

Chapter 1

Third Sector Organisation Governance: Introducing the Themes and the Chapters

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In the World Bank ‘governance’ model, organisations that are neither part of the establishment nor created to distribute profits among the owners/members have vital roles to play in the economic, and political advancement of a country.¹ These organisations are formed by people to offer a variety of services to themselves or to others or to advance a cause, but not to make money. They play a central role in public governance achieving and sustaining a prosperous economy and a just civil society. They are known variously as voluntary organisations, non-profit organisations, Non-government organisations (NGOs), people’s organisations, community-based organisations, cooperatives and civil society organisations. Together they constitute a third sector, being separate from both government and business. While these third sector organisations’ (TSOs) importance in public governance is widely acknowledged, their sustainability is not guaranteed and depends to a large extent on the effectiveness and accountability of their own governance. The World Bank, the Organization for Economic Cooperation and Development (OECD) and many advocates of improved public governance in countries of the South pin a lot of hope on the capacity of civil society or the TSOs to hold governments accountable; for that to work, the former must model the attributes that are associated with good organisational governance.

But what are such attributes? Is there a particular model of governance that if followed will ensure the virtues of transparency and accountability, as well as effective performance that the champions of civil society desire? Are TSOs similar to firms, so that models of good practice in the business world should be applied to them? And if governance implies a democratic rule, need the model of democracy followed be that of representative democracy—what of more participatory models? And if there is an ideal (or idealised) model of governance, is it widely followed, or widely ignored? This volume contains the first large-scale study of the practice of governance in third sector (or civil society) organisations in six countries in the most populous and the fastest growing region, Asia.

The study entails current practices of TSO governance in the participating countries in order to document the variety of approaches adopted, to determine the

¹These organisations primarily starts with social and development issues, anyway; see World Bank, 1992.

linkages between governance, accountability and performance and to analyse the political economy of TSO governance. In this chapter, the theoretical and methodological foundation of the study is highlighted. This chapter is divided into five major sections dealing with the third sector and Asia, the main aspects of third sector governance found in the current literature, rationale of the study, methodology and summary of the chapters.

The Third Sector and Asia

Hannah Arendt argues that authoritarianism can thrive only where individuals are isolated and atomised, each left to face the power of the state on his or her own. This is why the collective capacity to resist state authoritarianism can also encourage state responsiveness, increase the transparency of state and corporate activities and process and sometimes even produce organised dialogue (from Warren, 2000). This realisation has forced individuals in dynamic societies to organise themselves for goods and service delivery, or for advocacy for members and non-members. Thus a large ‘third sector’ has emerged everywhere (Salamon et al., 2003). Asia, the largest continent in terms of diversity and size of population, has witnessed exponential growth of the third sector in the past few years. In this section, we highlight major features of the third sector as relevant to the third sector in Asia.

What Is the Third Sector?

The third sector is composed of that vast array of organisations that are not part of government and not operated to profit their owners. The organisations that make up the third sector are the product of private collective action to provide goods or services for their members or for others. The generation of the largest possible profit on funds invested is not their primary objective and thus they differ in their behaviour from the conventional business organisation. Almost all specifically prohibit the distribution of profit directly to members or other stakeholders. Unlike conventional business organisations, most are democratically governed (Lyons, 2001). Others, however, have no members; they are, to use an American terminology, ‘non-owned organisations’.

‘Third sector organisations’ refer to the organised form of the third sector civil society,² and include organisations variously known as charities, foundations, NGOs,

²For a good discussion on and elaborate definition of the third sector organisation, see Lyons (2001).

associations, clubs, societies, unions, cooperatives, churches, temples, mosques and the like. Third sector organisations are important actors in many sectors, especially the social services, social development, health, education, arts and culture, sport and recreation. They advocate the interests of their members or other causes, such as the preservation of the environment or the elimination of poverty.

Although there are subtle differences in usage, the third sector is also called the non-profit sector or social economy or civil society. But whatever they are called, in most countries their numbers have grown greatly: since the 1960s in the West, since the 1980s in non-communist Asia, Africa and Latin America and since the 1990s in ex-communist regimes of Europe and Asia (Salamon, 1996). Recognition of the importance of this diverse set of organisations has been one of the more important public policy developments of the last quarter century (OECD, 2004; UNDP, 2004; Delors, 2004).

