising, and grant-making. The institutionalization of quasi-community foundation population can be explained by combining two perspectives.

According to resource dependence theory, dependent organizations show organizational practices to be approved by organizations controlling resources that are important to them (Guler, Guillen, & Macpherson, 2002). We can use this theory to explain government-led community foundations. Patrons can gain substantial power over nonprofits, and important decision-making tends to depend not on the organization's mission and community needs, but on which programs will attract major and future donors (Frumkin, 2006). Whereas resource dependence theory explains this organizational phenomenon, sociological new institutionalism is a rival theory against rational choice theories that uphold utility maximization. Frumkin (2006) has used sociological new institutionalism to complement resource dependence theory for community foundations:

Resource dependence may well capture the most central assumption of community foundations, namely the need to attract resources from local donors. But community foundations also require legitimacy, in that the flow of contributions to the endowment is contingent on the foundation being perceived as fulfilling the community's interest (p. 236)

This theory places emphasis on legitimacy and symbols rather than resource

maximization. In other words, nonprofits are shaped by external pressure to legitimize their practice. They try to mimic peer organizations and follow accrediting agencies, which is why isomorphism is omnipresent. In this sense, network norms become an important standard for reputation and peer pressure, and reflect the public's expectation of community foundations or public foundations. When other members in a network of community foundations are seeking legitimization, they adjust their practices to satisfy those kinds of external expectations. If quasi-community foundations in Korea experience isomorphism due to global cultural norms and shared sectoral norms, it belongs to DiMaggio and Powell's (1983) mimetic and normative isomorphism.

3.2.4. The Relationship with Governments and Hypotheses

My seniors criticized that my idea for “Kind Stores” (owners) which subscribe to donate their interest monthly is too similar with The Beautiful Foundation . . . I think I have a tendency classified as “alike The Beautiful Foundation”

– From a personal interview with CCK staff member

In the past, there were obvious differences between CCK and The BF in that, to encourage donations, CCK usually showed poor people suffering from poverty, disability, disaster and so on, and The BF showed healthy donors' stories who want to contribute to make a change in the society. But now? Every organization including both organizations talks about “philanthropy” to change society. Exactly same!

– From the BF report's interviews with the BF staff member

As we examined, The Beautiful Foundation and Community Chest have very different origins, but their organizational behaviors appear similar possibly due to institutionalization. Thus, we must ask deeper questions about partnership with government, roles of sectoral norms, and rationalization. We can raise several hypotheses in a public resource dependence

theoretical framework. Public resource dependence theory can explain the relationship of both organizations with the government. For example, Jung and Moon (2007) analyzed the governmental fund's and private fund's impacts on cultural nonprofit organizations in Korea. They looked at organizational legitimacy and organizational autonomy, and pointed out that Korean cultural nonprofit organizations are influenced by local governments and central governments in goal-setting, resource allocation, and program choices when they receive funding from the government, rather than from private sources. Their autonomy is reduced by public resources; at the same time, reputation and recognition attached to public funding can strengthen institutional legitimacy. Therefore, Jung and Moon (2007) concluded that a close relationship with the government can be a "double-edged sword" for nonprofits.

In this chapter, several hypotheses will be raised regarding the second research question, "Does a different relationship with the government make differences on fundraising, grant-making, and legitimacy-seeking?" Two quasi-community foundations can be compared, as Community Chest of Korea represents more traditional fundraising model with partnership with the government, whereas The Beautiful Foundation represents a more diffused model from world-polity that emphasizes independence. Institutional politics for Korean philanthropic institutions are contested by these models, and institutionalization has resulted from the dialectical process. Then we can examine five sets of hypotheses regarding fundraising, grant making, and legitimacy seeking, given their different relationships with the government.

Table 3.4

Hypotheses for Legitimacy and Autonomy in the Relationship with Government

	Community Chest of Korea (A partnership with government is likely to...)	The Beautiful Foundation (Independence from government is likely to...)
Fundraising	Hypothesis 1-1. increase the total amount of fundraising and corporate giving (more legitimacy)	Hypothesis 1-2. decrease the total amount of fundraising and corporate giving (less legitimacy)
	Hypothesis 2-1. have a high proportion of designated funds and donor-advised funds (less autonomy)	Hypothesis 2-2. have a high proportion of discretionary funds and unrestricted funds (more autonomy)
Grant-making	Hypothesis 3-1. make more traditional grants in welfare area (less autonomy)	Hypothesis 3-2. make more innovative grants in advocacy area (more autonomy)
	Hypothesis 4-1. has more principal-agent relationships with recipients (more legitimacy, less autonomy)	Hypothesis 4-2. has more stewardship relationships with recipients (less legitimacy, more autonomy)
Legitimacy Seeking	Hypothesis 5-1. seek its legitimacy from the relationship with government	Hypothesis 5-2. seeks its legitimacy from the global norms

3.3. Data and Comparison

We will examine CCK and The BF using data collected during 2000-2009. CCK published this data in its report “Social Impacts and the Future of Community Chest of Korea” in 2010. In 2011, The BF made an internal report to summarize its activities over 10 years.

Although their information is not easy to compare, some information during 2005 (or 2006)–2009 and 2000–2009 is likely to support the initial hypotheses for organizational legitimacy and autonomy.

Also, I conducted four face-to-face interviews and two one-and-one telephone interviews with staff members who worked for CCK or The BF between 2000 and 2009 to generalize and complement organizational information. Personal working experiences in both organizations

provided me 19 informal interviews, more specifically 13 in CCK and 6 in the BF, and helped me identify and contact key people of CCK and The BF. During March and April 2014, with a protocol, face-to-face interviews lasted approximately one-and-a-half hours; each interviewee was recorded with consent. Telephone interviews lasted approximately 30 minutes and were transcribed with consent. Additionally, The Beautiful Foundation's report (2010) of its grant-making over 10 years provided me several interview cases with internal staff members and outside members of beneficiary organizations.

First, we can make a comparison in fundraising between CCK and The BF, as Figure 3.3 suggests. In fact, the absolute amount of funds raised by CCK is incomparable in Korea. For example, in 2009, CCK fundraised 331 billion won (approximately \$331 million) and The BF fundraised 11 billion won (approximately \$11million). According to the CCK report (2010), a percentage of its fundraised money among a total of major funding intermediaries is over 50%, which reflects that CCK is the most powerful fundraising institution—probably due to the government's strong support. This support includes direct donations from public officials, nationwide annual campaigns, favorable tax benefits, and secured legitimacy for over time. For example, in 2009, donations of public officials from government agencies amounted to 23 billion won (approximately \$23 million); this source alone already exceeded the total amount of The BF's fundraised money. Annually, average donations of public officials account for approximately 14.5% (CCK, 2010).

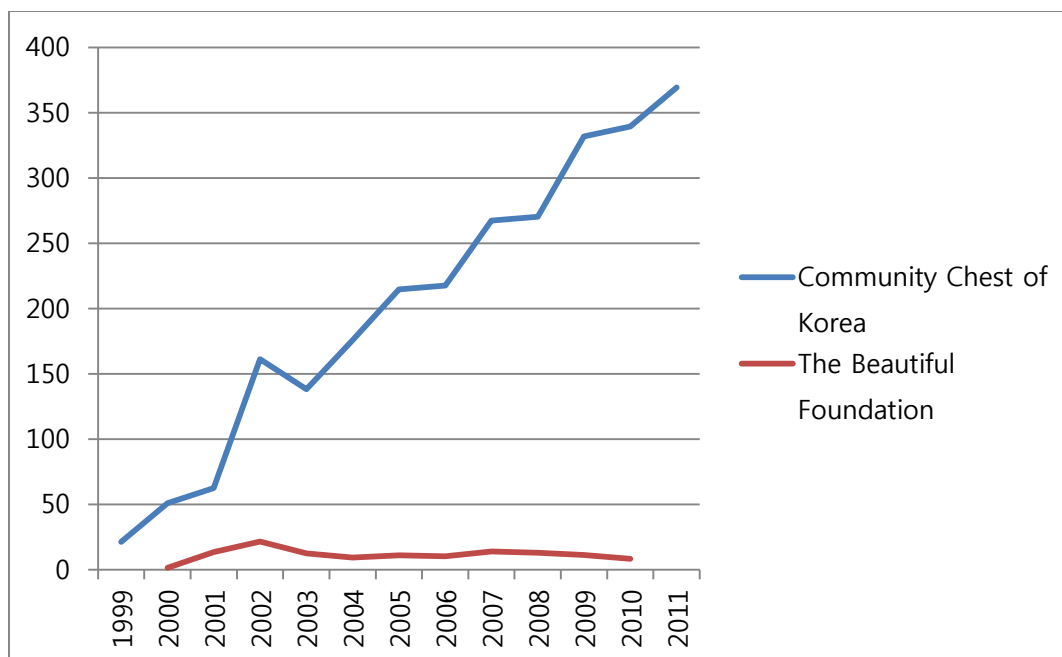


Figure 3.3 Comparison of fundraised money of CCK and the BF.

In terms of favorable tax benefits, under the “Community Chest of Korea Act,” corporations that donate to CCK can get a 50% tax exemption; The BF only provides a 5% tax exemption to corporations. For example, the representative *chaebol*, Samsung, donated 20 billion won (approximately \$20 million) to CCK in 2009, and during 2002–2009, it donated a total of 130 billion won (approximately \$130 million).

By contrast, The Beautiful Foundation tends to refuse funds from sizeable conglomerates with controversial issues. For instance, as explained by a staff member of The Beautiful Foundation, it was tricky to arrive at internal consensus at the beginning phase, but those early discussions of consensus produced a fundraising charter and accumulated precedents, which can reduce inefficiency. The BF has considered more qualitative achievements such as issue-making and agenda-setting using innovative fundraising and grant-making, and building up an influential new model in the nonprofit sector. Of course, a total amount of fundraising money matters, but The BF feels obligations to other things that cannot be easily measured. Still, it is

true that The BF is struggling to meet its operating cost without any profit structures.

CCK shows different features. Lee Jae-ho (2007), for example, pointed out that CCK chose aggressive competition with other fundraising intermediaries rather than collaborations, although CCK's bylaw (5-7) publicizes "collaborative relationship with other fundraising actors" as a "united way" of donations. One staff member of CCK tried to analyze four reasons for their qualitative achievement: First, short three-year terms have given chairmen (no information about how to be appointed) to prove themselves with those numbers. An ambitious yearly fundraising goal was set up by the Office of Planning and Coordination of CCK national office; failure to meet this goal means "dishonorable" personal and organizational history. Second, a national office assigned the determined proportions to 17 satellites, and whether a satellite achieves those numbers is reflected in all staff members' performance assessments. Third, conglomerates felt pressure about how much a leading *chaebol* donated to CCK in a year. If one *chaebol* raises the bar, other conglomerates try to reach the amount. Last, CCK accepts donations in kind, which account for approximately 50% of donations recent days. With other profitable structures, all quantifiable figures are taken into account to show the public CCK's winning for the year. These successful fundraising performances place pressure on the following year's goal and serve as the imperative base of its presence.

Interestingly, the pressure in being the first fundraising foundation tends to result in real "double-edged sword": a close relationship with government and tough controlling from governments. Staff members at CCK have been supported by government through negotiation, at the same time that failures have led to harsh penalties and public resentment about why CCK should be an only legal fundraising institution. One example is the unexpected resignation of chairmen or executive directors under pressure from government. Another example is the CCK

satellites' relationship to public foundations via local governments. While CCK satellites and local governments were symbiotic in the past, the recent emergence of community foundations by governments is leading to severe competitions for limited community members' money.

Table 3.5 and Figure 3.4 below compare the percentage difference between individual donations and corporate donations during 2005–2009. Although this table includes only a CCK national office, we can see a high proportion of corporate giving in CCK.

Table 3.5

Percentages of Individual and Corporate Donation in The BF and CCK (only national office), 2005–2009

		Individual Giving	Corporate Giving
		%	%
2005	The BF	44.09	55.91
	CCK	9.69	90.31
2006	The BF	56.20	43.80
	CCK	10.53	89.47
2007	The BF	46.91	53.09
	CCK	9.76	90.24
2008	The BF	42.69	57.31
	CCK	21.07	78.93
2009	The BF	52.08	47.92
	CCK	14.33	85.67

Adopted from Community Chest of Korea, 2011, p. 103 and The Beautiful Foundation, 2011, pp. 30–31

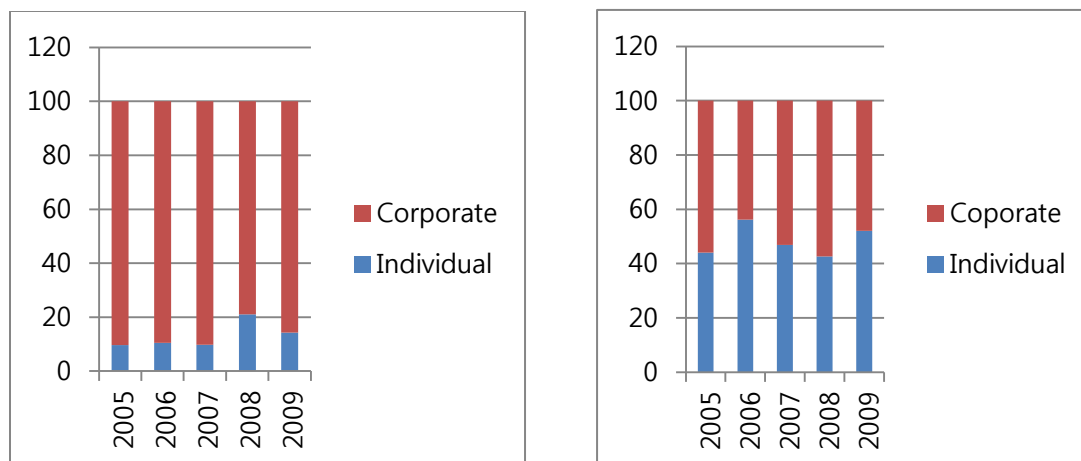


Figure 3.4 Percentages of Individual and corporate donation in The BF and CCK (only national office), 2005–2009.

