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CONTENTS

Operational Status and Governance Structure of Non-Profit, Public welfare Corporations

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Abstract

In this study, the governance structures of non-profit, public welfare corporations were empirically analyzed. Major findings were as follows: first, the non-profit, public welfare corporations held 3.5 BOD meetings in a year, in average - the BOD meetings were not held quarterly. Also, the roles of BOD were limited to deciding strategies and approving budgets and settlements - BODs did not fully understand the missions of organizations or play any important role in monitoring and evaluating the performances of secretariats. Second, the BODs were formed by 9 directors in average, and the number grew in proportion to the growth of expenditure on the corporation's originally intended projects. The privately founded public benefit corporations had the largest BODs (10.3 directors in average), while the public welfare corporations founded by for-profit corporations had the smallest BODs (6.9 directors in averages). Third, 14% of the directors were women. The directors in their 50s ~ 60s took 90.7% share. Fourth, the new directors were appointed by: the recommendation of BOD in 67% of cases; the recommendation of Chairman of BOD in 22% of cases; the public announcement for external experts in 4% of cases; and other means in 7% of cases. In 91% of BODs, the directors were allowed to be reelected; 4% had no terms; 4% imposed the single-term; and 1% allowed consecutive terms of service. Fifth, the governance structure had no effect on the financial performance of non-profit, public welfare corporations. Lastly, the number of training sessions the BOD members were given had positive effect on: whether there was a code of ethics; whether contravention of the code of ethics was punished; and whether the organization issued the annual report. The more often the directors were trained, the more transparent the non-profit, public welfare corporation became.

Keywords: non-profit, public welfare corporations; governance structure; BOD; transparency

1. Introduction

This study aimed to analyze the non-profit, public welfare corporations based on extensive amount of actual proof. Studying governance structure of non-profit, public welfare corporations is especially important, because a good governance structure is essential to making decisions appropriate for the organization's purpose. The governance structure refers to a structure by which an organization makes its decisions. In case of for-profit corporations, the mechanisms (that are related to the corporations' decision-making on the ownership structure, BOD, shareholders' meeting, remuneration for executives, etc.) are collectively referred to as the corporate governance.¹⁾ The for-profit corporations that are listed in stock exchange markets are mandated to disclose a broad scope of information related to governance structure, and violation of such mandate is severely punished. Chae, Eun-kyeong (2005) theoretically reviewed the governance structures of non-profit organizations and studied the examples. She deemed the BOD and those who were responsible for business execution ("executives") as two major axes of governance structure. Under such governance structure, the BOD is responsible for making decisions on corporate plan, operation, budget and approvals, and the executives are entrusted with and execute such responsibilities. In such structure, the BOD is usually located on top of a pyramid, the field workers in the bottom, and the executives in the middle. Major roles of the BOD are: 1. legal and fiduciary obligations to the organization; 2. establishing policies and supervising the services and programs the organization provides; 3. supervising the finances of the organization; 4. appointing, evaluating and dismissing the executives; and 5. carrying out the public relationship activities. In summary, it seemed that the non-profit corporations were generally governed by the secretariat (or the executives) and the BOD. However, whether such assumption was true had not been proven by large amount of data. Identifying how non-profit organizations actually made decisions and what problems existed in the decision-making processes were parts of this study. This study focused on the BOD, an element of governance structure of non-profit, public welfare corporations. However, it did not limit its scope thereto.

The governance structure of an organization is directly related to the transparency of the organization. For the for-profit corporations, 'improving governance structure' often means 'making the corporation more transparent.' Here, the transparency means the transparency in terms of decision making and access to information. Lastly,

1) According to Monks and Minow (2011), the corporate governance structure is the structure of listed corporations and the decision-making mechanism. From a narrow perspective, it means a method by which the investors are guaranteed certain rate of return on their investments. (Shleifer and Vishny, 1997)

the transparency is also related to the corporation's management ethics. In general, when a corporation improves its transparency, its corporate value and reputation get improved. Such improvement lead to economic return later, such as increased stock price and decreased financing cost in capital market. For the non-profit, public welfare corporations (which do not pursue profit) the matter of transparency is just as important, because the fundamental activities of such corporations are to receive donations and use them for public welfare, all based on the trust. For the non-profit, public welfare corporations, a bad governance structure can jeopardize the very foundation of their existence.

It is a generally accepted understanding in the academia that the for-profit corporations (especially the listed ones) with good governance structures make good decisions and their corporate values are positively affected by such governance structure. Since there are so many studies related to such understanding, it would not be necessary to refer to any of them. In the U.S., the following studies were conducted regarding the relationship between governance structure (especially the BOD) and performance of non-profit organizations: Chait, Holland and Taylor (1991) surveyed 200 non-profit organizations to theoretically explain how the BODs can affect the performances of non-profit organizations. Herman and Renz (1999, 2000) and Stone and Cutcher-Gershenfelt (2001) suggested that there was positive correlation between the efficiency of non-profit organization and the efficiency of BOD thereof. Brown (2005) introduced numerous studies related to the relationships between performances of non-profit organizations and their BOD, and suggested that generally there was positive correlation between the two entities. Regarding the indices on the performance of non-profit organizations, the study used total revenues and donations as financial indices and the result of self-evaluation as a subject index.

In Korea, there are following studies on the governance structure of non-profit, public welfare corporations (in this study, the scope of Korean study was not limited to the relationship between the governance structure and performance of non-profit organizations, because there were not many enough studies thereon): Kim, Joon-gi (1998) listed many theories on foundation and behavior of non-profit organizations and proposed a general theory on non-profit organizations based thereon. Roh, Yeon-hee (2003) studied Korean social welfare service organizations and analyzed whether there was any relationship between the effectiveness of organization and the BOD. In this study, it was found that the Korean BODs did not have as significant role as those of the U.S. BODs. Jeong, Gu-hyeon (2003) made some theoretical claims on the governance structure of non-profit organizations, especially on the BOD. He claimed that the BOD was important for non-profit organizations, because the non-profit organizations had no shareholders or were not regulated by the market, and proposed that: the training for BOD members must be strengthened; the way that BODs appoint chief executive officer of non-profit organizations must be improved; the auditing role of BODs must be strengthened; and the government must supervise the non-profit organizations more strongly. Ha, Seung-soo and Kim, Hyun-soo (2007) proposed how the laws on governance structure of Korean public welfare corporation could be improved. They claimed

that the social welfare corporations must adopt open-type BOD and assign a more practical role to their auditors. Lee, Tae-soo (2008) studied the cases of decision-making system and governance structure of Community Chest of Korea. He studied mutual relationships between the BOD, the secretariat, the execution committees and the donors, and proposed that the execution committees should make up for what the BOD could not do and the secretariat should have stronger powers.

Lee, Seung-hee (2010) and Lee, Soo-jeong (2013) studied the public welfare corporations of Chaebols to find out how much stocks (of their affiliated companies) they owned, their assets and revenue structures and how their BODs were composed. They claimed that the Chaebols' public welfare corporations owned stocks of many affiliated companies and played certain roles within the complex picture of ownership and governance structures of Chaebols (such as owning stocks of holding companies and the companies that act as holding companies of Chaebols).²⁾

In summary, there are Korean studies that establish theories or make claims regarding the governance structures of or analyze some cases related to the non-profit, public welfare corporations. Of those studies, the studies that analyzed a large amount of data were the ones that focused on the roles of Chaebols' public welfare corporation. There was no study in Korea which generally approached the governance structure of non-profit, public welfare corporations based on large amount of data - this study did.³⁾

The study of Brown (2005) was the theoretical point where the design of this study started. He suggested three indices that could measure the efficiency or capacity of BOD, and the first one was the Agency Theory. The most important role of BOD is to monitor the management. Olson's study (2000) illustrated this point very well. He proved that the size of BOD, average term of BOD members and business experiences of BOD members positively affected the financial performances of non-profit organizations (i.e. total revenue and amount of donation). Callen, Klein and Tinkelman (2003) also showed that a non-profit organization's financial performance improved when the major donors were members of BOD. Second one was the Resource Dependency Theory. This theory emphasized the importance of personal and relational capitals (i.e. networks) of BOD. Hillman and Dalziel (2003) analyzed how BODs: linked the non-profit organizations and the major donors; provided professional skills to non-profit organizations; and suggested strategic directions to non-profit organizations. The study of Herman and Renz (2000) was one of the studies that applied the Resource Dependency Theory to non-profit organizations with actual proofs. Last one was the Group Decision-making

2) Kwak, Kwan-hoon (2015) studied about regulations on the Chaebols' public welfare corporations holding stocks of their affiliated companies.