Third Sector in Asia

A myriad of terms are used in Asia to refer to these type of organisations that also include many traditional informal groups as well as large service (e.g. education, health) delivery institutions or NGOs with thousands of paid staff. Traditional local groups in Asia have existed since ancient times allowing people the scope of achieving security and other basic human needs collectively.³ In ancient India, there also existed ‘the workmen’s cooperative groups’ and guilds (*sreni*) embracing all trades and industries⁴ (Basham, 1967, p. 219). These traditional third sector, in the form of village councils or traders fora, survived the shocks of political revolutions over the years in spite of the absence of state guidance and support (Majumdar et al., 1967, pp. 75–76).

In the recent years as the fear of communist invasion receded following the cold war, and as the countries entering the ‘third wave’⁵ started to install democratic governments, the roles and importance of TSOs just as advocacy groups diminished; rather, the third sector became, on the one hand, the vanguard of democracy and monitor of the government’s activities and, on the other hand, an alternate source of goods and service delivery, in the process shifting the dynamics of its relationships to donor nations and/or organisations, and national governments.

³For example, *gram sabha* (village councils) in India dates back to around 1000 BC. There were *panchayats* (literally—five-manned group) assessing taxes, collecting revenues and delivering judgements on local disputes in small local communities in ancient India (Basham, 1967; Jathar, 1964; Kautilya, 1977; Hasan, 1991; 2001a, b).

⁴Eighteen very important crafts had their own guilds presided over by a foreman (*pramukh*), an elder (*jyeshthaka*) or a chief (*sreshthin*) (Majumdar et al., 1967, pp. 75–76).

⁵First, long wave of democratisation: 1828–1926 (with first reverse wave 1922–1942); Second, short wave of democratisation: 1943–1962 (with second short reverse wave 1958–1975), see Huntington (1991, p. 17).

Many governments provided tacit supports in the expansion of the third sector, and also in improving their capabilities. The functioning of the third sector through volunteers supported by domestic and overseas donations reduced 'pressure' on the government exchequer. The third sector also showed the potential of diverting a large number of conscious and liberal minded young graduates from getting involved in political agitation out of frustration (Hasan, 2001a).

As a result, the third sector has been growing rapidly. During the preparation for UN Conference on Women, the term 'NGO' was popularised in China (see Ma, 2001) These NGOs are 'issue-oriented social groups, rather than interest groups or pressure groups'.⁶ In Vietnam, since the *doi moi* (characterised by less state role in key areas of development and public services), and because of an increased demand for services by the people and for taking advantages of opportunities introduced by economic reforms, the third sector has grown rapidly. Realising its limited, and declining, capacity, the Vietnamese government also has acknowledged that many functions which used to be performed by states can be offered by self-established organisations and individuals, particularly in the field of welfare.⁷

In the past ten years, Asia has seen a growth in democratic institutions and increasing involvement of overseas funding sources. Because of an exponential growth of the third sector, governments in many countries became sceptic and more interested in monitoring TSOs and their activities. The limited available funds created leverage for the foreign donors as well as national governments to develop stringent rules for fund disbursement. This action encouraged competition among the TSOs to perform, to raise funds and to receive donations. Governments also framed new regulatory regimes. All these factors made the TSOs reflect on their governance and accountability, and this in part leads to the present study.

Third Sector Governance

Much of the talk about governance is from the English speaking, common law democracies in the North: especially the United States (US), the United Kingdom (UK), Canada and Australia. This is true of both public and organisational governance. The various international agencies, such as the World Bank and the International Monetary Fund (IMF) and the national governments of the OECD countries, are

⁶The 2008 Olympics bid for Beijing gave these organisations more importance. Two major 'genuine' popular organisations or NGOs, Global Village of Beijing and Friends of Nature, were co-opted to the official Olympics bid committee.

⁷However, with government's priority to maintain centralism, 'unlike most conceptions of civil society, Vietnamese active in the public sphere do not generally see themselves as asserting civic power against state power. Rather, they prefer to infiltrate the state, find informal allies, and build networks that may conceivably be seen as fulfilling state, public and private objectives simultaneously' (Marr, 1994 cited in Duong and Hong, 2006).

strong advocates of the transparent and democratic model of public governance, especially as a way of eliminating corruption.