For these years, the proportion of donations for CCK was 2:8 (individual vs. corporation), and the proportion for The BF was 5:5. Given these figures, it is probably reasonable to say that individual donors (including monthly giving) and corporate donors contribute to The BF in similar proportions. Thus, hypothesis 1-1 and 1-2 can be supported. In addition, a recent proportion for The BF was approximately 8:2 (individual vs. corporation), after the corporations' CSR performance "by themselves" and the election of Won Soon Park as a Mayor of Seoul, according to the interpretation of one BF staff member.

Second, hypotheses 2 should be examined. Hypothesis 2-1 expects more donor-controlled funds in CCK. It is hard to say that a partnership with the government brings about donor-controlled types of funds, but their pressure to be the most powerful fundraising agency is likely to introduce options of designated and donor-advised funds to the public. Although it assumes resource exchanges between patrons and nonprofits, in practice, many community foundations are struggling with loss of autonomy (Frumkin, 2006). Two representative funds can be designated funds ensuring donor control and discretionary funds for foundations' own identity. Current donors tend to choose designated funds and donor-advised, which foundations

may not welcome. As Ferris (2001) has remarked, “The more active role of donors, and the concomitant emphasis on outcomes, may intensify pressure on nonprofits to alter or deviate from their missions” (p.8). While nonprofits try to maintain new programs suggested and funded by donors, other programs that represented their values and those of the community are more likely to disappear (Ferris, 2001).

Table 3.6

Percentages of Designated Fund in Community Chest of Korea (Billion Won = Million Dollars), 2005–2009

Year	Designated Fund	Total Funds	%
2005	99,882	214,742	46.51
2006	101,012	217,746	46.39
2007	144,190	267,407	53.92
2008	138,022	270,286	51.07
2009	170,304	331,863	51.32

Adopted from Community Chest of Korea, 2011, p. 97

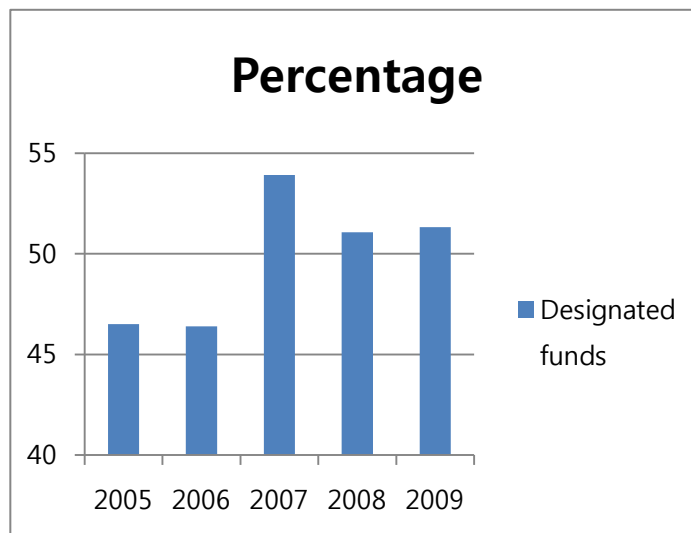


Figure 3.5 Percentages of designated fund in Community Chest of Korea (billion won = million dollars), 2005–2009.

Table 3.6 and Figure 3.5 show that almost 50% of total funds during 2005–2009 were designated funds. Although we cannot compare these to discretionary funds, it would be a remarkably high proportion. An interview with a staff member in CCK revealed that designated funds usually come from corporations, and one corporation can designate multiple recipients. From the corporation’s point of view, this is a very attractive option, as it can give money to the entity with the highest tax exemption. One staff member described this distribution process as “machine-like,” creating an unproductive burden especially for officers in the grant-making department. Staff members for grant-making in CCK want more self-designed projects in which they can take a leadership role, but a higher level of their energy and time is spent distributing a huge amount of designated funds. This scenario shows that CCK’s significant designated funds have led to low autonomy.

Given that discretionary funds are rare (3% in Table 3.8) in The BF, The BF started the “1% fund,” which means donors permitted their donation to go wherever The BF wants. It has gone to grant-making targeting grassroots, including The BF’s capacity-building projects. According to interviews with a staff member at BF, the “1% fund” was not planned but rather started from “default” funds that accumulated when donors could not decide where to put their money. The “1% fund” gave room for The BF to reflect on its own mission and vision, unlike the experience of managing designated and donor-advised funds. Discretionary funds comprise about 16% of the total fundraised money, and have given an extent of autonomy for The BF to make its own projects, as Table 3.7 and Figure 3.6 show. However, there are a few designated funds and many donor-advised funds in The BF as well, and they are targeting potential major donors. The BF introduced the model of donor-advised funds from U.S. community foundations and displayed their big donors’ stories at the beginning phase (hypothesis 5-2).

Table 3.7

Percentages of Discretionary Fund in The Beautiful Foundation (thousand won = 1 dollar), 2005–2009

Year	Discretionary Fund	Total Funds	%
2005	1,458,995,488	9,849,008,602	14.81
2006	1,505,802,567	9,298,346,986	16.19
2007	1,640,495,665	11,608,568,421	14.13
2008	1,851,126,496	11,668,035,099	15.86
2009	2,339,534,021	11,603,244,170	20.16

Adopted from The Beautiful Foundation, 2011, p. 37

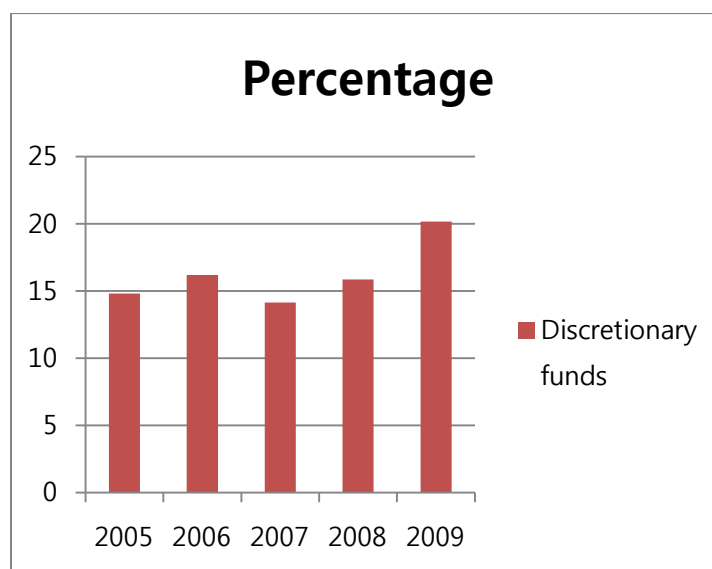


Figure 3.6 Percentages of discretionary fund in The Beautiful Foundation (thousand won = 1 dollar), 2005–2009.

Greater interest in and emphasis on donor control is a new worldwide trend in current philanthropy. However, nonprofits and federated fundraising systems try to “sell” tailored funds to donors who have a different preference “for a given price” (Young & Salamon, 2002).

In doing so, nonprofits and community foundations try to maintain new programs suggested and funded by donors, at the expense of programs that represent the organizations' and communities' values (Ferris, 2001). In other words, grantee's autonomy to focus and maintain their initial mission might be threatened because of their reliance on funds from donors who have a different priority (Delfin & Tang, 2006). As CCK and The BF interviews indicated, both organizations are struggling with those difficulties, but The BF as the less heavy foundation, can renovate a system of donor-advised funds earlier, and can keep the system with a relative easiness, and its 1% sharing funds have been utilized.

Second, the grant-making process of The BF and CCK differ. According to Brinkerhoff and Brinkerhoff (2002), the government initiative on partnership is likely to lead to focus on "service provider" roles, and the nonprofit initiative on partnership is likely to lead to "policy advocacy" and "constituency empowerment" roles. Table 3.8 combines the grant-making subject categories of both foundations, and demonstrates that many areas overlap as both cover general causes and institutions.

Table 3.8

Grant-Making Subject Categories of The BF (2000–2009) and CCK (2006–2009)

Categories	The BF (2000–2009) %	Categories	CCK (2006–2009) %
Poverty and microfinance	18		57.99
Health and disability	13		11.10
Education	9		6.46
Culture	5		4.27
Research	3		0.34
Community development	1		3.54
Campaign	1		2.51
Giving infrastructure	25	Residence	6.82
Grassroots free projects	17		
Disaster	3	Protection	3.60
Human right	2	Etc.	2.98
Fieldworker education & welfare	1		
Designated	3		
Total	100		100

Adopted from The Beautiful Foundation, 2011, p. 42 and Community Chest of Korea, 2011, p.181

Besides the overlap in subject categories, CCK's residence and protection areas still belong to the traditional social welfare field. However, The BF's areas—such as giving infrastructure, grassroots free projects, human rights, and fieldworker education and welfare—are relatively new and have greater possibility to support advocacy groups.

In addition, “1% funds” as discretionary funds can grant the most autonomy to The BF, and has been distributed to grassroots mainly under the name of “Scenario of Changes” (The Beautiful Foundation, 2010). Moreover, The BF holds a grant-making concept for a distinction between Community Chest of Korea and community foundation, as Figure 3.7 illustrates. It clearly borrows a “Community Foundation” model to confirm its identity (hypothesis 5-2).

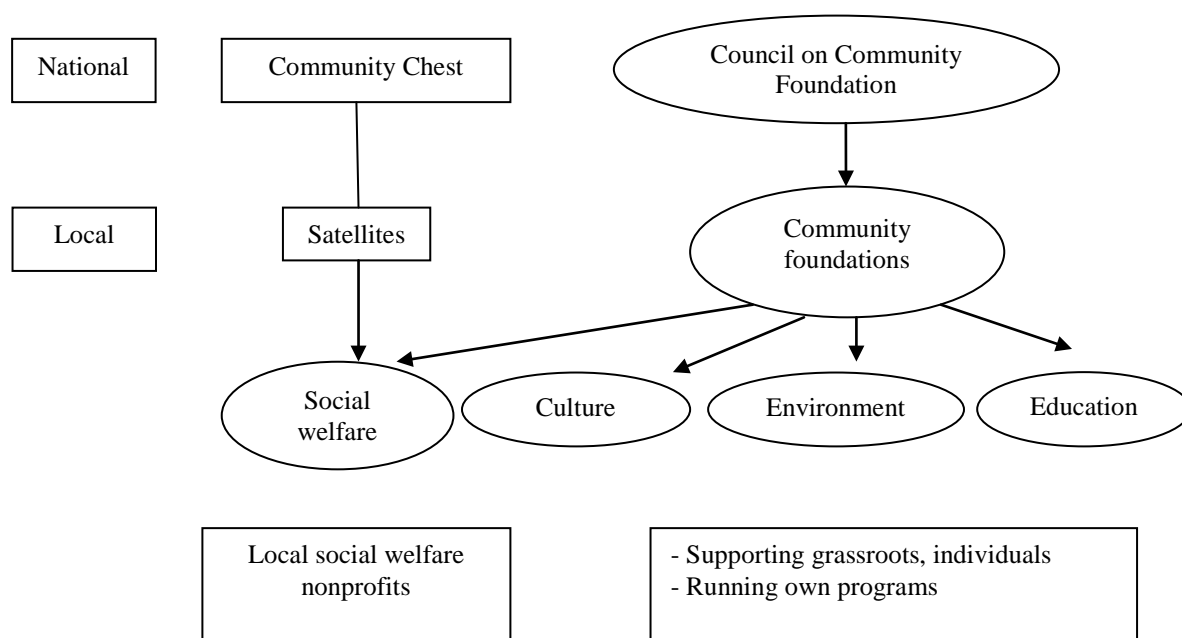


Figure 3.7 A purpose of grant-making defined by The Beautiful Foundation.

Source: The Beautiful Foundation, 2007, p.10

Nevertheless, it does not confirm hypotheses 3-1 and 3-2—that their areas of grant-making are significantly different—and requires an in-depth examination for each grant. For instance, one staff member at CCK pointed out that both foundations do not show dramatic distinctions on the surface. Despite the limitations, we can detect a subtle difference, looking at interviews with both foundations about their evaluations for grant-making. They both define their success when their projects have achieved a “policy-making” level, but The BF wants a

wider range of “policy-making” in relation to public opinion, leveraging grassroots, and setting new agendas. Then, it might be possible to describe “issue-making” and “norm-making” beyond “policy-making” functions for The BF’s grant-making goals.

In terms of “policy-making,” CCK has achieved successful institutionalization. It discussed its projects directly with the Ministry for Health, Welfare and Family Affairs, and has produced good examples for linking with lawmaking. Instead, it should provide grants where government wants to distribute them, since government cannot afford more social spending. Thus, it seems that government is likely to offer legitimacy and to limit CCK’s autonomy. In fact, government has kept trying to appoint CCK as a government agency, and one of its attempts is to do so was seen with the unexpected audits and efforts to screen CCK’s grant-making, according to the staff members of CCK.