3) 'A Better Tomorrow' (<http://futurechosun.com/>) did analyze the issue based on a large amount of data, but it was rather a special report article than a study.

Theory. This theory focused on how decisions were made inside the BODs and the BOD members interacted. Thus, this theory focused on the diversity of BOD members, in terms of gender, race, professional background, etc. This theory also focused on the levels education or professional capability development of the BOD members. One of the most well-known positive studies hereon was that of Herman, Renz and Heimovics (1997).

The standards on how the governance structures of non-profit organization would be studied were prepared for this study. When studied the information provided by Guide Star Korea (<http://www.guidestar.or.kr/main/main.asp>), only 43% of non-profit, public welfare corporations had their official websites. The public disclosure list of National Tax Service disclosed a portion of information related to non-profit, public welfare corporations of which assets were KRW 500 million or larger or revenues were KRW 300 or larger. However, it was not enough for the analysis contemplated hereunder. Thus, the standards for survey was set based on the surveys (on the non-profit organization) used by foreign researchers.⁴⁾ Thereafter, Korea Research was asked to conduct a survey on 1,259 corporations. Information from 319 corporations were finally collected, information from 7 corporations established by Korean government were excluded, and the information from 317 non-profit, public welfare corporations were used as the final samples of this study. Other information on non-profit, public welfare corporations that were required in addition to the survey were provided by Guide Star Korea. Only the BODs of incorporated foundations were studied, when studied the governance structure, because the incorporated associations did not have BODs, but the general meetings.

Major findings from this study, and suggestions on operation of non-profit, public welfare corporations were as follows: first, non-profit, public welfare corporations held 3.5 times of BOD meetings per year, in average. While those of the U.S. held BOD meetings 7.3 times per year, in average, those of Korea did not hold the meetings quarterly. Also, the roles of BOD were limited to deciding strategies and approving budgets and financial statements - BODs did not fully understand the missions of organizations, or played any important role in monitoring and evaluating the performances of secretariats. Among the items Korean BODs discussed at their meetings, those related to the organizations' missions and visions took 55% and those related to evaluating the secretariats' performances took the lowest share of 23%.⁵⁾ In the U.S., the members of BOD were evaluated mainly on their understanding in the mission of their organizations (87%) and their evaluation of the CEO (52%). The status and role of BOD (as the major governing body) must be strengthened

4) Board Self-Assessment for Nonprofit Organizations: sample survey website (https://boardsource.co1.qualtrics.com/jfe/form/SV_3frZ8URT9gz4yh) and Leading with Intent: A National Index of Nonprofit Board Practices, (<http://leadingwithintent.org/>)

5) Other grounds related thereto are as follows: The approximate shares of BOD (the decision-making rights) in non-profit, public benefit corporations are: 33% in terms of "establishment of strategies and works related thereto"; 25% in terms of "establishment, spending and settlement of budget"; and 20% in terms of "ordinary, annual works." The overall share of BOD is not high, and the share of strategy establishment and budget-related issues is relatively high. However, other claims can be made when the scope of BOD is extended to the chairman of BOD and the secretariat.

Second, the BODs were formed by 9 directors in average, which was smaller than the average size of the BODs in the U.S., which was 15. Also, the size of BODs grew in positive proportion to the expenditure on the corporation's originally intended projects. When compared the sizes of BODs per type of founder, the privately founded public welfare corporations had the largest BODs (10.3 directors in average), while the public welfare corporations founded by for-profit corporations had the smallest BODs (6.9 directors in averages). It cannot be claimed that the size of BODs in Korea should be enlarged because it is smaller than that of the U.S., because the size of BOD positively grows in proportion to the size of organization, and the sizes of non-profit, public welfare corporations in the U.S. are likely to be greater than those in Korea. Also, the size of BOD in the U.S. are decreasing. If the BODs are to be improved, they should be improved in terms of their composition and performance, rather than their appearances (such as their sizes).

Third, the BODs had 8 male and 1.3 female members, in average. The share of female BOD member was 14%. This trend was significantly different from that of the U.S. In the U.S., the share of female BOD member was whopping 48%. There were 8 BOD members (in average) in their 50s to 60s, which took the majority share. The share of BOD members in their 50s to 60s reached 90.7%. The same in the U.S. reached approximately 57%. In terms of professional background of BOD members, current or former businessmen took the largest share (3.3 persons, 38.1%), followed by current or former college professors (2.3 persons, 25.6%), licensed professionals (such as lawyers, medical doctors, accountants, etc., 1.1 persons, 12.3%), and those employed by civil organizations (0.7 person, 7%). The Korean BODs were significantly biased in terms of gender diversity, when looked at from the perspective of diversity (which was one of the major evaluation criteria). No assertive suggestion can be made in terms of professional diversity, because the cases of Korea and the U.S. cannot be compared in apple to apple basis.

Fourth, in terms of composition of BOD, the new directors were appointed by: the recommendation of BOD in 67% of cases; the recommendation of Chairman of BOD in 22% of cases; the public announcement for external experts in 4% of cases; and other means in 7% of cases. In terms of appointment method, it seemed that the recommendation by chairman of BOD took a large share.⁶⁾ There may be advantages of the chairman and the members of BOD becoming a homogeneous group (such as successful cooperation and communication). However, it certainly poses the risk of the members not being able to check the chairman or the two parties implicitly colluding. In Korean non-profit organizations, the chairmen of BODs had 15 to 30% of decision-making authority. Thus, checking the acts of BOD chairmen should be one of the main functions of BODs. In

6) 'By the recommendation of BOD' is 67%, which is not so easy to say whether it is appropriate or not, because it is the general method. If the recommendation of BOD makes the composition of BOD excessively homogeneous, an alternative could be to create a recommendation committee and mandate the committee to have a certain number of outsider as the committee member.

91% of BODs, the directors could be reelected; 4% had no terms; 4% imposed a single-term; and 1% allowed consecutive terms of service.⁷⁾ In the U.S., 41% of BODs allowed their members to hold office for 2 consecutive terms and 28% posed no limit on serving consecutive terms. (An apple to apple comparison of these matters would be impossible also.) It is becoming a norm to limit the term. Limiting the term also has advantages and disadvantages. While it can avoid monopolization of BODs and allow new persons to become members, the continuity of business can be jeopardized and the members of BOD will not be able to understand the businesses of their non-profit organizations as well as they should. It seemed that the average term of office for BOD members of Korean non-profit incorporated foundations (which was 2.9 years) was not so long. However, placing limits on the terms in consideration of circumstances of foundations should be considered.

Fifth, a regression analysis was conducted to find out how the governance structure (especially the BOD) and other characteristics of non-profit, public welfare corporations affected the performances of non-profit, public welfare corporations. Total revenue and donations were used as performance indices, and subjective performance evaluation index was used, because it was not available.⁸⁾ According to the regression analysis, no BOD variable had any meaningful impact on performance. This is significantly different from the result of same analysis done on the U.S. organizations. In the U.S., various aspects of BOD and performance of non-profit, public welfare corporations were correlated. This proved that the Korean BODs did not play any significant role. It would be irrational to expect the BODs to have any impact on the performance of non-profit, public welfare corporations, under the circumstances where their BODs do not provide advices on, monitor or evaluate the general business management, the executives or the secretariat thereof. The subjective evaluation was not adopted in this study as the index of evaluating performance of non-profit, public welfare corporations - the future studies should.

Lastly, this study reviewed the transparency of non-profit organizations. Before anything else, what caused the non-profit, public welfare corporations to have codes of ethics was reviewed. Probability of having no codes of ethics was higher in the non-profit, public welfare corporations founded by the private sector than in those founded by others than the private sector, for-profit corporations or the owners of such corporations. When studied about what caused non-profit, public welfare corporations to impose penalties on violations of codes of ethics, the probability of imposing penalties was lower at the non-profit, public welfare corporations founded by the private sector or for-profit corporations than at those founded by others than the private sector, for-profit corporations or the owners of such corporations. The larger the size of public welfare corporation was, the

7) Serving for 'consecutive terms' refers to 'be repeatedly appointed to a position which has a set period of service,' and being 'reappointed' refers to 'be repeatedly appointed to a position which has no set period of service.'