When a process of grant-making combines with CCK’s “logic model,” we can estimate more conservative grant-making on the part of CCK. CCK borrowed United Way’s logic model for measurable impacts in the mid of 2000s, and trained its members and grantees according to this system. Measurable outcomes and impact can show the validity of its grant-making, and CCK tends to select more high performance–guaranteed grantees and give more project-specific grants. One staff member said that The BF has made grants where CCK could not cover costs. It has a relative autonomy to give to newly created nonprofits, to incubate nonprofits for a whole new function, and to provide general operating grants.

Hypotheses 4-1 and 4-2 can have a direct relationship with the government. In personal interviews with staff members in CCK, they complained about their strict evaluation and monitoring system, and the requirements of many documents. As one said:

I know many organizations which get grants from us are discontented with our strictness and bothersome paperwork. Sometimes, I feel that we are replacing the

government' role monitoring nonprofit organizations. How about IRS in the U.S.? I don't think United Way of America is required to monitor their recipient this much.

The interviewee pointed out that CCK itself has an obligation to be audited by the government on a regular basis. According to this interview, if CCK staff members don't request various documents and demand high standards of nonprofit organizations, they will harm each recipient, CCK, and its members. This means that they recognize the principal-agent relationship between the government and CCK under the government's regular and unexpected audits, a relationship that is transferred to the relationship between CCK and its recipients. Interestingly, the CCK case shows that legitimacy might have an inverse relationship to autonomy.

According to a The Beautiful Foundation's report (2010) from outside researchers, a few interviewees who got grants from BF compared its grant-making to CCK grant-making. They felt that The BF had a better understanding about fieldwork, providing operating expenses and less strict and complicated reporting forms without actual inspections. They suggested that this was possible because the relationship is based on trust rather than suspicion. However, they also pointed out that The BF's monitoring was too weak, making it easy for recipients to take advantage of grants. One interviewee regarded CCK's monitoring process as realistic supervision in spite of the excessive administrative fees that recipients have to cope with.

One staff member of The BF saw stronger monitoring taking place than in initial relationships with recipient nonprofits, adding that The BF could not help but follow a recent tendency toward meeting the expectations of donor's interests in effectiveness, foundation accountability issues, and public opinions about transparency. The tendency

may relate to rationalization and professionalization in the nonprofit sector (Hwang & Powell, 2009). At the same time, the BF tries to strike a balance between those tendencies and its original purposes in grant-making, according to BF staff members.

Given internal and external opinions, we can presume that CCK has a more control-oriented approach to recipients and The BK has a less control-oriented approach. This might be because CCK faces pressure to maintain its legitimacy, which is usually conferred from government supports. On the contrary, The BF has “too weak” of a monitoring system, which can cause misbehaviors by recipients.

Stewardship theory can be applicable not only for the relationship between foundations and nonprofits and but also for the relationship between government and foundations. Although stewardship theory has been criticized for being an overly passive (over-embedded in its context) and optimistic perspective (pro-organizational human nature) (Renz, 2007), it argues that mutual goal alignment can increase as relationships based on trust, reciprocal expectations, autonomy, and discretion (rather than monitoring, sanctions, and incentives) are built up and developed (Van Slyke, 2006). In Van Slyke’s research (2006), he explores long-term contractual relationships between the government and nonprofits. He found that the manner of public managers change over time from a principal-agent to principal-steward relationship. He also pointed out:

whereas the principal in a principal-agent relationship invests in coercive and compliance-based monitoring and reporting mechanisms and uses incentives and sanctions for achieving goal alignment, the principal in a principal-steward relationship invests in mechanisms that may cost more in the short run but offer long-term goal alignment (Van Slyke, 2006 p. 166)

Lastly, we can make some comparison about legitimacy seeking between CCK and The BF. Interestingly, we can find some proof for CCK’s legitimacy-seeking (hypothesis 5-1). Its

English-language homepage in 2012 distinctly recognizes CCK as:

the only legally incorporated fundraising and fund allocation agency in Korea. This implies that CCK's operation and its fundraising and allocating activities are confined by the law, thereby ensuring transparency in its work. In addition, CCK follows a nondiscriminatory policy of allocation. Unlike other fundraising agencies, CCK does not limit itself to supporting a specific faction or religion, but covers all social welfare related issues. (http://eng.chest.or.kr/05_faqs/faqs01.jsp)

Moreover, the website claims that “CCK is not a government agency,” but also cites a special law—the “Community Chest of Korea Act”—which guarantees the highest tax exemption and explains the dramatic growth of fundraising from the 1970s. These ambiguities can be found in organizational members' perspectives on how to view their organizations. According to interviews with CCK staff members, there is a spectrum within CCK staff members. At one end of this spectrum are staff members who applied to CCK to become quasi-government employees; at the other end are staff members who remember the meaning of the birth of CCK, an independence from government in order to secure donation from the citizens and corporations. The former are likely to think CCK can become a government agency, and the latter are likely to hope that CCK's nonprofit leadership role at national and local levels could operate with more autonomy. Those two extremes show a confused organizational identity seeking legitimacy even among the internal members.

On the contrary, The BF introduced and promoted the community foundation model and the stories of donor-advised funds from the U.S., as hypothesis 5-2 addressed. Also, it started to talk about the “transparency” of nonprofit organizations, using examples of disclosure of information in America. The BF's legitimacy-seeking actions show that its concept is aligned with global norms. For example, a prospectus from The Beautiful Foundation's establishment was as follows:

The Purpose of the Establishment

The Beautiful Foundation is a foundation which initiates giving cultures for the public good. It will support ‘public purpose activities,’ ‘the isolated and vulnerable people,’ and ‘people devoting for the public good’ and will change transferred hereditary culture to healthy giving culture by making exemplary model of those activities. Especially, we adopt community foundation model successfully prevailing in other countries, will embrace donor-advised funds by individuals and memorial figures, and funds with specific purposes, and will conduct influential public purposes activities.

The foundation believes that fundraising for people devoting for the public good and grant-making for their projects is a key for Korean society’s future, and will take a beautiful bridging role between citizens and public purpose activities.

22nd, November, 1999
All Founding Board of Directors

Representative of Promoters Park Sangjeung
Promoters Kim Seungyoo, Kim Youngtae, Moon Kookhyun, Park Woonsoon, Song Sanghyun, Ann Jyunghwan, Yoo Youngkoo, Lee Kwangjae, Lee Daekong, Yim Kiljin, Jang Hasung

Source: The Beautiful Foundation, 2010, p.7

However, recently CCK has also shown its membership and collaboration with United Way of America on its webpage, and The BF displays its own big donors’ story and their effects, rather than introducing the donor-advised funds of Michigan Community Foundations, for instance. Interestingly, CCK tends to use United Way of America’s examples in communication with the government to emphasize a global standard, according to the staff member of CCK. And the rationalization and professionalization of the nonprofit sector can be observed in both foundations, as indicated through language as “use of consultants,” “independent financial audit[s],” “quantitative program evaluation[s],” and so on (Hwang & Powell, 2009). Their organizational differences regarding legitimacy seeking may be diminished by institutionalization, as compared to the earlier phase of establishments.

3.4. Conclusion

In conclusion, CCK and the BF in 2000–2009 show different results in fundraising and corporate giving, designated and discretionary funds, and in relationships with recipients and legitimacy seeking. CCK, with a strong relationship with government, can gain legitimacy more, but cannot enjoy autonomy as much. Incomparable amounts of fundraising and grant-making can be achieved but require corresponding obligations. On the contrary, BF can gain autonomy but struggles with conservative criticism and fundraising for administrative fees. In terms of grant-making, The BF staff members recognized that their grants should be made for grassroots working beyond social welfare purposes. A difference in legitimacy seeking was visible at the beginning phase but is getting weaker.

To answer “what role each organization takes,” we can compare the results. One obvious fact is that CCK saw a quantitative growth in fundraising. Community Chest of Korea publicized that it raised 15 billion won (approximately \$15 million) in 1998 when it established and raised 331 billion-won (approximately \$331 million) in 2009. In a period of just over 10 years, it expanded its total amount of funds raised by more than 20 times. This is a remarkable achievement in term of the development of Korean philanthropy. However, we also need to ask what the qualitative meaning of growth is. The BF might answer this question by its initial catchphrase “a step by ten people is more beautiful than ten steps by one person.” Despite the same goal to cultivate Korean philanthropic culture, the approaches taken by CCK and the BF were different. Despite their different relationships with the government, their organizational behaviors seem very similar.

To sum up, CCK has been sponsored and controlled by the government since its origin.

Traditionally, the government has believed that donations can be used as “public funds,” and its top-down approach has given the foundation a high level of legitimacy, but it has also given rise to a low level of autonomy. In fact, CCK is trying to negotiate with government and to set its own agenda. However, unless it gives up its status as a first fundraising foundation, it will be hard to be independent from government intervention. The BF, on the other hand, has adopted a community foundation model, seeking legitimacy from a global norm such as citizen’s ownership and transparency of foundations. It successfully led the act of “giving” as a new social movement and an innovative institutionalization movement for Korean foundations. At the same time, it cannot be free from the flow of rationalization and professionalization. The BF has tried to maintain independence from the government and to keep more flexibility, but it seems that such methods limit its fundraising in some ways, as these have not been growing at a remarkable pace.

Here, the government’s attempt to change “Community Chest of Korea Act” in 2008 and its enactment of this law in 2011 must be introduced. Scandals in CCK brought about the enactment of a new law for multiple appointments for legal philanthropic foundations via Corporation Tax Law 36-2. It has been argued that its purpose is to give foundations fair competitive philanthropic environments (Son, 2012). A similar amendment was observed in Japan. However, only one new entity, “Sharing of Babo” established in memory of Kim Su-hwan, previous Cardinal Archbishop of Korea in 2009, became a legal philanthropic foundation. Then, Korean Society had two “legally supported” foundations, CCK under the Ministry for Health, Welfare and Family Affairs, and “Sharing of Babo,” under the Ministry of Security and Public Administration.

One of the limitations of this research is the disconnection between data from CCK and

The BF. Although some of the data do not show consistency, they were still combined for comparisons. Another limitation of this research is that the interviews were only with the national foundation model. A future study should be conducted further down the line, including people from CCK satellites and genuine community foundations that are located outside of Seoul, as well as other layers of stakeholders around quasi-public foundations and quasi-community foundations. Such study would be better able to suggest roles for government and civil society in philanthropy, especially for developing countries.

CHAPTER 4:
THE EFFECTS OF POLITICAL-ECONOMIC FACTORS AND INSTITUTIONAL NORMS
ON KOREAN FOUNDATION INCEPTION

4.1. Introduction

Foundations have been an “important institutional expression” of philanthropy and also have been seen as “black boxes” by the public. Although foundations have long contributed to the public good, many have been questioned whether a foundation is a resource-maximizing method for the founder or an appropriate giving vehicle for society.

Chapter 2 analyzed Korean foundations’ history, and chapter 3 explored the structuration of public foundations. This chapter will investigate the field-wide data in Korea using event history analysis and will answer the question of whether the political-economic or cultural factors take a role in foundation creation.

Between the “logic of instrumentality” and the “logic of appropriateness,” which can explain foundation inception in Korea, and how do the two different perspectives compete and complement each other? I use the resource dependence theory of Pfeffer and Salancik (1978) representing the “logic of instrumentality,” and sociological new institutionalism representing the “logic of appropriateness” as rival theories (Frumkin & Galaskiewicz, 2004; Suárez & Hwang, 2009).

Sociological new institutionalism suggests that a trend of organizing is a main motivation for adopting models because the “efficacy” of a trend cannot be easily proved but can provide legitimacy and increase reputation (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). On the contrary, resource dependence theory argues that organizations tend to behave to

maximize autonomy and to decrease uncertainty in the given contexts (Pfeffer & Salancik, 1978). In this way, the “logic of appropriateness” and the “logic of instrumentality” can be compared to explain Korean foundations’ establishment.

There has been more research conducted about foundations in the United States than Korea. To explore foundations’ behavior, most American researchers have dealt with specific kinds of foundations, such as individual/family foundations, public foundations, or corporate foundations.

Individuals and families can donate money to organizations directly or secure assets or endowments in private foundations. Individual and family foundations may detach themselves “from other environmental forces and operate independently of other funders” (Grønbjerg, Martell, & Paarlberg, 2000, p.10). However they face more restrictions such as tax requirements and fussy administrative processes entailing more accounting and legal resources to operate (Frumkin, 2006).

Public/community foundations stay “closest to institutionalized modes of operation” (Grønbjerg et al., 2000, p.38). Those foundations have various funding resources, while the resources of private foundation come from a single major funding source such as one individual or a family’s business and investment. Under the same legal status 501(c)(3) with nonprofit organizations, community foundations are classified as “public charity” with the Form 990, which distinguishes them from private foundations, with the Form 990 PF (Internal Revenue Service, 2009). Many current donors want to establish donor-advised funds in community foundations because when they put their funds into those institutions, they can get tax exemption immediately and maintain their control (Steuerle, 1999). However, donors ought to keep in mind that, eventually, “effectiveness for community foundations requires balancing

their roles as fundraisers and grantmakers within their legal context in a way that is best suited to the needs of their specific geographical community” (Ostrower, 2007, p. 522).

Corporate foundations are typically dependent on continued company contributions and meet tax restrictions and shareholder’s confrontation in the portion of “corporate taxable income” (Grønbjerg et al., 2000). Corporate foundations are the most complex of philanthropic entities “because of the intrusion of outside interests and the contingency of funds on the competitive struggle between firms” (Frumkin, 2006, p. 231). Rather than dynamics within the nonprofit sector, corporate philanthropy is formed by “forces in the broader national economy” (Frumkin, 2006, p. 231). Therefore, funders ought to perceive these subtle differences in each philanthropic institution’s meaning of efficiency and trade-offs with their value/goal when they choose their giving vehicle and increase their scope of giving.

In spite of those variances, this field-wide study tries to explain a general pattern of all kinds of Korean foundations. The distinction among foundations is sometimes ambiguous in Korea despite identifiable founders. For example, foundations by individual and family founders can act just like corporate foundations, and foundations by corporations can act just like individual foundations. And many member-based foundations, such as religious groups and association founders, are working for the general public and specific communities. Those patterns are the case in the United States as well.

Moreover, there are governmental foundations in Korea, which are distinctive entities that are not found in many countries. Anheier and Toepler (1999) introduced a few governmental foundations from U.K., Germany, Poland, and Brazil and argued that they are contentious in terms of accountability because they can escape the governmental audits applying to all government agencies. In Korea, government agencies can establish foundations,

and other nongovernmental actors can donate their money to those foundations. In other words, governmental foundations can be created to raise funds from the citizens and corporations and make their own grants, just like public foundations. These ambiguous distinctions make Korean foundations unique and may allow us to investigate the foundation population as a whole. Then, as a follow-up analysis, a distinction between government-related foundations and nongovernmental foundations will be used to explain whether there are different mechanisms in their establishments.

Two research questions will guide this analysis. First, do cultural factors explain the establishments of foundations? Or, do political-economic factors explain those creations? Second, do government-related foundations and nongovernmental foundations have different identifiable factors for inception? To answer those questions, this research will conduct event history analysis of foundation population data from 1975 to 2009.

4.2. Theoretical Backgrounds and Major Hypotheses

Many factors could affect the establishment of foundations, and the research on company-sponsored foundations by Nicole Esparza (forthcoming) is very useful in identifying these factors. In addition to her findings, this research reflected own characteristics of Korean society, its nonprofit sector, and generalizable factors across different kinds of foundations to identify explanatory variables. To explain foundations' behaviors, one important pillar is political-economic factors, such as direct and indirect tax rate changes, favorable tax policies promoting private donation and corporate giving programs, penalties on misbehavior, and political regimes' preferences. Resource dependence theory focuses on economic and political environments as resources in that the "logic of instrumentality" is a major motivation of

organizational choices and institutionalization to maximize efficiency.

Another important pillar is cultural factors, such as social expectations and cultural conformity. For example, regarding corporate foundations, corporate social responsibility (CSR) has received public recognition through the spread of normative “corporate citizenship” ideas and through mimetic trends within and across the industries. In Korea, public scrutiny against the social elites (Lee, 2012), and adaptation of global models may provoke the inception and transformation of foundations. While social and cultural pressures do not have immediate incentive and penalty functions, sociological new institutionalism posits that the “logic of appropriateness” is a predominant factor for the foundation population’s organizational choice to accommodate pressure.

4.2.1. Political-Economic Factors

Resource dependence theory starts from the assumption that organizations cannot produce every resource within their organizations, which is why an organization must depend on its environment to maximize power and resources (Hall, 1999). Aldrich and Pfeffer (1976) argued that managers should oversee not only their organizations but also their environments. Unlike population ecology, with its focus on the environment’s selection of organizational forms, resource dependence theory emphasizes organizational strategies for interacting with the environment in order to survive and flourish (Hall, 1999). Moreover, resource dependence theory suggests managing organizational legitimacy strategically by pursuing a “variety of exchanges” of resources rather than focusing on one source of resource attainment (Deephouse, 1996). This is a different approach from sociological new institutionalism, which believes that conformity to institutional norms and mimetic behaviors can make organizations gain

legitimacy and survive.

In terms of resources for foundations, Anheier (2005) pointed out two important factors that lead to the creation of foundations. They are “the availability of financial capital and other forms of assets, such as real estate, and the willingness of individuals or organizations to dedicate such funds to a separate entity” (p. 325). Economic prosperity such as the stock market’s growth or an economic boom explains the establishment of foundations. Anheier and Toepler (1999) saw Germany’s increase in foundations as a result of the accumulation of wealth followed by World War II and creators of that wealth from the 1950s. American venture philanthropy followed by the dotcom boom is another example. In terms of economic development, Korea is well known as a successful case of condensed industrialization in a comparatively short time. Therefore, we may consider GDP growth one of the factors in the foundation inception in Korea.

Hypothesis 1: The growth of GDP will have a positive effect on foundation birth rate.

Secondly, Anheier (2005) argued that “the degree of philanthropic entrepreneurship in society” (p. 326) would impact foundation inception. Regarding philanthropic entrepreneurship in Korea, we must consider regime changes as political and ideological shifts. Korea has experienced a few dramatic changes in regimes; this study focuses on two critical junctures: the June democratic movement in 1987 and the first victory of the opposition party in the presidential election of 1997.

Hypothesis 2: Political shifts will influence foundation birth rate.

Before the June Democratic movement in 1987, President Park Jung-Hee and President Jeon Doo-Hwan tried to maintain their authoritative power, and are essentially considered dictators. The two presidents are well known for having set up a cozy relationship between politics and business that allowed their regimes to encourage corporations' donations and to take advantage of governmental foundations and nongovernmental foundations. After the June Democratic movement in 1987, Korean society started democratizing through a system of direct election and constitution reform (Jung, 2013). While social and political diversification of the public will was not prohibited compared to previous regimes, and moderate social movements had achieved more institutionalized space under the Roh Tae Woo administration from 1988, President Roh Tae Woo was an heir of the military dictatorship from the ruling party (Jung, 2013).

In 1997, the opposition party won the presidential election for the first time in Korean constitutional government. Beginning in 1998, President Kim Dae Jung's administration pursued the consolidation of democratization and decentralization, and a wide range of nonprofit organizations were established and could enjoy their institutionalized position. At the same time, adopted economic policies influenced by neoliberalism to overcome a financial crisis, IMF (the International Monetary Fund) which ended in 2005.

According to Taeseok Jung (2013), 1998 to 2007 were maintained by "the moderate reformist regime" but President Kim Dae Jung and Roh Moo Hyun regimes didn't differentiate political democracy with market liberalism, and this irony finally resulted in the last transfer of power to recent two conservative regimes. Those conservative regimes have been underway since 2008, the President Lee Myung-Bak administration to the present, the Park Geun-Hye

administration.

Therefore, this study hypothesizes that two periodical regimes, the dictatorship regimes and the Democratic Party regimes, affect the establishment positively.

The most frequently addressed force for promoting philanthropy must be the tax system, and many researchers have illuminated a positive relation between amount of donation and tax rate. Not surprisingly, almost all research between tax policy and giving deals with company-sponsored foundations and corporate giving (Boastman & Gupta, 1996; Clotfelter, 1985; Esparza, forthcoming; Levy & Shatto, 1978; McElroy & Siegfried, 1985; Navarro, 1998; Nelson, 1970; Schwartz, 1968; Webb, 1994). This is likely the case because we assume that corporations are the most rational and strategic actors. Rather than pay taxes, companies tend to choose to give to other institutions directly, or to create foundations as more perpetual vehicles with commitment (Esparza, forthcoming). In other words, corporations are likely to establish their foundations as “tax shelters” to store their money and distribute later when there is a high tax increase (Esparza, forthcoming; Webb, 1994). Here, this study considers various founders, including corporations, and related tax rate changes. Based on a positive correlation between the number of foundations and the tax rate by previous researchers (Andrews, 1967; Clotfelter, 1985; Esparza, forthcoming; Webb, 1994), the next hypothesis can be suggested.

Hypothesis 3: The higher the related tax rate change to funder (governmental corporation tax/ general corporation tax/ inheritance tax/ income tax), the higher the rate at which foundations are established.

Once potential founders consider foundation establishments, they also look at the tax rate

of the foundation itself. In Korea, foundations have a duty to pay nonprofit corporation tax. In this sense, the nonprofit corporation tax rate can affect foundation inception, since founders may feel burdened to establish foundations when this tax rate goes up. Therefore, I hypothesize a negative effect regarding the relationship between the nonprofit corporation tax rate change and foundation inception.

Hypothesis 4: The higher the Nonprofit Corporation tax rate change, the lower the rate at which foundation are established.

While the difference in tax rate by year can influence foundation creation, related law enactment and change to the policy of tax incentives and penalties can be a force as well. The list below includes several laws that have been influential to foundations and philanthropy in Korea. The enactment of Public Corporation Law offers 1975 as a starting point of analysis. Since this research focuses on the risk period from 1975–2009, three major laws (marked below) will be variables measuring critical historical distinction.

- 1951 Enactment of Prohibition Law on Charitable Solicitation
- 1960 Enactment of Civil Law which includes Nonprofit Corporation Law
- 1975 Enactment of Public Corporation Law (to control/ after 1988, publicize the enforcement plan to monitor/ 1995, amendment to control)
- 1993 Amendment of Inheritance and Gift law (to add provision for public corporation for monitoring)
- 2000 Enactment of Nonprofits Support Law (to boost)

- 2006 Enactment and amendment of old law: Law on Charitable Solicitation and Usage (to reflect the reality and boost charity)
- 2011 Enactment of Public Corporation Law (to boost faithful public corporations based on Inheritance and Gift tax)

Hypothesis 5a: Foundation inception rate will decline following the tax restriction on foundation corporations.

Hypothesis 5b: Foundation inceptions rate will climb following the charity-friendly reform of law on Charitable Solicitation and usage, and NGO Support Law.

4.2.2. Cultural Factors

The “logic of instrumentality” addressing political-economic factors, such as related law enactment or enforcement, can explain variations in organizational choices and institutionalization. On the contrary, the “logic of appropriateness” argues that organizations do not follow a “logic of instrumentality.” Rather, organizations are likely to accept socially legitimized models, and the tendency reflects cognitive and normative factors in organizational choices and institutionalization by diffusion.

Suárez and Hwang (2009) contrasted resource dependence theory and sociological new institutionalism regarding nonprofit collaboration with the businesses sector and corporate donations, showing paradoxical results that more institutionalized nonprofits tend to have more collaborative relationships, and nonprofits with earned income tend to have less corporate donations. Unlike resource dependence theory considering resource maximization, sociological new institutionalism places emphasis on legitimacy and symbols. Formal organizations in a

rationalized environment are trying to mimic successful cases regardless of efficiency for organizational legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Suárez & Hwang, 2009).

In other words, nonprofits are shaped by cultural pressure to legitimize their practice. They try to adopt “rationalized myths” among peer groups and follow accrediting agencies, which is why isomorphism is omnipresent (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). In this sense, the sectoral norm becomes an important standard for foundation behaviors including the creation and changes. This network-based conformity reflects social expectation for the foundation population, and internal forces such as reputation monitoring and peer pressure.

In sociological new institutionalism, institutional changes are possible when new norms or organizational forms gain legitimacy, and accompany changes to cognitive frameworks that transform judgment of “what is appropriate” (Ha, 2011). Regarding critical junctures in Korean history, many mention the International Monetary Fund (hereafter, IMF) crisis, and the period under this financial system (1997–2005). The IMF crisis caused extensive hardship in Korean society, such as massive layoffs, a currency crisis, and debt burden. Many Koreans lost their jobs and suffered from bankruptcy in spite of the expanded social welfare system by President Kim Dae Jung’s regime. The government’s reformation reached the philanthropy fields as well, and initiated cultural responses to national crisis, such as the “gathering gold” movement among citizens. Then, donations under IMF system were regarded as “sharing pains” with the state, and the movement transferred institutional pressures to various actors. Among three kinds of isomorphism (coercive, normative, and mimetic) (DiMaggio & Powell, 1983), this IMF effect shows coercive isomorphism due to external pressures driven by state and

corresponding social expectations, which made potential founders in Korea feel pressure.

Hypothesis 6: The national crisis, IMF will affect foundation birth in a positive direction.

One example of institutional changes could be “deinstitutionalization.” Oliver (1992) has argued that the legitimacy of existing institutional logics can be weakened or vanish, although taken-for-granted models are usually reinforced and maintained after institutionalization. He explains three factors: “functional pressures” by weakened instrumental value, “political pressures” by losing support for the existing frame, and “social pressures” due to conflicts by members and changes to external environments.

After new norms or organizational forms are successfully institutionalized, institution logics are diffused to the organization population or other countries. At the national level, this homogeneity can be explained from a world-polity perspective. The world-polity perspective argues that institutional actors are very similar in characteristics and objectives on the surface regarding the enactment of a cultural model, even in very different backgrounds and settings (Boli & Thomas, 1997) As Meyer, Boli, and Thomas (1987) examined, organizational form by “Western cultural account” can justify organizers’ practice as “widely accepted rational myths.” The diffusion of a global cultural norm is powerful and the institutional logic is translated and localized (Heydemann & Hammack, 2009).