8) Whether the total revenue and donations are appropriate as the indices of performance of non-profit, public benefit corporations is being discussed, because they are closely related to the size. One of the subjects of future studies is to create a subjective performance index that can replace the total revenue and donations.

greater the possibility of imposing penalties became. The only characteristic of BOD that affected transparency of BOD was the number of trainings given to the members of BOD. How many times the members of BOD were given trainings positively affected: whether there was a code of ethics; whether contravention of the code of ethics was punished; and whether the organization issued the annual report. The more often members of BOD were trained, the more probable it became that: there was a code of ethics; contravention of the code of ethics was punished; and the organization issued the annual report. This showed that training the members of BOD could work as a positive factor that caused the members of BOD to understand their organizations better, and the better understanding strengthened the transparency of organization. When they evaluate the BODs in the U.S., they tend to put a greater emphasis on how well the BOD understand their organizations. This means that the better the organization's BOD members understand the organization's mission, the more likely the overall performance of an organization to be improved.

The major findings that could clearly be compared against the U.S. cases were as follows: the number of BOD meetings in Korea was notably smaller than that in the U.S. In terms of gender diversity, the number of female BOD members in Korea was far smaller. The Korean BODs did not monitor or evaluate the mission, vision and executive units of their organizations as much as they should. Many Korean BODs placed no limit on the term of BOD members. When compared the cases of Korea to those of the U.S., the Korean BODs should: hold meetings more often and have more diverse make-up by increasing the number of female members. BODs must discuss about missions and visions of non-profit, public welfare corporations more robustly and strengthen their monitoring and evaluation of execution units. Lastly, organizations should consider introducing systems that will prevent excessive reappointments.

This study made the following contributions: first, this study was the first full-scale study on governance structures of non-profit organizations in Korea. Because there were no precise data on the governance structure of non-profit organizations in Korea, the data gathered by this study alone will have a significant effect. Second, this study can help researchers and general public (who study the matters related to and who are interested in donations) with its analysis of subjects meaningful to them. I hope this study will be regarded as valuable information and cited by many researchers and the press. Third, this study can provide guidelines on governance structure to Korean non-profit organizations. In many cases, there are model standards on governance structure for for-profit corporations, especially the listed corporations. Although they are not legally mandated, the standards are regarded as a kind of best practice to which corporations refer to when they design their governance structures. I suggest that the regulator actively consider establishing governance structure guidelines for the non-profit organizations based on this study. Lastly, the government will be able to establish its policies on non-profit organizations based on this study. The government may have to approach the matters related to governance structure through its policies, because organizations make their decisions according to their

governance structures.

This study has the following limits: only the BODs of incorporated foundations were studied, when analyzed the BODs of non-profit, public welfare corporations, because the general meetings were the highest decision-making bodies in most of the incorporated associations. However, organizations make decisions through entities with various names, such as the steering committee or the BOD (that exist within them), because it is practically impossible for the general meeting to make all decisions. This study lacks a deeper study into this matter. Also, the concept of executives (in case of the U.S. organizations, the CEO) is complex. Some organizations have a two-track structure of the executives and the BOD, and some other organizations have standing directors under their BODs, who concurrently hold the positions of the executives and the directors. There are also organizations of which chairmen of BOD function as full-time executives. An in-depth study on each case should be conducted in the future. Lastly, the incorporated foundations should be analyzed after separating them into the public charity (which was founded by a large number of contributors) and the private foundations (which was founded by a small number of contributors), and such separation was not made in this study.

2. Data

A. Data Construction

The data by which public welfare corporations were analyzed was built in the following steps: 1. the list in 2015 National Tax Service (“NTS”) Disclosure was used. Educational foundations and medical foundations were excluded from such list, because they were not the same as public welfare corporations in terms of operation and corporate nature. Public organizations were also excluded. In conclusion, those organizations listed in the aforementioned Disclosure and founded as prescribed by Social Welfare Services Act (check box code 07), Culture and Arts Promotion Act (check box code 09) and other Acts (which were established based on the Civil Act, check box code 99) were studied herein. Among the social welfare corporations, the nurseries (that were classified as facility operation corporations) were also excluded.

2. Respectively in terms of donations, assets and original-purpose expenditures, 2,000 corporations were ranked, and redundant ones were excluded. As a result 3,476 corporations remained. The 3,476 corporations were re-classified under the following standards, and 1,259 of them were finally selected. In this process, facility operation corporations, organizations founded and operated by the government, religious corporations and vocational schools (among the social welfare corporations) were excluded.

3. Korea Research was asked to survey the 1,259 corporations regarding their governance structures and other variables. (See the Appendix for the questionnaire.) As a result, data on 319 corporations were finally gathered. Data on 7 corporations that were established by the government were excluded, and the data on 317 non-profit, public welfare corporations were used as the final samples of this study. Other information on non-profit, public welfare corporations that were required in addition to the survey were gathered from Guide Star Korea.⁹⁾

9) Unless cited otherwise herein, the sources of data are the Korea Research survey. The data gathered from Guide Star Korea are appropriately indicated of its origin.

B. Descriptive Statistics of Data

Table 1: Classification of Non-profit, Public Welfare Corporations per Founder

Founders	Observed value	Ratio (%)
Private sector (excluding for-profit corporations)	224	71.79
For-benefit corporations	37	11.86
Owners of for-profit corporations	30	9.62
Others	21	6.73
Total	312	100

The overall composition of sample was as follows: when classified the non-profit, public welfare corporations according to their founders, 224 of them (72%) were founded by the private sector (excluding the for-profit corporations). 37 of them (12%) were founded by for-profit corporations (excluding their owners), 30 of them (10%) were founded by the owners of for-profit corporations, and 21 of them (7%) were founded by others (such as private-public joint founders, etc.).

Table 2: Classification of Non-profit, Public Welfare Corporations per Form

Founders	Observed value	Ratio (%)
Incorporated Associations	112	36.96
Incorporated Foundations	159	52.48
Approved Organizations	5	1.65
Others	27	8.91
Total	303	100

When separated the corporations according to their forms (as provided by Guide Star Korea), 159 of them (52%) were incorporated foundations, 112 of them were incorporated associations, 27 of them were others and

5 of them were approved organizations. According to Leading with Intent (2017), 64% were charities, 8% were associations, 9% were foundations and 19% were others in the U.S.¹⁰⁾

Table 3: Classification of Non-profit, Public Welfare Corporations per Project Location

Project Locations	Observed Value	Ratio (%)
Korea	221	73.91
Korea & Overseas	67	22.41
Overseas	11	3.68
Total	299	100

When separated by project locations (according to the applicable data provided by Guide Star Korea), 221 organizations (74%) were engaged in their projects only in Korea; 67 of them (22%) both in Korea and overseas; 11 of them (4%) only in the overseas. 39% of non-profit, public welfare corporations in the U.S. were engaged in their projects only in their local areas; 36% in their states; 14% for the entire nation; and 7% only in the overseas.

10) It was a survey on the non-profit organizations in the U.S. Since all comparisons herein were made based on this survey, the fact that this was the source of information will not be cited any further.

Table 4: Years of Foundation and Sizes of Non-profit, Public Welfare Organizations

	Observed Value	Average	Median Value	Minimum value	Maximum Value	Standard Deviation
Year of Foundation	303	2000	2005	2015	1948	12.75 yrs.
Total Asset (incl. original-purpose projects and for-profit projects)	303	KRW 15,464,890,000	KRW 2,205,820,000	KRW 1,277,410,000	KRW 617,000,000,000	KRW 60,210,030,000
Total Revenue (incl. original-purpose projects and for-profit projects)	303	KRW 5,154,750,000	KRW 762,810,000	KRW 8,770,000	KRW 579,000,000,000	KRW 36,001,970,000
Donations	244	KRW 4,086,210,000	KRW 368,790,000	KRW 480,000	KRW 523,000,000,000	KRW 35,808,130,000
Money Spent on Original-purpose Projects (which was equivalent to the sales)	296	KRW 4,867,380,000	KRW 607,950,000	KRW 69,400	KRW 676,000,000,000	KRW 41,666,510,000
Total Full-time Employees	312	14.94	4	0	730	54.07
Salary (before tax)	312	KRW 23,003,400	KRW 25,000,000	KRW 0	KRW 100,000,000	KRW 16,106,800

(According to the information provided by Guide Star Korea,) the oldest one was founded in 1948, the youngest one was founded in 2015. Average was 2000 and median value was 2005.¹¹⁾ (According to Guide Star Korea,) the value of total asset (including the original-purpose and for-profit projects) was KRW 15,464,890,000, and its median value was KRW 2,205,820,000. Total Revenue (including those from original-purpose and for-

11) The median values are used when the average values do not appropriately represent the group under the characteristics of distribution.

profit projects) was KRW 5,154,750,000 and its median value was KRW 762,810,000.¹²⁾ The average donation was KRW 4,086,210,000, and its median value was KRW 368,790,000. The money spent on original-purpose projects (which was equivalent to the sales) was KRW 4,867,380,000 in average, and its median value was KRW 607,950,000. The median value of total full-time employees was 4. Among the 4, 4 were regular employees, and none were non-regular employees. This was not so different from the data provided by Guide Star Korea (which said 3). The median value of how many years the regular employees worked for the organizations was 4. The median value of annual salary (before tax) for the employees of non-profit, public welfare corporations was approximately KRW 25,000,000.