This transformation in Korean philanthropy can be traced back to the emergence of The Beautiful Foundation in 1999. Before The Beautiful Foundation, corporate foundations and governmental foundations were taken for granted under the strong intervention of the state. As mentioned in chapter 3, The Beautiful Foundations introduced a community foundation model

for the first time to the public. Moreover, as an enactor and carrier of global cultural norm, The BF allowed citizens to be real “actors” in philanthropic foundations beyond “agents.”

Hypothesis 7: The diffusion of global model will have a positive effect on Korean foundation birth.

Mimetic isomorphism refers to mimetic reactions to best practices within the field (DiMaggio & Powell, 1983), and concerns identification with “focal actors” (Esparza, forthcoming; Guler et al., 2002; Haunschild & Miner, 1997; Haveman, 1993; Strang & Soule, 1998). Those actors are likely to be copied as role models by peer groups, and peer groups can be operationalized in various ways (Esparza, forthcoming). This research adopts Esparza’s (forthcoming) frequency imitations of “industry specific pattern” and Burns and Whoely’s (1993) “geographical region.” Therefore, two hypotheses can be suggested.

Hypothesis 8: The higher the specific purpose rate of foundation inception, the foundations with the same purpose are to establish foundations in the following year.

Hypothesis 9: The higher the local rate of foundation inception, the foundations in the same location are to establish foundations in the following year.

Although earlier sociological new institutionalism tends to ignore differences and diverse adaptations of institution logics explaining diffusion, recent theorists are trying to embrace more micro levels of explanation and political factors to explain institutionalization and institutional changes (Ha, 2011).

4.2.3. Government-Related Factors

Whether political-economic factors or institutional norms take a role in foundation creation is one question; this study is additionally questioning whether government-related foundations have different explanations for their inception compared to nongovernmental foundations. While Korean society has not thoroughly participated in the discourse about devolution and the privatization of government, extensive public administration literature in the U.S. has dealt with “sectoral identity” issues and provoked controversial debates about “convergence” as organizations (i.e., New Public Management in the 1980s and National Performance Review in the 1990s), and “distinctiveness” as public sector organizations because of ambiguous measurements of performance and indirect control over resources. Nowadays, mixed results from empirical research have accumulated (Boyen, 2002).

For example, Frumkin and Galaskiewicz (2004) argued that public sector organizations are more susceptible to “mimetic, normative, and coercive pressures” than for-profit and nonprofit organizations. This result betrays our anticipation of structural inflexibility in government agencies according to bureaucratic theory (Frumkin & Galaskiewicz, 2004; Park, 2012).

According to resource dependence theory, fewer organizational resources, more susceptibility to external influences (Park, 2013; Pfeffer and Salancik, 1978). Governmental foundations with stable tax revenues are likely to be less sensitive to external political-economic factors. At the same time, public organizations should deal with criticisms of “inefficiency” and “moral hazard” problems (Park, 2013), since they do not have vivid standards of performance and principals (Frumkin & Galaskiewicz, 2004). As such, they need to be permeable by public opinion, public policy, and ethical decisions (Boyen, 2002).

While government agencies have comparatively abundant resources and are easily regarded as a driving cause of other kinds of organizations (Frumkin & Galaskiewicz, 2004), they are likely to be actors that are vulnerable to political-economic factors and institutional pressures.

Then, the next hypothesis can test those arguments with a focus on Korean foundations from 1975 to 2009.

Hypothesis 10: Government-related foundations and nongovernmental foundations will have different identifiable factors to explain inception.

4.3. Data Description and Analysis

4.3.1. Sample

This study uses the foundation lists that The Beautiful Foundation researched in 2012. The lists were collected by the request of information disclosure by central government departments and local governments from October 2011 to February 2012. According to The Beautiful Foundation's lists, 4,582 foundations were created from 1920 to 2010. My study limits the risk period to 35 years, 1975–2009. In 1975, the Public Corporation law was established, so it may be a starting point in support for the recent law-based foundations. In 2012, The Beautiful Foundation reported analysis of 1,190 foundations, excluding foundations established by governments and special laws (for medical, private school foundations), as it targeted nonprofit and nongovernmental foundations. Unlike previous foundation analysis of The Beautiful Foundation, my study includes governmental foundations because they reflect

government-leading philanthropy in Korea.

For the analysis, we need to find foundations' information which may be found in annual reports, advertisement and newsletters, websites, the Korean guide star webpage, and so on. However, unlike registered American nonprofits with Form 990 form and foundations with Form 990 PF, Korean nonprofits and foundations did not have a legal duty of public reporting until 2009. Until then, the general public in Korea could not find organizational information in detail, unless nonprofits or foundations had it on their websites.

To date, less than 37% foundations in the population reportedly have their own homepages (The Beautiful Foundation, 2012). Therefore, without using the National Tax Service (formerly known as the Korean IRS) online reporting system, foundation information often cannot be identified. From May 2011, Korean government has been enacting a tax law and providing an online reporting system for financial transparency targeting nonprofit corporations with more than one million dollar endowments or with five hundred thousand dollars asset income in the previous year (Son, 2012). Today, anyone who wants to see the financial information of comparatively large nonprofit organizations can examine those public reports via NTS's webpage (see <http://npoinfo.nts.go.kr/ndp/index.jsp>). Thus, foundations that publicize and confirm their information via the NTS reporting system will be available for statistical analysis; accordingly, a total number of my sample is 1,376 and their endowment sizes are beyond one million dollars or their previous year's asset income sizes are beyond five hundred thousand dollars.

Then, this study focuses on 1,376 foundations established between 1975 and 2009 and included on the foundation list that The Beautiful Foundation reported in 2012 and in the NTS online reporting system. The Beautiful Foundation lists provide foundation information. I filled

other parts additionally via the NTS online reporting system and various data sources such as NTS reports for five kinds of tax rates, World Bank reports for GDP, and related researches.

4.3.2. Measures

4.3.2.1. Foundation inception as dependent variable

The dependent variable is a foundation's establishment, which is based on The Beautiful Foundation's lists researched in 2012. This data were collected across fields, and embraced all types of funders. Korean society had not tried to collect these kinds of data before. Therefore, this is the first statistical analysis of the foundation field.

I retained all foundations to data set. Once one foundation was established, I terminated foundations and got rid of from the risk-set. Figure 4.1 shows the years including the risk period, 1975–2009, in which 1,376 foundations were created, and we can observe gradual increase. The inception of five different types of foundations can be suggested, as Figure 4.1 illustrates.

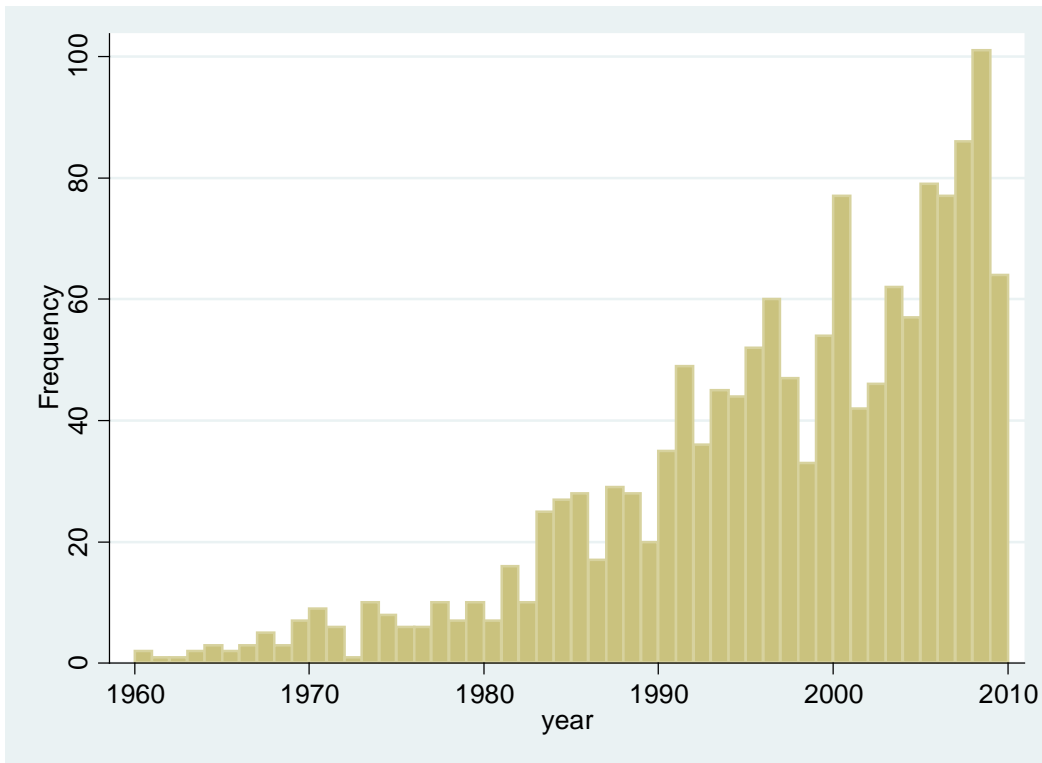


Figure 4.1 Foundation inception in Korea, 1960–2010.

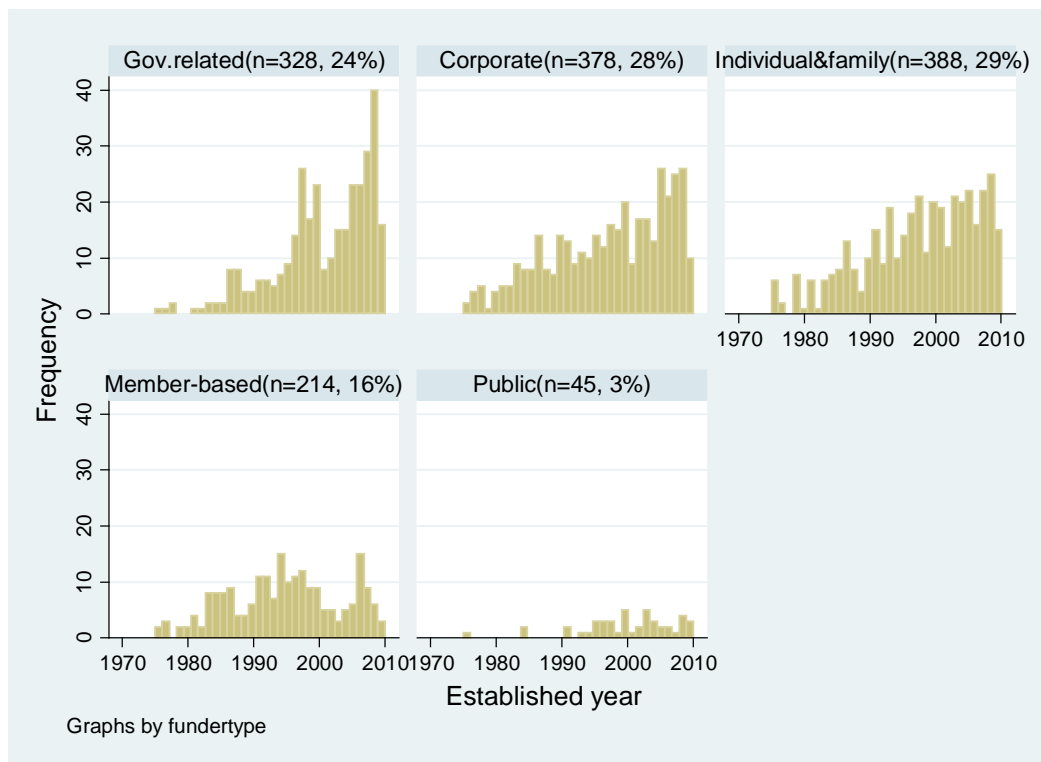


Figure 4.2 Foundation inception by funder types, 1975–2009.

4.3.2.2. Independent Variables

Political-Economic Factors. Table 4.1 shows the independent variables and their descriptions in the analysis. Korean Gross Domestic Product (hereafter, GDP) can be an important factor to explain foundation creation in Korean society, since economic prosperity has a relation to the financial capability of potential founders, as Anheier (2005) has argued. Among GDP-related indexes, I used Korea's "GDP deflator" index, which reflects most comprehensive economic development measuring price inflation and deflation with respect to "a specific base year." World Bank provides this annual index for various countries continuously, and a formula is $\text{GDP deflator} = \text{Nominal GDP} / \text{Real GDP} \times 100$.

Besides this economic index, two political shifts were considered: dictatorship regimes and democratic regimes. Those two periods show critical changes for society in general, not to mention for the Korean nonprofit sector. In terms of tax rate, many Korean nonprofit researchers have used the "marginal corporation tax rate" to illuminate corporate giving and tax effects. However, this research will cover various types of foundations, so I use the rate change of "top tax rates," which are related to funders. "Top tax rates" here are divided into four kinds of taxes: government corporation tax for governmental founders, general corporation tax for corporate founders, inheritance tax for individual and family founders, and income tax for member-based and public foundation funders. Change means current year's "top tax rate" minus previous "top tax rate." In addition to those taxes, once those founders establish foundations, they need to pay nonprofit corporation tax. Therefore, its change from the previous year is included as an independent variable. All tax variables can be found in NTS reports and related research.

To measure the effects of public corporation tax restriction and nonprofit corporation supportive laws, three binary variables are used: tax restriction on Public Corporations (2003–2009), Law on Charitable Solicitation and Usage (2006–2009), and Nonprofit Corporation Support Act (2000–2009). Each variable is coded “1” if policy applies to one spell, and is coded “0” if not.

Table 4.1

Independent Variables: Description, and Predicted Effect

Variable	Description	Predicted Effect
Time-Varing Covariates		
<u>Political-economic Factors</u>		
GDP Growth	GDP deflator	+
Political Shift I_ Dictatorships	President Park & Jeon, Dictator regimes periods	+
Political Shift II_ Democratic Party Regimes	President Kim II & Ro II, Opposition Party ruling periods	+
Corporate Tax (Gov. • General) • Inheritance • Income Tax Change Rate (lagged effect)	Annual related Top tax change rate	+
Nonprofit Corporation Tax Change Rate	Annual NGO tax change rate	-
Tax Restriction on Public Corporation	Binary variable, 1993-2009	-
Law on Charitable Solicitation and Usage	Binary variable, 2006-2009	+
Nonprofits Support Act	Binary variable, 2000-2009	+
<u>Cultural factors</u>		
IMF Effect	Binary variable, 1997-2005	+
Diffusion of Global Model	Binary variable, 1999-2009	+
Field Inception Density	Foundations in the field as a fraction of all foundation lists in the purpose in the previous year	+
Location Inception Density	Foundations in the Seoul/Non-Seoul as a fraction of all foundation lists in that location in the previous year	+
Fixed Covariates		
Endowment	Endowment size reported in 2011 (logged)	
Location	Dummy set for Seoul/Non-Seoul	
Founder Types	Dummy set for gov.-related/ corp. / individual & family / member-based / public foundations	
Field Types	Dummy set for education/ culture / welfare / local gov. / etc., by supervising department	

Cultural Factors. While Korean society has experienced promising economic development in a very short time, the IMF crisis was a tough blow to Korean companies and people. According to Lee (1998)'s report, for instance, "11 *chaebols* collapsed during 1997 and 10 more out of the 50 largest *chaebol* were at the risk of bankruptcy. Bankrupt *chaebols* cost South Korea \$100 billion, 20% of the country's half-a-trillion-dollar economy" (p.1). This hardship meant financial uncertainty for the funders. At the same time, normative reactions, such as donations and the establishment of foundations, were expected. And the government used cultural campaigns to overcome this national crisis. Therefore, I include the IMF bailout period, 1997–2005, as a binary variable. Another cultural factor is the emergence of a global model in terms of foundations. The Beautiful Foundation gave insight to potential funders. From its established year of 1999, the spells are treated "1" as dummy variable.

Field inception density and location inception density are intended to measure the effects of mimetic isomorphism in Korean foundations. Two kinds of density mean foundations in the field as a fraction of all foundations in the field in the previous year, and foundations in Seoul or non-Seoul as a fraction of all foundations in that location in the previous year. To identify each foundation's field, this research uses supervising government departments that tell a publicly registered purpose. In Korea, if an actor wants to create a foundation, the potential founder should get permission from the related government department with its own purpose. In this sample, there were 49 departments including various local governments; so the three categories supervised by three major departments (Ministry of Education/Ministry of Culture, sports and tourism/and Ministry for health, welfare and family affairs), a set of all local governments, and the rest of the departments consist of five categories. Field inception density is expected to show an "industry specific pattern," and location density is used to identify

geographical diffusion (in Seoul or out of Seoul).

4.3.2.3. Control Variables

This model includes four kinds of fixed covariates as control variables; they are organizational endowment, location, founder type, and foundation field. The NTS public reporting system was developed in 2011 and does not require the degree of financial information as Form 990 or Form 990 PF by the U.S. IRS. Whereas many researches use the number of employees in terms of organizational size, it's not possible to find the information in that system. Therefore, this research uses endowment size reported in 2010 via the NTS system.

In terms of founder type variable—if governments fund the establishment, I categorized the foundation as a government-related foundation. If corporations fund the establishments, I categorized the foundation as a corporate-sponsored foundation. If only individuals and families fund the establishment, I categorized the foundation as an individual or family foundation. Member-based foundations are usually from religious groups and associations. Public foundations include community foundations and quasi-community foundations funded by various levels of founders. Figure 4.3 shows the composition of various founder types. With 29% of all foundations, individual and family foundations are the most frequent type; the runner up is a group of corporate-sponsored foundations (28%). They together belong to private sector foundation type, and their cumulative proportion is 57%. The next group is the government-related foundation; in other words, public sector foundations cover 24%. Approximately 16% of foundations are member-based. Lastly, at 3% of all foundations, public foundations become the least frequent types.

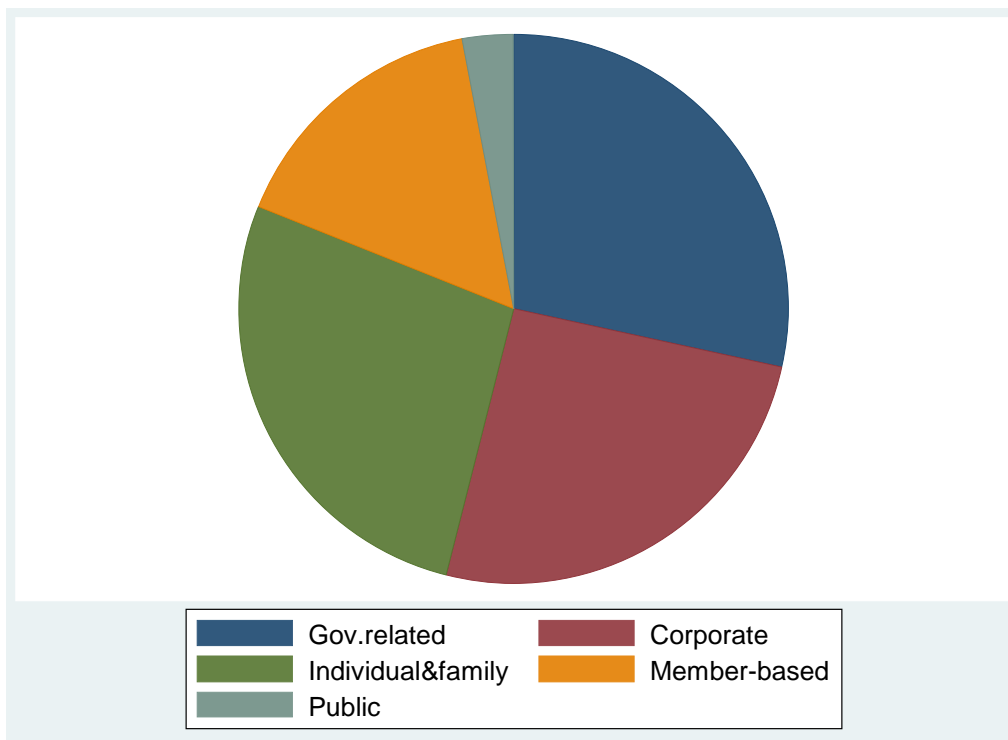


Figure 4.3 Composition in foundation types.

Parallel with “field inception density,” five categories were used for the foundation field variable: three categories supervised by major three departments (Ministry of Education, Ministry of Culture, Sports and Tourism, and Ministry for Health, Welfare and Family Affairs), a set of all local governments, and the rest of departments.

If we intertwine the comparison of foundation types (Figure 4.3) with a location variable (Seoul vs. out of Seoul), we can observe interesting patterns. As Figure 4.4 shows, national government agencies in Seoul are less likely to be involved in foundation establishment, whereas local government agencies in non-Seoul are more likely to be involved—almost four times higher. Except government-related foundations and member-based foundations, the rest of foundations, corporate/individual and family/and public foundations are created more in Seoul.

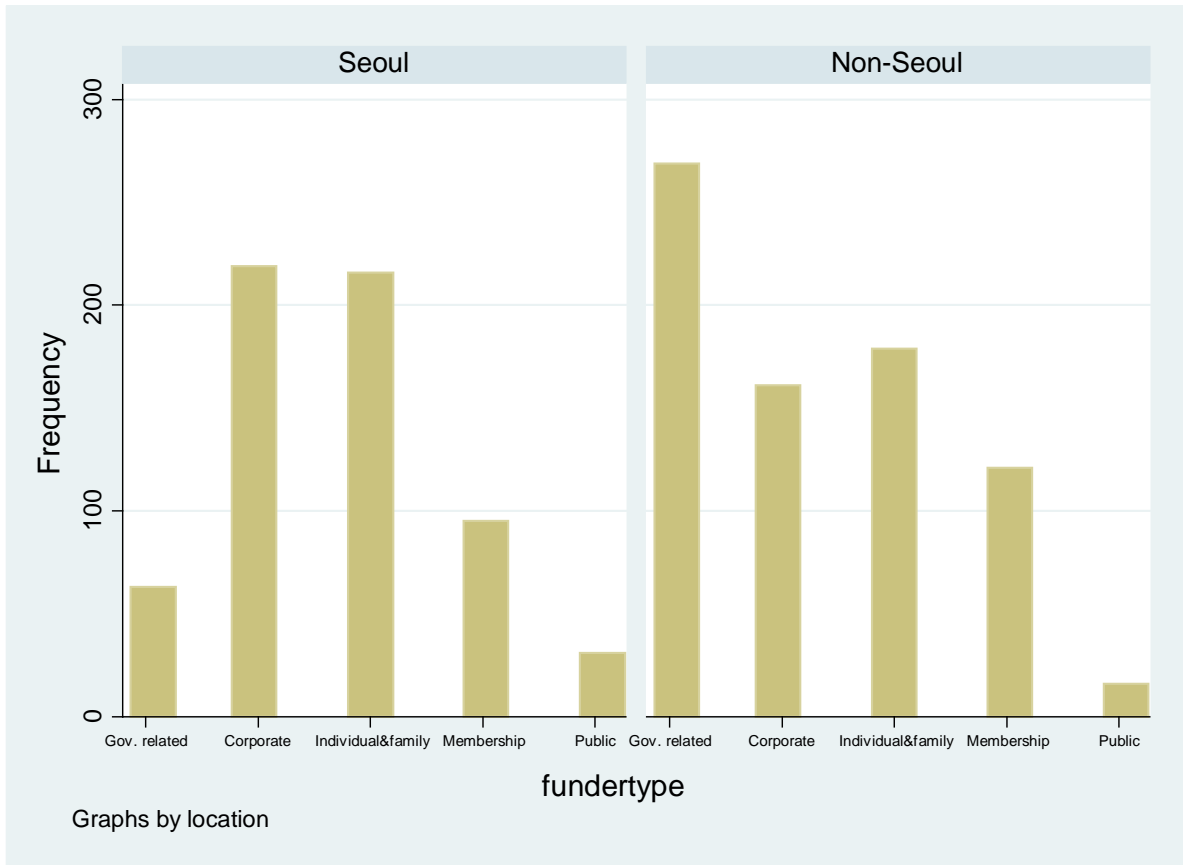


Figure 4.4 Comparison of Seoul funder types and non-Seoul funder types.

Table 4.2

Summary Statistics

Variables	Obs	Mean	S.D.	Min	Max
GDP	32638	46.0502	27.30192	8.710457	108.4973
Dictatorship	32638	.5226423	.4994947	0	1
Democratic party regimes	32638	.1596912	.366325	0	1
Related tax rate change (L)	32220	-.0834264	5.177485	-30	30
NGO tax rate change	32638	.0196397	1.45907	-3	7
Tax restriction on Public Corporations	32638	.3058092	.4607564	0	1
Fundraising Law	32638	.022673	.1488609	0	1
NGO Support Law	32638	.1199828	.3249464	0	1
IMF effects	32638	.1677799	.3736764	0	1
Global Model Diffusion	32638	.1423188	.3493821	0	1
Inception Density of Fields	32638	2.203098	1.896214	0	13.46
Inception Density of Locations	32638	2.193649	1.565244	.13	8.91
Log endowment size	32306	3.754892	1.220163	-.6931472	9.854124
Non-Seoul	32638	.5621362	.4961317	0	1
Supervising Dept._ Culture	32638	.1102702	.3132311	0	1
Supervising Dept._ Welfare	32638	.123108	.3285662	0	1
Supervising Dept._ Local governments	32638	.0453459	.2080649	0	1
Supervising Dept._ Etc. Field	32638	.1591703	.3658404	0	1

Table 4.3

Pairwise Correlation Among Continuous Variables

	(1)	(2)	(3)	(4)	(5)	(6)
(1) GDP	1.0000					
(2) Related tax rate change (L)	-0.0409*	1.0000				
(3) NGO tax rate change	-0.1338*	0.2537*	1.0000			
(4) Inception Density of Fields	0.7544*	0.0122*	-0.0939*	1.0000		
(5) Inception Density of Locations	0.8788*	0.0056	-0.1075*	0.7772*	1.0000	
(6) Log endowment size	-0.0089	0.0319*	0.0022	-0.0554*	-0.0047	1.0000

* $p < .05$

4.3.3. Estimation

I used event history analysis, which refers to “whether events occur or when events occur” (Singer & Willett, 2003, p. 306). More specifically, a discrete-time logit model and competing risks model were used to estimate “discrete-time hazard,” the conditional probability that a potential founder will experience the event in the time period 1975–2009, given that the founder did not experience this event in any earlier time period in this analysis (Singer & Willett, 2003). Using event history analysis, I tried to focus on “when” and “why” questions, with data all experiencing events, while the more conventional use of event history analysis is to consider “whether” events occur. Why do potential founders establish in a specific year? Were their inceptions affected by a specific year’s corresponding political-economic factors or institutional norms, or both? And do different kinds of founders (government-related or not) establish their foundations by different factors?