12) Although it cannot be accurately compared to the cases of the U.S., the median value of annual operating budget was more than KRW 1 billion. In Korea, it was approximately KRW 760,000,000.

3. Empirical Analysis

A. Statistical Analysis

This study made its analysis focused on the governance structure of non-profit, public welfare corporations. First, we shall look at the matters related to ethics.

Ethics

Table 5: Whether the Codes of Ethics was Stipulated

Whether the Codes of Ethics was Stipulated	Observed Value	Ratio (%)
Yes	206	66.03
No	106	33.97
Total	312	100

Table 6: Accessibility to Codes of Ethics

Accessibility to Codes of Ethics	Observed Value	Ratio (%)
Kept to the inside the organization	153	74.27
Disclosed to the public	53	25.73
Total	206	100

Table 7: Introduction of Codes of Ethics

Introduction of Codes of Ethics	Observed Value	Ratio (%)
Employees declared in writing that they would comply with the codes of ethics	47	22.82
Employees did not declare in writing that they would comply with the codes of ethics	159	77.18
Total	206	100

206 non-profit, public welfare corporations (66% of all samples) said that they had written codes of ethics. In case of the U.S. ones, 59% had written codes of ethics. However, 94% of non-profit, public welfare corporations in the U.S. had regulations related to conflict of interest.

74% said that they kept their codes of ethics to themselves without disclosing them to the public. 23% said that they had their employees make written declaration (that they would comply with the codes of ethics). In many organizations, the codes of ethics existed for nominal purpose. 85% of the same organizations in the U.S. asked the members of BOD to make written declarations that they would comply with the organizations' rules on conflict of interest.

Table 8: Codes of Ethics Compliance Monitoring

Codes of Ethics Compliance Monitoring	Observed Value	Ratio (%)
Monitored	121	38.78
Not Monitored	191	61.22
Total	312	100

Table 9: Punishment for Violation of Codes of Ethics

Violation of the Codes of Ethics was	Observed Value	Ratio (%)
Punished	150	48.08
Not Punished	162	51.92
Total	312	100

Only 39% of all non-profit, public welfare corporations answered ‘yes,’ to the question, ‘do you monitor whether the codes of ethics are violated?’ This allows us to infer that the codes of ethics did exist, but did not actually function in many cases, when considered that 66% said that they had written codes of ethics. 48% said that they had written rules on punishment for violation of codes of ethics. This was also short of 66% which has written codes of ethics.

Disclosure of Information

Table 10: Whether the Annual Reports were Published

Annual Reports were	Observed Value	Ratio (%)
Not Published	127	40.71
Published (and distributed only on-line)	47	15.06
Published (and distributed only off-line)	50	16.03
Published (and distributed both on and off line)	88	28.21
Total	312	100

Table 11: Whether an On-line Newsletter was Published

On-line Newsletter was	Observed Value	Ratio (%)
Published	109	34.94
Not Published	203	65.06
Total	312	100

Table 12: Whether an Off-line Newsletter was Published

Off-line Newsletter was	Observed Value	Ratio (%)
Published	92	29.49
Not Published	220	70.51
Total	312	100

Table 13: Whether there was an Official Website

Had an Official Website	Observed Value	Ratio (%)
Yes	130	42.90
No	173	57.10
Total	303	100

When analyzed whether organizations published the annual reports (which was a basic act of disclosing information), 127 of them (41%) said that they did not. 88 organizations (28%) said that they published the annual reports and disclosed them through both on and off-line channels (which could be regarded as the best practice). 109 organizations (35%) said that they published on-line newsletters, and 92 (30%) said that they published off-line newsletters. (According to the information provided by Guide Star Korea,) 130 organizations had official websites (which could be regarded as another basic act of disclosing information), while 173 (57%) did not.

Table 14: Degree of Information Disclosure

Information	Officially disclose to public	Disclose upon request	Not disclosed	Such information is not available
Financial information (financial reports)	264 (85%)	31 (10%)	13 (4%)	4 (1%)
Information related to the progress of projects	96 (31%)	132 (42%)	50 (16%)	34 (11%)
Information related to the evaluated performances of completed projects	96 (31%)	127 (41%)	44 (14%)	45 (14%)
List of BOD members	191 (61%)	91 (29%)	20 (6%)	10 (3%)
External audit report	148 (47%)	83 (27%)	19 (6%)	62 (20%)
BOD meeting minutes	63 (20%)	150 (48%)	81 (26%)	18 (6%)
List of major decision-making committees	65 (21%)	119 (38%)	63 (20%)	65 (21%)
Meeting minutes of major committees	37 (12%)	129 (41%)	79 (25%)	67 (21%)
Internal audit report	93 (30%)	124 (40%)	58 (18%)	37 (12%)
Audit report on donated funds and materials and use of such funds and materials	183 (59%)	70 (22%)	17 (5%)	42 (13%)

The followings could be identified when analyzed the types of information disclosed and the degree of disclosure. The degree of disclosure was classified into: ‘officially disclose to public’; ‘disclose upon request’; ‘not disclosed’; and ‘such information is not available.’ In overwhelmingly many cases, the financial information was officially disclosed to the public. Also, many organizations officially disclosed their BOD member lists and audit reports (on donated funds and materials and use of such funds and materials). However, in the cases of disclosing BOD meeting minutes, lists of major decision-making committees, meeting minutes of major

committees and internal audit reports, ‘disclose upon request’ took the largest share of answers. (Although this also cannot be compared with the cases of the U.S. organizations in apple to apple basis,) 83% of the U.S. organizations were audited by external auditors. When speculated the case in Korea based on the results of survey, 80% seemed to have been audited by external auditors, because 20% chose ‘such information is not available.’ 38% said that they disclosed their Form 990s (a form used to report an organization’s financial status to the Internal Revenue Service of U.S.) through their official websites, and 29% said that they disclosed their financial statements through their official websites. 85% of Korean organizations said that they officially disclosed their financial information to the public. However, an appropriate comparison could not be made, because it was not clear what did this rate exactly mean.¹³⁾

BOD

Before analyzing the matters related to BOD in detail, we shall roughly review the channels through which the stakeholders of non-profit, public welfare corporations affected the decision-making.

Table 15: Whether There was a Channel through which Stakeholders could Affect the Decision-making

	BOD	Donor	Member	Beneficiary	Volunteer	Employee
Yes	99%	21%	39%	22%	15%	40%
No	1%	79%	61%	78%	85%	60%
Total	100%	100%	100%	100%	100%	100%

Basically, BODs have channels through which they affect the decision-making. It appeared that approximately 40% of the employees had a channel. However, it was also found that donors and members did not have any channel through which they could affect the decision-making. This showed a clear difference (in terms of having any influence on decision-making) between the donors and members of non-profit organizations and the shareholders of for-profit corporations, even though their statuses are similar.

13) According to the applicable Act, the non-profit, public welfare organizations (including the foreign designated donation organizations) must annually disclose their financial records (on collected donations and money spent on their projects) of a year on their official websites and the website of National Tax Service no later than March 31 of the following year. In this case, the disclosure on the website of National Tax Service must be made using the Statement of Collected Donations and Used Funds, as prescribed by the Ordinance of Ministry of Strategy and Finance (Paragraph 5, Article 18-2 of the Regulation).