For the present analysis, the collected data ($n = 1, 376$) were transformed to annual spells. Each annual record holds value for the dependent variable and independent covariates. I coded a foundation’s creation with a “1” in the established year, and did not retain after that year. In other words, records were maintained until those years of observation in which a founder was at risk of establishing a foundation, and that observation was excluded from the risk set, which contains 31,888 spells at which the number left after excluding 36 observations with missing covariates.

I adopted a discrete-time logit model to estimate the hazard rate for foundations established during the risk period 1975–2009 in Korea. The hazard at time t for a foundation with time invariant characteristics i and time-varying characteristics j is equal to the following:

$$\log (p(t) / (1-p(t))) = \alpha_0 + \alpha_1 t + \beta_1 X_{1i} + \beta_2 X_{2ij}$$

Based on a baseline hazard function $\alpha_0 + \alpha_1 t$, which means the risk for organization with baseline characteristic $X = 0$ and $\alpha_1 t$ captures a log-linear time trend, nested models were employed in order to measure a set of political-economic factors and a set of cultural factors separately. Then pooled model is suggested to measure full factors in discrete-time logit model.

Lastly, I separated the government-related foundations model and the nongovernmental foundations model to compare the hazard rate using a competing risks model. While a discrete-time logit model analyzes whether each unit is at risk of experiencing a single of target event transiting from the one status to the other status, the competing risks model assumes that a unit can experience multiple destinations even starting from the one status. Based on multinomial logit models, this competing risks model does not disregard significant differences from the hazard rate between competing risks (Singer & Willett, 2003). Here, differences can exist between government-related foundations and non-governmental foundations. In the competing risks model, one target event among multiple destinations takes a role of censoring, so a unit would be excluded from different competing risk sets (Singer & Willett, 2003).

4.4. Discussion of Findings

Political-Economic Factors vs. Cultural Factors. Table 4.4 shows discrete time-logit estimates for the creation of Korean foundations during the risk period 1975–2009. The first model suggests hypotheses 2, 3, and 5b about political-economic factors are supported. Hypothesis 2 is supported, because two political shifts are statistically significant. I

hypothesized that the dictatorship and the Democratic Party regimes would affect the establishment of foundations positively, and that pressure from dictatorship seems to create more foundations. However, the negative effect of the Democratic Party regimes can be interpreted variously. The first possible explanation is loosened control and an increasing burden from less cozy relations with the government. For example, while the regime of President Jeon Doo-Hwan was notorious for taking corporate donations and relieving obedient corporations of strict audits and negative media reporting. Rather, the Democratic Party regime tried to be transparent in public funds and require transparency to foundations and potential funders. The second possible explanation would be the diversification of the Korean nonprofit sector. More institutionalized space was provided across the spectrum of nonprofit organizations (for example, NGO support law from 2000). Foundations are not the only institutional vehicle that potential founders may consider taking.

An increasing lagged related tax rate predicts greater inception rate, which turns out statistically significant at the 0.01 level. The expected negative direction of tax restriction on public corporations is same with hypothesis 5a, but there is no significance. Regarding supportive laws for the nonprofit sector (H_{5b}), both fundraising law and NGO support law are positive predictors in this model. The odds of establishment are 107% higher after the fundraising law ($p < 0.001$), and the odds of establishment are 45% higher after NGO support law ($p < 0.05$), controlling for other covariates.

The second model suggests that all four variables for hypotheses 6, 7, 8, and 9 have a statistically significant association with the inception rate, when we are concerned only with cultural factors and fixed covariates. However, IMF's effects explain inception with a strong statistical significance ($p < 0.001$) in this model, but the expected positive direction of IMF's

effects was not supported. Interestingly, the pooled model addresses the opposite direction of the IMF effect, but no significance anymore. The reason might be that the IMF effect was a cultural factor when including political-economic factors; but it turns out that economic factors reflect donor-side uncertainty when excluding political-economic factors. Looking at other cultural factors, a global diffusion variable ($p < 0.001$) increases inception rates. Global model diffusion and the inception density of fields are significant at the 0.001 level, and the inception density of location is significant at the 0.05 level. Therefore, hypotheses 7 for global diffusion, and 8, 9 for mimetic isomorphism are supported.

Last pooled model estimates the inception rate in a set of political-economic factors and a set of institutional norms together. In terms of political-economic factors, the effects of Democratic Party regimes and fundraising law were significant just like the first model, but NGO tax rate changes and tax restrictions on public corporations become newly significant at the 0.05 level. The odds of establishment are 6% lower for NGO tax rate changes law ($p < 0.05$), and they are 35% lower after tax restrictions on public corporations ($p < 0.05$). The positive effect of NGO support law becomes negative but has no significance. In terms of institutional norms, the effects of global model diffusion and inception density of fields were significant just like the second model. By contrast, IMF effects and inception density of locations are not significant anymore, and a direction of IMF effects shows a dramatic difference (from negative to positive). Then, regarding the direction of cultural factors, all support my hypotheses.

Four kinds of fixed controls were strong predictors across three models: endowment size, location, funder types, and foundation fields. In pooled model, for example, a one-unit increase in logged endowment size corresponds to an increase in the odds of 15% ($p < 0.001$), when

controlling other covariates. Non-Seoul location decreases the rate at the 0.05 level, compared to reference location, Seoul. Traditionally, major NGOs in Korea remain in Korea (Kim, 2006), and foundations are also the case. Corporate foundations are used as a reference category for funder types, and government-related foundations are associated with smaller odds of establishment. On the contrary, the odds of establishment are 50% higher for member-based foundations ($p < 0.05$). Turning to foundation fields, the education-supervising department was used as a reference category. Four foundation fields decreased the inception rate at the 0.001 level. Most activities of foundations in Korea have concentrated on academic programs, and some have covered conventional fields including culture and social welfare. Therefore, it might be reasonable to say that diversification in purpose of foundations is yet to come. Then, we can compare those explanations of a full model to two separate models distinguished by public sector uniqueness.

Government-Related Foundations vs. Nongovernmental Foundations. Korean government foundations represent a “statist” country’s typical nonprofit model. For example, Japan’s and Korea’s governments have used representative government-sponsored foundations, “Community Chest” to initiate donations from the public and community members, and various departments of Korean national governments and local governments additionally established their foundations. Then, what can explain the establishment of government-related foundations and the establishment of nongovernmental foundations? And how can we differentiate the explanatory factors?

Table 4.5 shows those differences. First we need to focus on estimates of the competing risks model of governmental-related foundations. Similar to the pooled model, Democratic

Party regimes ($p < 0.001$), NGO tax rate changes ($p < 0.05$), and fundraising law ($p < 0.01$) are influential factors for government-related foundation creation, and lagged related tax rate changes ($p < 0.01$) explain the inception rate among political economic factors. Turning to cultural factors, inception density of fields was maintained as a strongly significant factor ($p < 0.001$). However, IMF's effects ($p < 0.01$) explain the inception of government-related foundations, unlike the pooled model, while the global model of diffusion became an insignificant factor.

Then, estimates of the hazard rate of nongovernmental foundation creation showed interesting comparisons. In political-economic factors, Democratic Party regimes ($p < 0.001$) and fundraising law ($p < 0.05$) were still effective factors, but related tax rate changes and NGO tax rate changes became nonexplanatory ones. More surprisingly, the direction of related tax rate changes turned out negative, despite its insignificance. The meaning can be borrowed from Esparza's (forthcoming) explanation of corporate foundations' decreasing inception in positive changes in corporate tax rate. Both results contradicted with my hypotheses and hers. She argued that "this may suggest that immediate (and possible short-term) changes to tax rates may encourage founder to give through less permanent and formalized means, such as giving to other institutions" (p.16). When we compare those results to the estimates of government-related foundations, we may predict that nongovernmental foundations are less strategic and have weaker resource-dependent founders, or at least more long-term actors hesitating to respond quickly to changes in tax policies.

In terms of a set of cultural factors, another comparison seems feasible. While the IMF period turned out positive effects with statistical significance for government-related foundation establishment, it turned out negative effects, despite statistical insignificance, for

nongovernmental foundations creation. The statistical significance of global models diffusion ($p < 0.01$) was maintained, unlike the estimate of government-related foundations. And a variable of inception density of fields predicted greater inception ($p < 0.001$) in the nongovernmental foundation model, same with pooled model and the government-related foundation model.

The effects of fixed control variables remained the same in the three models, except the endowment size in the nongovernmental foundation model and the inception rate of culture field in the government-related foundations model. Looking at the directions of variables, there is one interesting difference between the government-related foundation model and the nongovernmental foundation model—that is location variable. The location variable has a statistically strong significance, but the direction of both models is opposite. This result is parallel with a description of Figure 4.4, and the “non-Seoul” location predicted the establishment of fewer foundations in the nongovernmental foundation model, while it predicted the establishment of more foundations in the government-related foundation model.

Those mixed results elucidate different factors to explain the different hazard rate of inception between government-related foundations and nongovernmental foundations, as hypothesis 10 suggests. Here, we need to take a look at “governmental” organizations. Because not many societies have government foundations and related researches, I adopted a comparison frame “public sector organization” versus “others” (private sector organization or nonprofit organization, or both). Basically, all kinds of foundations in this study are “nonprofit,” but we need to trace back to each foundation’s roots, which includes establishments from the government sector or the nongovernment sector.

As we see more predictors in terms of political-economic factors in government-related

models, public sector foundations tend to respond more directly to tax changes and supportive public policy. Despite the stability of organizational input by gathering taxes and assess fees, they need to “win public approval so that decisions about the allocation of resources end up favoring one purpose or agency over another” (Frumkin & Galaskiewicz, 2004, p. 291) against the criticism of bureaucratic inertia, administrative inefficiency, and so on. On the contrary, nongovernmental foundations seem to respond less directly and to defer their decisions to create permanent institutional vehicles. Then we need to reconsider tax and public policy effects on private and nonprofit sector rooted foundations.

Looking at cultural factors requires, the result requires more complex explanations. If we can assume that IMF’s effects are state-driven by coercive pressure and corresponding public opinion, they pushed government-related foundations effectively, but did not push nongovernmental foundations. Rather, nongovernmental foundations have been moved by global diffusion, so-called “sectoral norms” in the nongovernment sector across countries. The inception density of fields, one of mimetic pressures, was an effective influence for both kinds of foundation models. Therefore, we can say that institutional pressures in general can affect both kinds of foundations, but institutional pressures “from where” would be a more interesting question in the future.

Table 4.4

Discrete Time-Logit Estimates for Creation of Korean Foundations, 1975–2009

	Pooled Foundations		
	Political-Economic Factor Model Coef. (S.E)	Cultural factor Model Coef. (S.E)	Full Model Coef. (S.E)
<i>Political-economic factors</i>			
GDP	0.00 (0.02)		0.02 (0.02)
Dictatorships	0.50** (0.16)		0.28 (0.17)
Democratic Party Regimes	-0.96*** (0.12)		-1.13*** (0.16)
Related Tax Rate Changes (L)	0.02** (0.01)		0.01 (0.01)
NGO Tax Rate Changes	-0.05 (0.03)		-0.06* (0.03)
Tax Restrictions on Public Corporations	-0.27 (0.20)		-0.42* (0.20)
Fundraising Law	0.73*** (0.16)		0.87*** (0.22)
NGO Support Law	0.37* (0.15)		-0.06 (0.17)
<i>Cultural factors</i>			
IMF Effects		-0.68*** (0.08)	0.25 (0.17)
Diffusion of global model		0.41*** (0.12)	0.69** (0.23)
Inception Density of Fields (Supervising Dept.)		0.20*** (0.02)	0.20*** (0.02)
Inception Density of Locations		0.08* (0.03)	0.06 (0.03)
<i>Fixed controls</i>			
Endowment size	0.14*** (0.03)	0.14*** (0.03)	0.14*** (0.03)
NonSeoul	-0.15* (0.07)	-0.15* (0.07)	-0.16* (0.07)
Foundation Type_ Gov. Related	-0.32*** (0.09)	-0.28** (0.09)	-0.30*** (0.09)
Foundation Type_ Individual & Family	-0.05 (0.08)	-0.04 (0.08)	-0.05 (0.08)
Foundation Type_ Member-Based	0.47*** (0.10)	0.44*** (0.10)	0.47*** (0.10)
Foundation Type_ Public	-0.08 (0.18)	-0.05 (0.18)	-0.06 (0.18)
Supervising Department_ Culture Field	-0.55*** (0.10)	-0.74*** (0.11)	-0.74*** (0.11)
SD_ Welfare Field	-0.35*** (0.10)	-0.41*** (0.10)	-0.42*** (0.10)
SD_ Local Government Field	-0.62*** (0.16)	-0.9*** (0.17)	-0.94*** (0.18)
SD_ Etc. Field	-0.67*** (0.10)	-0.78*** (0.10)	-0.833*** (0.10)
<i>Constant</i>	-6.72*** (0.30)	-6.00*** (0.17)	-6.34*** (0.32)
Log Likelihood	-4465.51	-4441.18	-4393.73
Wald X ²	1849.59***	1853.31***	1908.89***
Prob> Chi2	0.0000	0.0000	0.0000
Observations	31865	31865	31865
Events	1340	1340	1340

Note: * p <.05 ** p <.01 *** p <.001 (two-tailed tests). "L" means lagged one year.