Table 16: Decision-making Power Distribution

	Chairman of BOD	BOD	Secretariat	Employees
Practical affairs related to strategy-building	22.37%	33.38%	27.23%	17.02%
HR management (hiring and promotion)	30.72%	24.99%	31.74%	12.55%
Planning and execution of budget and settlement	17.53%	35.27%	27.01%	10.79%
Routine works	15.35%	20.21%	36.04%	37.82%

Let us examine the quantified roles BODs play in non-profit, public welfare corporations. BODs had the following rates of decision-making powers: 33% in terms of “establishment of strategies and works related thereto”; 25% in terms of “establishment, spending and settlement of budget”; and 20% in terms of “ordinary, annual works.”

Table 17: Size of BOD

	Observed Value	Average	Median Value	Minimum Value	Maximum Value	Standard Deviation
Size of BOD (including registered and non-registered directors)	312	11.63	10	2	110	9.40
Size of BOD (incorporated associations)	112	14.80	11.5	2	110	13.43
Size of BOD (incorporated foundations)	159	9.07	8	2	25	4.08

The median value of size of BOD was 10. The same median value found by Guide Star Korea was 9 - there was no significant difference. However, there were problems, such as the maximum value reaching 110. It seemed that the difference in definition of BOD by incorporated association and incorporated foundation was the cause thereof. The BODs of incorporated associations were more like general meetings, rather than traditional BODs. 112 samples in this study were incorporated associations - while incorporated associations had median value of 12 and average of 15, most of the cases that had maximum value of 110 were incorporated associations.

Incorporated foundations had median value of 8, average of 9 and maximum value of 25, in terms of the size of BOD. Thus, only the data related to incorporated foundations was used hereafter, when analyzed the BOD. In the U.S., the size of BODs were 15 persons large. However, the size is decreasing over time. There were 19 persons in average in 1994, and 16 in average in 2007.

Table 18: Size of BOD per Type of Founder: Incorporated Foundations

	Observed Value	Private Sector	For-benefit Corporations	Owners	Others
Spending on Public welfare Projects	KRW 3,392,160,000	KRW 4,238,770,000	KRW 4,403,490,000	KRW 701,870,000	KRW 1,454,780,000
Size of BOD	9.1 persons	10.3 persons	6.9 persons	7.3 persons	9.7 persons
Observed Value	159	87	31	27	14

When compared the sizes of BODs per type of founder, the privately founded public welfare corporations had the largest BODs (10.3 directors). Meanwhile, the public welfare corporations founded by for-profit corporations had the smallest BODs (6.9 directors in averages).

Table 19: BOD Membership - Gender Mix

	Observed Value	Average	Median Value	Minimum Value	Maximum Value	Standard Deviation
Male	159	7.78 (86%)	7	0	22	3.89
Female	159	1.29 (14%)	1	0	15	1.89

Table 20: BOD Membership - Age Mix

	Observed Value	20s	30s	40s	50s	60s
Age Mix	159	0.006 person (0.03%)	0.08 person (0.9%)	0.65 person (8.4%)	3.16 persons (35.3%)	5.17 persons (55.4%)

Table 21: BOD Membership - Profession

	Observed Value	Average	Minimum Value	Maximum Value	Standard Deviation
Current/former Businessman	159	3.32 (38.1%)	0	22	3.60
Current/former Professor	159	2.25 (25.6%)	0	13	2.58
Licensed Professional (lawyer, medical doctor, etc.)	159	1.14 (12.3%)	0	13	1.95
Man of Religion	159	0.35 (3.2%)	0	12	1.39
Employee of Civil Organization	159	0.74 (7%)	0	13	1.93
Others	159	1.27 (13.7%)	0	15	2.79

Let us look at the gender mix of BOD membership. Male showed median value of 7 persons and average of 8, while female showed median value of 1 and average of 1.3. The share of female BOD member was 14%. This trend was significantly different from that of the U.S. In the U.S., the share of female BOD member was whopping 48%. In average, those in their 50s (3 persons) to 60s (5 persons) took the majority share. The share of BOD members in their 50s to 60s reached 90.7%.¹⁴⁾ The same in the U.S. reached approximately 57%. In terms of professional backgrounds of BOD members, current or former businessmen took the largest share (3.3 persons, 38.1%), followed by current or former college professors (2.3 persons, 25.6%), licensed professionals (such as lawyers, medical doctors, accountants, etc., 1.1 persons, 12.3%), and those employed by civil organizations (0.7 person, 7%).¹⁵⁾

14) A Better Tomorrow (The Chosun Ilbo, Aug. 16, 2016, <http://futurechosun.com/archives/15518>) showed a result similar to that of this study. Those in their 60s took 37.64%; 50s took 32.39%; 70s took 18.93%; and 40s took 7.33%. Those in their 30s took only 0.33%. The share of female members was 11.5%, which was not so different from the data herein (which was 14%).

15) The result of analysis herein was different from that of "[A Better Tomorrow] When looked at 1,000 directors of leading Korean public welfare corporations... most of them came from the academia and the business circle." (A news article of Chosun Ilbo dated July 19, 2016 (http://news.chosun.com/site/data/html_dir/2016/07/18/2016071801969.html)) The news article analyzed top 100 public welfare corporations in terms of donations gathered in one month of June, and 28.77% came from the academia; 21.17% came from economic/business circle; 11.76% were men of religion; and 7.53% were from legal professionals.

Table 22: Gender Mix of BOD per Type of Founder: Incorporated Foundations

	Observed Value	Private Sector	For-benefit corporations	Owners	Others
Ratio of Female BOD Members	14.5%	15.6%	14.1%	11.2%	14.5%
Observed Value	159	87	31	27	14

Table 23: Portion of BOD Members in Their 60s per Type of Founder: Incorporated Foundations

	Observed Value	Private Sector	For-benefit corporations	Owners	Others
Portion of BOD Members in Their 60s or older	55.4%	58.1%	50.6%	53.4%	52.3%
Observed Value	159	87	31	27	14

The BODs of incorporated foundations founded by private sector had the highest rate of female members, 15.6%. Those that were founded by the owners of for-profit corporations had the lowest rate of 11.2%. The BODs of incorporated foundations founded by private sector had the highest rate of members in their 60s (58.1%), and those founded by for-profit corporations had the lowest rate of 50.6%.

Table 24: New BOD Member Appointment Method

	Observed Value	Ratio (%)
Recommendation by BOD	107	67
Recommendation by the Chairman of BOD	35	22
Public Recruitment for Related Experts	6	4
Others	11	7
Total	159	100

Table 25: Term of Directors

	Observed Value	Ratio (%)
None	7	4
Single-term	7	4
Multiple-term	144	91
Consecutive Term	1	1
Total	159	100

Table 26: Average Term of Chairman and Members of BOD

	Observed Value	Average	Median Value	Minimum Value	Maximum Value	Standard Deviation
Chairman of BOD (Total sample)	312	6.27 yrs.	4 yrs.	2 yrs.	39 yrs.	5.33 yrs.
Average Term of Directors (Incorporated Foundations)	159	2.87 yrs.	3 yrs.	1 yr.	4 yrs.	0.46 yr.

In terms of composition of BOD, the new directors were appointed by: the recommendation of BOD in 67% of cases; the recommendation of Chairman of BOD in 22% of cases; the public announcement for external experts in 4% of cases; and other means in 7% of cases. In 91% of BODs, the directors were allowed to be reelected; 4% had no terms; 4% imposed the single-term; and 1% allowed consecutive terms of service.¹⁶⁾ In the U.S., 41% of BODs allowed their members to hold office for 2 consecutive terms and 28% posed no limit on serving consecutive terms. (An apple to apple comparison of these matters would be impossible also.) It is becoming a norm to limit the term. The same rates were 63%, 68% and 72% in 1994, 2007 and 2017, respectively. And a whopping 61% imposed a 3-year term.

16) Serving for ‘consecutive terms’ refers to ‘be repeatedly appointed to a position which has a set period of service,’ and being ‘reappointed’ refers to ‘be repeatedly appointed to a position which has no set period of service.’

The median value and average term of chairman of BOD (in the entire samples including all non-profit corporations) were 4 years and approximately 6.3 years, respectively. The maximum value was 39 years. In case of incorporated foundations, the median value was 4 years and average was 7 years. The median value and average terms of incorporated foundations' BOD chairman were 3 years and 2.9 years, respectively.