Table 4.5

Competing Risks Estimates for Establishment of Government-Related Foundations vs. Nongovernmental Foundations, 1975–2009

	Full Model	
	Gov.-Related Foundations Model	Nongovernmental Foundations Model
	Coef. (S.E.)	Coef. (S.E.)
<i>Political-economic factors</i>		
GDP	-0.01 (0.05)	0.02 (0.02)
Dictatorships	0.19 (0.43)	0.29 (0.18)
Democratic Party Regimes	-1.06*** (0.24)	-1.09*** (0.17)
Related Tax Rate Changes (L)	0.06** (0.02)	-0.00 (0.01)
NGO Tax Rate Changes	-0.14* (0.07)	-0.03 (0.03)
Tax Restrictions on Public Corporations	-0.55 (0.47)	-0.37 (0.22)
Fundraising Law	1.27** (0.48)	0.61* (0.25)
NGO Support Law	-0.30 (0.32)	0.05 (0.20)
<i>Cultural factors</i>		
IMF Effects	0.75* (0.34)	-0.00 (0.20)
Diffusion of global model	0.51 (0.41)	0.71** (0.27)
Inception Density of Fields (Supervising Dept.)	0.26*** (0.04)	0.19*** (0.02)
Inception Density of Locations	0.08 (0.06)	0.03 (0.04)
<i>Fixed controls</i>		
Endowment size	0.39*** (0.05)	0.01 (0.03)
Non-Seoul	1.09*** (0.16)	-0.58*** (0.07)
Supervising Dept. _Culture Field	-0.34 (0.21)	-0.44*** (0.11)
SD_Welfare Field	-2.27*** (0.40)	-0.49*** (0.11)
SD_Local Government Field	-0.67* (0.30)	-1.29*** (0.22)
SD_Etc. Field	-0.38* (0.18)	-1.15*** (0.13)
<i>Constant</i>	-10.70*** (0.77)	-5.67*** (0.34)
Log Likelihood		-4990.96
Wald X ²		2063.52***
Prob> Chi2		0.0000
Observations		31888
Events	328	1,025

Note: * p <.05 ** p <.01 *** p<.001 (two-tailed tests). "L" means lagged one year.

4.5. Conclusion

The contribution of this research to the Korean foundations can be threefold. First, it embraces institutional norms to explain Korean foundations. Institutional norms have attracted little attention as influences on foundations, but Lee (2012) has started to discuss the public's skepticism against the wealthy, for instance. Rather, most of researchers on philanthropy have targeted corporate-giving and corporate-sponsored foundations, and have emphasized economic factors such as tax incentives and net income (Kim, 1997; Son, 2009; Son & Park, 2008).

Inspired by Suárez and Hwang (2009), and Esparza (forthcoming), this research compared two streams: "logic of instrumentality" and "logic of appropriateness." Supporting by the results, both theories can explain Korean foundation inception. Korean foundations have been established not only by political-economic influences, but also by cultural pressures.

Theoretically, it might be reasonable to say that the "logic of instrumentality" and the "logic of appropriateness" complement each other rather than compete, and the relative importance of the logics depends on the contexts in which organizational behaviors are embedded (Grendstad & Selle, 1995; Ha, 2011).

Second, differences between governmental organizations and nongovernmental organizations were tested. The result of the competing risks model showed that government-related foundations are closer to resource maximizing actors, and compliers to state-driven forces (and probably corresponding public opinion). Public administration literature has pointed out that governmental organizations are likely to fall in bureaucratic inertia; but, as Frumkin and Galaskiewicz (2004) argued, they tend to be vulnerable to institutional forces. Although this study does not include the normative isomorphism variable, the establishment of government-related foundations has been influenced by coercive and mimetic isomorphism.

Comparatively, nongovernmental foundations tend to respond to a public policy design for the possible growth of foundations (Law on Charitable Solicitation and Usage) and a cultural factor aroused within the foundation field (diffusion of global model), and do not to react to economic and political forces immediately. Law on Charitable Solicitation and Usage and diffusion of global model together might encourage the creation of nongovernmental foundations and offer an opportunity for citizen empowerment, which means that all constituents in Korean society can regard themselves potential founders, or at least donors of foundations and fundraisers.

Third, this study is the first attempt to analyze the Korean foundation field statistically. Whereas foundations have become a more popular topic in Korea than ever, it is much easier to find a descriptive analysis of segmented foundations, or normative arguments about which direction would be desirable for foundations' future. The reason is probably a lack of comprehensive data.

Collecting foundation data had not been tried before The Beautiful Foundation's research in 2012, since the NTS does not provide information. In Korea, NTS is the only place to put foundation information together, since foundations are controlled by separate supervising government departments. If funders want to establish foundations, they need to get permission from the related government department based on a foundation's own purpose. A lack of information can be confirmed in that NTS does not want to provide information to the public and the Korean society does not have nongovernmental organizations like the Council on Foundation and the Foundation Center, which can function as a hub for the foundation field. In other words, it's hard to accumulate data and to conduct further research on foundations in Korea.

Likewise, the significance of findings has several limitations. This research is based on research into The Beautiful Foundations, and data of The Beautiful Foundations might not be thoroughly collected, if there is one which NTS can put together. Collected data by information disclosure from each government department and local governments may cause some blanks and inconsistency. Even information from NTS reporting system can have some mistakes since there are no clear directions or standards to guide staff members of public corporations (Son, 2012).

In addition, using event history analysis, I have tried to focus on “when” and “why” questions, with data about all experiencing events, while a more conventional way for event history analysis is to consider “whether” events occur. Although there are a few examples, some reviewers may not agree. Also, there are many “inactive” foundations and officially terminated foundations, and this method for establishment cannot reflect them. Those inactive and terminated foundations were treated the same once they were established.

A lack of umbrella organizations such as the Foundation Center relates to this problem. Also, normative isomorphism associated with professionalism cannot be included in this research. Therefore, interpretations of these findings are limited because this study only includes two aspects of institutional pressure: coercive and mimetic isomorphism. In this sense, if this research can be a starting point to discuss information disclosure from the NTS and the establishment of a center for foundations, the findings here will have further implications for both theory and practice.

Finally, we can recall the Korean government’s regulating mode on foundations until now. If we see the American cases, the TRA 1969 shows the bright and dark sides, but it seems successful “in altering some forms of behavior by foundations and their donors without jeopardizing the continued use of the foundation form” (Clotfelter, 1985, p. 272). Then, an

advisable government role would be somewhere between strengthening regulations to control and boosting inter-organizational networking to share the cultural norm.

CHAPTER 5: CONCLUSIONS

5.1. Key Findings

This dissertation examined the Korean foundation field regarding governance with different sectors, as well as the processes and outcomes of institutionalization by a global cultural norm. Also it elucidated the effects of political-economic factors and institutional norms on the establishment of foundations over 35 years, 1975–2009. Three major conclusions of the study are explained below.

Chapter 2 explained the several differences between Korean foundations and American Foundations. While American foundations have built up strong partnerships with nonprofits and gained their legitimacy from those partnerships (Hammack, 2006), Korean foundations have been led by government and have mirrored the government’s objectives. Until the 1990s, “foundations” belonged to governments and corporations mainly, whereas nonprofits belonged to civil society. This situation produced a particular tension between foundations and nonprofits in Korea. However, recent foundations have experienced new public policies to boost the field and have taken some opportunities to recalibrate their identities and share new norms.

Chapter 3 examined the process of institutionalization of the Korean foundation field from the end of the 1990s. This change aligned with the development of the Korean nonprofit sector and has been affected by a community foundation model as a global cultural norm. Two cases in Korea—Community Chest of Korea (a more traditional fundraising organization) and The Beautiful Foundation (a more diffused model from world-polity)—show different fundraising and corporate giving, designated and donor-advised funds, and relationships with recipients and legitimacy seeking. A different relationship with government is likely to make

different levels of legitimacy and autonomy, and it is reasonable to say that Community Chest of Korea with more legitimacy can achieve quantitative growth and qualitative evolution was initiated by The Beautiful Foundation with more autonomy. Their coexistence seems to affect each other, and many kinds of sectoral norms have diffused to other foundations in the field.

Chapter 4 demonstrated that not only political-economic factors but also cultural factors affect foundation inception in Korea. The “logic of instrumentality” and “logic of appropriateness” are likely to complement each other rather than compete. As examined separately, the creation of government-related foundations tends to be influenced by political and economic factors, and at the same time is exposed to institutional pressures, such as coercive and mimetic isomorphism. Relatively, the establishment of nongovernmental foundations tends to be more explained by institutional norms in terms of global diffusion and mimetic pressures. Then, internal factors within the field seem to have a more powerful influence on nongovernmental foundations.

5.2. Implications

I hope that this dissertation is able to provide an impetus to discourse about governance with other sectors and sectoral norms within the foundation field. Over three decades, Korean government tended to control foundations as a form institutional expression. This might be because the government tried to maintain advantages in a strong relationship with *chaebols*. While this government-leading tradition has shifted, recent government also tends to establish foundations and hold controls on their money as public funds, which, in some ways, might prevent foundations from innovating around issues or representing the diverse passions of private wealth, behaviors that are often encouraged in American foundations.

Korean society can view the United States cases in a dialectical and critical way, as America foundations are going through various problematic situations due to a strained coexistence between “public ends” and “private means” in foundations, as an institutional vehicle. For example, looking at TRA 1969 and a guideline reported by the National Committee for Responsive Philanthropy in 2009 in the U.S., regulations by government and network-based norms together can shape the field and correct misuse by founders.. Regardless of many counterclaims and arguments, foundations are hoped to use their independent dynamics to “stimulate democratic debate” (Anheier & Leat, 2006).

This dissertation also demonstrated the usefulness of embracing institutional norms to explain Korean foundations. Institutional norms have attracted little attention as influences on foundations, but state-driven pressures, “public’s skepticism against the wealthy” (Lee, 2012), the global diffusion of a community foundation model, and other kinds of cultural factors can explain the field.

In this sense, this dissertation may be a starting point for discussing information disclosure from NTS and the establishment of an umbrella organization for foundations.

5.3. Limitations and Future Study

One of the limitations of this research is its exclusive discussion of national foundations despite its original interest in community foundations. In fact, a local community is the best unit for experiments in problem solving by foundations due to the nearness between micro- and macro- contexts. In other words, community may be a desirable unit for bringing every sector to the table and forming a consensus, according to Habermas’s “communicative actions” and Giddens’s “structuration,” for example.

Future study conducted further down the line should include people from CCK satellites, and genuine community foundations located outside of Seoul, as well as other layers of stakeholders around quasi-public foundations and quasi-community foundations. Such focus will suggest advisable roles for government and civil society in philanthropy—not only for Korea but also for developing countries.

Next, using event history analysis, I tried to focus on “when” and “why” questions, while a more conventional way to apply event history analysis is to consider “whether” events occur. Although there are a few examples, some reviewers may not agree. Given this limitation on data and method, The Beautiful Foundation is planning to collect more advanced data, which will likely suggest more concrete results to further this research. Segmented types of foundations can be analyzed in detail, taking analysis of the foundation field as a whole into account.

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APPENDIX A

Interview Protocol and Instrument

Professionals are expected to construct the field. Then, staff members of two organizations, Community Chest of Korea and The Beautiful Foundation, were chosen for interview.

I conducted four face-to-face interviews and two one-and-one telephone interviews with staff members who worked for CCK or the BF between 2000 and 2009 to generalize and complement organizational information. Personal working experiences in both organizations provided me 19 informal interviews, more specifically 13 in CCK and 6 in the BF, and helped to identify and to contact with key people of CCK and the BF. During March and April in 2014, with a protocol, face-to-face interviews lasted approximately one and half hours where each interviewee suggested and were recorded with consents. And telephone interviews lasted approximately thirty minutes and were transcribed with consents.

The interview instrument consists of four categories with semi-structured interview questionnaire.

Fundraising focus questions

- (1) What would you say in the foundation's main target for fundraising between 2000 and 2009?
- (2) How has the foundation achieved the target? How has it changed over time?
- (3) Do you think your foundation has diverse funding resources? What is the portion for discretionary and unrestricted funds?
- (4) Do the targeting strategy and the proportion of funds affect your organizations?

Grantmaking focus questions

- (1) How would you characterize the grantmaking tendencies of your organization between 2000 and 2009? Do you describe them as innovative areas? Do you describe them as traditional areas? Do you describe them as advocacy areas? Do you describe them as welfare areas?
- (2) What was the reason for it? Does your organization intend it or not?
- (3) How would you describe your typical grantees and the relationship with them? What you do think of the reason?

Legitimacy seeking focus questions

- (1) Which organization affects your organization most in establishment? Which organization is your model and peer groups between 2000 and 2009? Is it a national level? What about an international level?
- (2) How do you set up your organizational rules and policies? Where do you adopt them? Have they changed and where did they derive from?
- (3) How do you signal those modeling and relationship? What was the response from your stakeholders?

Etc.

- (1) Do you recognize any differences with The Beautiful foundation (or Community Chest of Korea) from 2000 to 2009? How about these days?
- (2) What is the main effect of independence from government (or dependence on government)?
- (3) Do those factors have effects on organizational cultures and governance?