Table 28: Frequency of and Participation in BOD Meetings

	Observed Value	Average	Median Value	Minimum Value	Maximum Value	Standard Deviation
Frequency of BOD Meeting	159	3.49 times	3 times	1 time	12 times	1.94 times
Participation in BOD Meeting	159	80.72%	80%	0%	100%	14.53%

Table 28: Preparation and Progress of BOD Meeting

	Strongly Yes	Yes	No	Strongly No
The secretariat provided BOD the required information for the meeting.	252 (81%)	56 (18%)	3 (1%)	1 (0.3%)
BOD members were well prepared for the BOD meeting.	158 (51%)	132 (42%)	21 (7%)	1 (0.3%)
Outcomes of BOD meeting were applied to the business practices.	176 (56%)	129 (41%)	6 (2%)	1 (0.3%)
There was enough time to discuss the items during the meeting.	153 (49%)	140 (45%)	18 (6%)	1 (0.3%)
The meeting was well focused on the strategies and policies.	132 (42%)	155 (50%)	22 (7%)	3 (1%)

Let us take a look at the frequency of BOD meetings. In 2016, BODs held 3.5 meetings in average. Which was short of 1 time per quarter. The average rate of participation by the directors was 81%. In case of the U.S., there were 7.32 meetings in average. Regarding the preparation and progress of BOD meeting, it appeared that the

secretariat provided sufficient information to BOD.¹⁷⁾ To the questions that asked whether the directors were prepared for meeting, the outcomes of meeting were applied to practical businesses, there were enough time for discussion and the meetings were focused on strategies and policies, the respondents answered ‘yes’ or ‘strongly yes’ in general.

Table 29: Whether There were Training Programs Exclusively for the BOD Members

	Observed Value	Ratio (%)
None	128	80
1 time	25	16
2 times	5	3
3 times or more	1	1
Total	159	100

Table 30: Whether There was an Annual Workshop for the BOD Members

	Observed Value	Ratio (%)
Yes	22	14
No	137	86
Total	159	100

Table 31: Whether the BOD Members were Paid to Attend the BOD Meeting

	Observed Value	Ratio (%)
Yes	65	41
No	94	59
Total	159	100

17) This was analyzed using the entire sample, not just the incorporated foundations. It was deemed that analyzing the preparation and progress of general meetings of incorporated foundations would be meaningful.

Table 32: Average Payment per Attendance

	Observed Value	Average	Median Value	Minimum Value	Maximum Value	Standard Deviation
Payment	159	KRW 388,800	KRW 200,000	KRW 10,000	KRW 3 million	KRW 541,500

When looked at providing training programs to the BOD members, 81% said that they provided no dedicated program, 16% said they did it 1 time, 3% said 2 times and only 1 % said that 3 times or more. 14% said that they held annual workshops for the BOD members and 86% said that they did not. 41% paid money to the BOD members in appreciation of their attendance to the meetings, which was smaller than those who did not pay (59%). Of those who paid such allowance, the median value of one payment was KRW 200,000. In case of the U.S., 37% had budgeted for the BOD member training. 1% paid wages to the BOD members, 1% paid money to the BOD members in appreciation of their attendance to the meetings, and 19% paid for the transportation fees.

Table 33: Rate of BOD Adopting the Items It Discussed

	Observed Value	Rate
Annual Budget / Settlement	159	97%
Annual Business Plan and Outcome	159	97%
The Organization's Mission and Vision	159	55%
The Articles of Incorporation and Regulations	159	78%
Strategies and Plans	159	71%
Evaluation of the Secretariat's Performance	159	23%
Appointment of External Auditor and Discussion of Auditing Results	159	63%
Evaluation of the Operation of BOD	159	33%

Table 34: Process of BOD Meeting Discussing Its Items

	Batch Approval after Reporting in Writing	BOD Approves upon Report, without Discussion	BOD Approves after Discussion
Annual Budget / Settlement	77 (25%)	33 (11%)	196 (64%)
Annual Business Plan and Outcome	73 (24%)	40 (13%)	192 (63%)
Organization's Mission and Vision	54 (26%)	34 (17%)	117 (57%)
Articles of Incorporation and Regulations	52 (21%)	20 (8%)	177 (71%)
Strategies and Plans	51 (22%)	40 (17%)	144 (61%)
Evaluation of the Secretariat's Performance	22 (25%)	10 (12%)	55 (63%)
Appointment of External Auditor and Discussion of Auditing Results	48 (23%)	33 (16%)	129 (61%)
Evaluation of the Operation of BOD	32 (30%)	15 (14%)	61 (56%)

97% of the items discussed at the BOD meetings were related to annual budget, settlement of budget, annual business plan and outcome of the annual business plan. Almost all BODs discussed about annual budget and settlement. 78% and 71% of them discussed about their articles of incorporation; and strategies and plans, respectively. Meanwhile, 33% and 23% of them discussed about evaluation of the operation of BOD and evaluation of the secretariat's performance, respectively, which was not so high. As to the process of BOD discussing items, most of organizations said that their BODs discussed about almost all items before approving them. However, the number of organizations of which BODs evaluated the performances of secretariats or the operation of themselves were significantly low. It can be supposed that they were not the items of BOD meetings. In case of the U.S., 45% of BODs evaluated their operations within 3 most recent years, and 60% of them evaluated the performances of CEOs every year.

Table 35: Resolution Methods

	Observed Value	Ratio (%)
Majority Vote	87	55
Unanimous Agreement	59	37
Final Decision by Chairman of BOD	13	8
Total	159	100

Table 36: Whether the Secretariat Had Voting Right in BOD Meeting

	Observed Value	Ratio (%)
Yes	47	30
No	112	70
Total	159	100

Table 37: Whether There were Sub-committees under BOD

	Observed Value	Ratio (%)
Yes	25	16
No	134	84
Total	159	100

Table 38: Sub-committees under BOD

	Observed Value	Ratio (%)
Steering Committee	19	45.2
Finance/Accounting Audit Committee	9	21.4
Donation/Resource Development Committee	3	7.1
Others	11	26.2
Total	42	100%

Table 39: Strength of BOD Members

	Observed Value	Ratio (%)
Network in Local Community	42	26
Professional Knowledge the Organization Required	60	38
Mobilization of Resources (Ability to Gather Donations)	12	8
Relationship to Current BOD Members	42	26
Others	3	2
Total	159	100

55% of BODs resolved on the issues by majority vote. 37% adopted unanimous agreement, and the chairman of BOD made final decisions for the remaining 8%. In 30% of organizations, the top decision maker of secretariat (e.g. the secretariat general) held voting rights in the BOD meetings, while those in the remaining 70% of organizations did not. In case of the U.S., CEOs participate in the BOD meetings without any voting right in 38% of cases and with voting right in 13% of cases.

16% of BODs had sub-committees, and 84% did not. For those which had sub-committees, 19 directors (45.2%) were the members of steering committees; 9 (21.4%) were the members of finance/accounting audit committee; 3 (7.1%) were the members of donation/resource development committee; and 11 (26.2%) were the members of other committees. (The respondents were allowed to make multiple choices.) In the U.S., the rate of directors participating in sub-committees were: 76% in steering committee; 76% in finance/accounting audit committee; 70% in governance/HR recommendation committee; and 53% in donation/resource development committee.

38% chose 'having the professional knowledge the organization required (HR, marketing, etc.)' as the greatest strength of BOD members. Having 'networks with local community' and 'relationship with current BOD members' came thereafter, with 26% each. Having ability to 'mobilize resources' (i.e. ability to gather donations) showed a very low rate of 8%. Although it could not be accurately compared, there was a survey in the U.S. that asked what were the important qualities considered when appointing directors. The U.S. organizations considered 'passion to the organizations' missions' as the most important quality, followed by having 'local community network,' 'professional knowledge' and 'ability to mobilize financial resources.' There was no significant difference.

Project Environment and Forecast

Environment of and forecast on the non-profit, public welfare corporations are not related to the governance structure of such corporations. However, they were added to this report because they illustrate external environment surrounding the non-profit, public welfare corporations. First, this study looked at how the non-profit, public welfare corporations perceived the social demand for the issues they were involved in changed. Regarding the issues they were involved in, 76% thought that the issues were becoming more important, 4% thought that the issues were becoming less important and 20% thought that there was no change. That is, the non-profit, public welfare corporations understood that the social recognition on importance of public welfare activities was becoming friendly. 58% said that the number of beneficiaries to their services increased, 12% said that the same decreased and 30% said that there was no change. Not only the social importance, but also the actual demand is rising.

When analyzed the most influential non-profit organizations and public welfare corporations in the areas they were engaged in (the respondents could choose more than one), Korea Student Aid Foundation was mentioned the most (25 times). World Vision (23 times), Community Chest of Korea (23 times), Good Neighbors (16 times), The Beautiful Foundation (11 times) and Childfund Korea (11 times) followed. There was no other non-profit, public welfare corporation mentioned for 10 times or more, but a great variety of non-profit, public

welfare corporations were mentioned.

When analyzed the for-profit corporations of which activities overlapped with those of non-profit, public welfare corporations, the affiliates of Samsung Group and Hyundai Group were mentioned 55 and 35 times, respectively. The affiliates of LG Group and SK Group were mentioned 19 and 17 times, respectively. All others were mentioned less than 10 times.

B. Regression Analysis

A regression analysis on major variables related to governance structure (which was the major topic of this report) was conducted in this chapter. The regression analysis was conducted to analyze whether the items showed different behaviors according to various characteristics of non-profit, public welfare corporations.

Table 40: Regression Analysis on Performance of Non-profit Organization (Total Revenue) - Least Squares Model

Founders		
	(1)	(2)
Private Sector	-.27* (.16)	-.21 (.23)
For-benefit corporations	.16 (.23)	.31 (.28)
Owners	-.09 (.27)	-.23 (.31)
BOD		
	(1)	(2)
Size of BOD		-.001 (.02)
Ratio of Female Members		-.28 (.38)
Ratio of Members in Their 60s		-.08 (.26)

Characteristics of Public Welfare Corporation		
	(1)	(2)
Year of Foundation	-.005 (.004)	-.004 (.006)
Money Spent on Original-purpose Projects (which is equivalent to the sales)	.79*** (.05)	.76*** (.06)
Constant Term	22.45*** (7.96)	20.11* (11.66)
Observed Value	296	153
R2	0.7705	0.7500

First, whether the financial performance of non-profit, public welfare corporations was affected by the governance structure was analyzed. Total revenue was used as an index of financial performance. What regression analysis (1) and (2) commonly represented was the correlation of money spent on original-purpose projects and total revenue. In the regression analysis (1), the total revenue of non-profit, public welfare corporation founded by private sector was smaller than that of founded by others. It seemed that the size, ratio of female members (diversity) and ratio of age group of BOD had no influence.

Table 41: Regression Analysis on Performance of Non-profit Organization (Donations) - Least Squares Model

Founders		
	(1)	(2)
Private Sector	.095 (.55)	-.02 (.75)
For-benefit corporations	.851 (.65)	.57 (.88)
Owners	-.78 (.69)	-1.29 (.85)
BOD		
	(1)	(2)
Size of BOD		.01 (.04)
Ratio of Female Members		.20 (.74)
Ratio of Members in Their 60s		.19 (.54)
Characteristics of Public Welfare Corporation		
	(1)	(2)
Year of Foundation	.008 (.01)	-.004 (.01)
Money Spent on Original-purpose Projects (which is equivalent to the sales)	.58*** (.09)	.63*** (.12)
Constant Term	-13.19 (20.80)	11.35 (29.45)
Observed Value	244	111
R2	0.2904	0.3995

Again, whether the financial performance of non-profit, public welfare corporations was affected by the governance structure was analyzed, and the amount of donations was used as the index of financial performance. What regression analysis (1) and (2) commonly represented was the correlation of money spent on original-

purpose projects and total donations. Other than the above, no other variable with any meaningful correlation to the amount of donations were found in regression analysis (1) or (2).

Table 42: Regression Analysis on Other Characteristics of BOD and Performance of Non-profit Organization - Least Squares Model

	Total Revenue	Donations
BOD		
Average Number of BOD Meeting	.01 (.03)	.06 (.08)
Average Rate of Participation in BOD Meeting	-.003 (.004)	.02 (.02)
Number of BOD Training	.24 (.17)	.32 (.36)
Whether There was an Annual BOD Workshop	.18 (.21)	.16 (.42)
Observed Value	153	111
Pseudo R2	0.7594	0.4393

The above regression analysis shows whether the other characteristics of BOD have any impact on financial performance of non-profit corporations. The explanatory variables included in the regression analysis so far remained as they were, and average number of BOD meetings, average rate of participation in BOD meeting, number of BOD training and whether there was an annual BOD workshop were added as new explanatory variables. What was commonly apparent was that the new variables (average number of BOD meetings, average rate of participation in BOD meeting, number of BOD training and whether there was an annual BOD workshop) showed no correlation to the corporations' financial performances.^{18) 19)}

18) Although it was not expressed in the form of table in this study, this study analyzed whether the transparency of non-profit, public welfare corporations (whether there were codes of ethics, how often the annual reports were published and whether there was an official website) was correlated to financial performance. When there was an official website, the total revenue (among the financial performances) increased. There was no impact on the donations. However, a significant degree of endogeneity could be suspected in this case. The transparency of corporation could be seen to have affected the performance. However, non-profit corporations with fair income and large size could have official websites. Further analysis on causal relationship is required.

19) Although it was also not represented in the form of a table, this study also conducted a regression analysis on whether the BOD discussing about the organization's vision and mission and the articles of incorporation and regulations was correlated to its financial performance. When the total revenue was regarded as financial performance, the performance slightly improved when the BOD discussed about vision and mission of organization at its meeting. However, whether the BOD practically and separately discussed about the organization's vision, mission, articles of incorporation and regulations at its meeting had no correlation with the performance.

Table 43: Regression Analysis on whether There were Codes of Ethics - Logit Model

Founders		
	(1)	(2)
Private Sector	-.08* (.65)	-1.31* (.80)
For-benefit corporations	-1.07 (.72)	-1.32 (.83)
Owners	-1.27* (.75)	-1.36 (.86)
BOD		
	(1)	(2)
Size of BOD		-.01 (.05)
Ratio of Female Members		.19 (.99)
Ratio of Members in Their 60s		.27 (.56)
Characteristics of Public Welfare Corporation		
	(1)	(2)
Year of Foundation	.002 (.01)	.02 (.01)
Money Spent on Original-purpose Projects (which is equivalent to the sales)	.10 (.07)	.11 (.19)
Constant Term	-3.06 (20.56)	-39.34 (26.48)
Observed Value	296	153
Pseudo R2	0.0161	0.0389

The above regression analysis was conducted to find out what caused non-profit, public welfare corporations to have codes of ethics. What was commonly apparent in regression analysis (1) and (2) was that the probability of having no codes of ethics was slightly higher in the non-profit, public welfare corporations founded by private

sector than in those founded by others than the private sector, for-profit corporations or the owners of such corporations. In the regression analysis (1), the non-profit, public welfare corporations founded by the owners of for-profit corporations had slightly higher possibility of having no codes of ethics than other corporations. It seemed that the size, ratio of female members (diversity) and ratio of age group of BOD had no influence. There was no special correlation between the year of foundation of public welfare corporation, the size (i.e. revenue) of public welfare corporation and whether there were codes of ethics.

Table 44: Regression Analysis on whether Violations of Codes of Ethics were Punished: Logit Model

Founders		
	(1)	(2)
Private Sector	-.96* (.52)	-1.26* (.66)
For-benefit corporations	-1.21** (.60)	-1.32* (.75)
Owners	-1.08* (.63)	-.98 (.74)

BOD		
	(1)	(2)
Size of BOD		.03 (.04)
Ratio of Female Members		.09 (.94)
Ratio of Members in Their 60s		-.36 (.54)

Characteristics of Public Welfare Corporation		
	(1)	(2)
Year of Foundation	-.008 (.009)	-.002 (.01)
Total Asset (incl. original-purpose projects and for-profit projects)		
Donations		
Money Spent on Original-purpose Projects (which is equivalent to the sales)	.20** (.08)	.26*** (.10)
Constant Term	14.54 (18.59)	1.23 (25.87)
Observed Value	296	153
Pseudo R2	0.0305	0.0611

The above regression analysis was conducted to find out what causes non-profit, public welfare corporations to punish codes of ethics violations. What was commonly apparent in regression analysis (1) and (2) was that the probability of imposing punishment on codes of ethics violations was slightly lower in the non-profit, public welfare corporations founded by private sector and for-profit corporation than in those founded by others than the private sector, for-profit corporations or the owners of such corporations. The non-profit, public welfare corporations founded by the owners of for-profit corporations had slightly lower possibility of imposing penalties on violation of codes of ethics than other corporations in the regression analysis (1). It seemed that the size, ratio of female members (diversity) and ratio of age group of BOD had no influence. The larger the size of public welfare corporation (i.e. revenue) was, the greater the possibility of imposing penalties became.

Table 45: Whether the Corporations Published Annual Reports - Logit Model

Founders		
	(1)	(2)
Private Sector	.26 (.49)	.75 (.62)
For-benefit corporations	-.58 (.57)	.19 (.71)
Owners	-.31 (.61)	.49 (.72)
BOD		
	(1)	(2)
Size of BOD		.01 (.04)
Ratio of Female Members		1.34 (.93)
Ratio of Members in Their 60s		-.09 (.53)
Characteristics of Public Welfare Corporation		
	(1)	(2)
Year of Foundation	.02* (.009)	.09 (.01)
Expenditure on Original-purpose Project	.07 (.08)	.04 (.098)
Constant Term	-31.98* (19.21)	-38.92 (25.76)
Observed Value	296	153
Pseudo R2	0.0256	0.0402

The above regression analysis was conducted to find out what caused non-profit, public welfare corporations to publish annual reports. No phenomenon commonly appeared from regression analysis (1) and (2). In case of regression analysis (1), the younger a corporation was, the greater chance of it publishing the annual report.

Table 46: Impact of Other Characteristics of BOD to Decision-making: Logit Model

	Whether there were Codes of Ethics	Whether the Violation of Codes of Ethics was Punished	Whether the Annual Report was Published
BOD			
Average Number of BOD Meeting	-.05 (.10)	-.02 (.10)	.08 (.11)
Average Rate of Participation in BOD Meeting	-.004 (.01)	.02 (.01)	.01 (.01)
Number of BOD Training	.89** (.44)	1.49*** (.50)	.90** (.43)
Whether There was an Annual BOD Workshop	1.14 (.73)	.21 (.55)	1.87*** (.67)
Observed Value	153	153	153
Pseudo R2	0.0973	0.1464	0.1407

The above regression analysis was conducted to analyze the impact of other characteristics of BOD on decision-making. The explanatory variables included in the regression analysis so far remained as they were, and average number of BOD meetings, average rate of participation in BOD meeting, number of BOD training and whether there was an annual BOD workshop were added as new explanatory variables. What commonly appeared from the analysis was that the number of BOD training had positive impact on existence of codes of ethics, punishment of codes of ethics violation and publication of annual report. The more often members of BOD were trained, the more probable it became: there was a code of ethics; contravention of the code of ethics was punished; and the organization issued the annual report.²⁰⁾

20) Although it was not presented in the form of table, this study conducted a regression analysis on what caused the non-profit, public welfare corporations to create their official websites. Number of BOD training had no influence on the existence of official website. However, the greater the original-purpose project expenditure (i.e. the size of corporation) was, the greater the possibility of there being official websites. This was somewhat different from the case of whether the corporations published annual reports. The size of corporations being greater did not translate into greater possibility of publishing annual reports.

4. Conclusion

This study could be a starting point of data-based empirical study on the governance structure of non-profit corporations. Major findings were as follows: first, the non-profit, public welfare corporations held 3.5 BOD meetings in a year, in average - the BOD meetings were not held quarterly. Also, the roles of BOD were limited to deciding strategies and approving budgets and financial statements - BODs did not fully understand the missions of organizations, or play any important role in monitoring and evaluating the performances of secretariats. Second, the BODs were formed by 9 directors in average, and the number grew in proportion to the growth of expenditure on the corporation's originally intended projects. The privately founded public welfare corporations had the largest BODs (10.3 directors in average), while the public welfare corporations founded by for-profit corporations had the smallest BODs (6.9 directors in average). Third, 14% of the directors were women. This trend was significantly different from that of the U.S., which was 48%. The directors in their 50s ~ 60s took 90.7%, which was also significantly different from the U.S. case of 57%. Fourth, the new directors were appointed by: the recommendation of BOD in 67% of cases; the recommendation of Chairman of BOD in 22% of cases; the public announcement for external experts in 4% of cases; and other means in 7% of cases. In 91% of BODs, the directors were allowed to be reelected; 4% had no terms; 4% imposed the single-term; and 1% allowed consecutive terms of service. Fifth, the governance structure had no effect on the financial performance of non-profit, public welfare corporations. The role of BODs of non-profit, public welfare corporation in Korea is still insignificant. Lastly, this study reviewed the transparency of non-profit organizations. How many times the members of BOD were given trainings positively affected: whether there was a code of ethics; whether contravention of the code of ethics was punished; and whether the organization issued the annual report. The more often the directors were trained, the more transparent the non-profit, public welfare corporation became.

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The Beautiful Foundation

The Beautiful Foundation, the First Community Foundation of Korea

The Beautiful Foundation is a nonprofit organization on sharing led by the voluntary participation of citizens in South Korea. It was established in August 2000 as a national community foundation with the purpose of creating and promoting a mature philanthropic culture among the general public, ultimately building a sustainable and systematic culture of giving at all levels of society.

Through diverse campaigns and philanthropic programs, including “The Beautiful 1% Sharing Campaign,” the Foundation reaches out to people in the dark, isolated parts of society. By focusing on eight different areas — education, environment, health, residence, labor, safety, culture, and society — the Foundation supports the marginalized groups as well as the efforts for public benefit, which expedite the realization of shared hopes and happiness in a thriving community.

Additionally, the Foundation conducts research to facilitate a sustainable culture for charitable philanthropy. Through the dedication of its staff, who are experts from different backgrounds, the projects and programs of the Foundation contribute to the efforts for public benefit. The synergy of transparency, fair management, and devoted staff is creating a new model of a public foundation.

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Making sharing a part of life for a society that thrives together

The Beautiful Foundation pursues a society where everyone practices the value of sharing in daily life and individuals and communities thrive together.

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The diffusion of a giving culture by citizens of action

The Beautiful Foundation strives to be a most trustworthy partner to its donors — an organization that dreams of a warm and just society and practices the value of sharing in a variety of ways.

Incubation of new ideas for sustainable public-benefit activities

The Beautiful Foundation finds and supports public-benefit activities that resolve social problems as well as improve the lives of individuals in creative ways.



The Beautiful Foundation

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The Center on Philanthropy at the Beautiful Foundation

The Center on Philanthropy at the Beautiful Foundation, launched in 2001, is South Korea's first research institute focused on philanthropy. It is a storehouse of knowledge on giving that offers scientific research and reliable statistics. The Center also compiles an expansive store of data from other countries that are safeguarding long-standing traditions of philanthropy. Through research, education, publications, and information sharing, the Center strives to further foster the culture of sharing and empower nonprofit organizations in South Korea.

The Center's activities include:

Research on giving culture

To better promote a culture of giving and craft solid policy recommendations to this end, the Giving Index of Korea examines the status of South Koreans' donations and volunteering, as well as their perceptions and attitudes on philanthropy. Moreover, the Center conducts research on nonprofit organizations and individuals, and provides the results as raw data for field workers and researchers.



Networking with philanthropic organizations overseas

The Center tracks international research trends on philanthropy and maintains partnerships with related organizations overseas. The Center is a member of the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) and cooperates with the Lilly Family School of Philanthropy (IUPUI) of Indiana University. It also participates in the Doing Good Index (DGI) of the Center for Asian Philanthropy and Society (CAPS)' through the research on South Korea.

Featured research

The Center conducts featured research deemed essential to the promotion of the giving culture in South Korea, such as research on legal procedures related to philanthropic activities and studies on promoting giving among the wealthy.

Publication of books on philanthropy (Nanum Books)

Under the name Nanum Books (literally meaning 'sharing' books), the Center publishes books on philanthropic issues, the operation of nonprofit organizations, and fundraising in order to cultivate the culture of giving, help improve the efficiency of NPO management, and promote more effective and scientific fundraising.

The data and other materials publicized by the Center on Philanthropy at the Beautiful Foundation are available through the Knowledge Sharing Archive (<http://research.beautifulfund.org>).



The Beautiful Foundation

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