The interest in governance is manifested as a push for a particular form of governance because the absence of good governance is seen as an important factor in the failure of states and of organisations. Thus the determination to push for democratic forms of public governance is based on recognition of the way authoritarian regimes are generally corrupt and fail to provide the right environment for economic growth. In a similar way, the heightened interest in organisational governance is the product of frequent failures of large economic entities, failures that rob investors, lenders and other creditors of millions, even billions of dollars.

Governance has become a much used term in this first decade of the new (Common Era, CE) millennium. Governance is much used in discussions about the behaviour of states, but also in discussions about the behaviour of organisations. In the first case, it is usually understood as public governance; in the second, organisational governance. In this section, the discussion relates mainly to aspects of governance in general as well as the TSO governance.

To What Does Governance Refer?

Governance refers to the way major (policy) decisions are taken, their implementation is monitored and outcome is evaluated for the analysis of effectiveness and sustainability of any organisation. At one level, it refers to the institutions and the processes of collective decision-making in a nation or a state. It refers to the process of government decision-making but includes the way governments are elected/selected and the way citizens' organisations (civil society) influence that process and the ongoing decision-making of the government, and also to the extent to which they are free (and have the capacity) to take decisions for their own membership without reference to government. It includes the way in and the extent to which governments are answerable to the people of that nation or state.

Similarly, governance of an organisation refers to the way decisions are taken in the organisation, especially the high-level decisions about the direction of the organisation and the processes that are followed to ensure the organisation is accountable to those who formed it, belong to it, support it and/or benefit from it. Most large organisations (whether non-profit or for-profit) have a formal board (of directors, of governors) or a committee who are responsible for setting the organisation's directions and for ensuring that the interests of various stakeholders are represented.

Governance is a term that encompasses not only the act of governing or ruling but also the relationship of the governors to the governed. In most instances, the term 'governance' implies a particular relationship, one of transparency and accountability, generally based on a democratic model whereby the ruled are capable of judging and recalling the rulers. Thus 'governance' carries an evaluative as well

as a descriptive reference. Sometimes, and properly, a distinction is drawn between 'governance' (descriptive) and 'good governance' (evaluative).

Governance refers to the arrangements and practices of governing, whether an organisation or a state. Totalitarianism is a form of governance, while anarchy is the absence of any form of governance. However, as noted above, because of the positive evaluation implicit in the term, in most discussion governance is tied to the practices of representative democracy. A well-governed country is one governed in the interests of the whole population. To ensure this, the governors should be accountable to the governed by regular, free and fair elections and their decisions should be open and transparent, and critically reviewed by independent source such as the media, so that people can cast an informed vote. In a similar way, a well-governed organisation is expected to be governed by a group of people accountable, either to its owners (shareholders or members) or to the wider public, in the case of non-owned organisations such as charitable trusts in the common law traditions or foundations in civil law countries.

TSO Governance

In Northern countries, the literature on organisational governance is largely normative and adopts either of two approaches. The older approach focuses on the fiduciary responsibility of the board, emphasising the board's role as steward of public funds and tax concessions provided to the organisation. The second, now more common approach, draws from the corporate governance literature and emphasises the role of the board in providing an organisation with strategic leadership. This model is being suggested for TSOs everywhere.

This model has two variations with different approaches to 'board' formation depending on the features of the TSO. There are those established to help provide services for others or for wider public good. In common law countries these are called charities; in civil law countries, foundations. Beneficiaries (clients/customers) of these organisations are different to those who provide their operating revenue. Such organisations might have a few members (a requirement of incorporation in common law countries) but in some cases they may have none at all. They are usually required to have a board (of directors or governors), but these boards tend to be self-appointing. Another large group of TSOs (associations, clubs, societies, cooperatives) are established to provide services or to represent the interests of their members. Their boards are generally elected and are responsible to membership.

Some of the same sources that advocate the corporate model of governance for for-profit entities⁸ advance a similar model as suited for third sector or civil society organisations. In this they are enthusiastically joined by the overseas aid agencies

⁸For example, the OECD.

of Northern governments, non-profit aid and development organisations (sometimes called NGOs) domiciled in those countries and large private foundations found especially in the United States. Some TSOs in Asia may have adopted the developed country model of TSO governance. However it is also possible that many have maintained a more traditional approach to governance. This traditional model is dominated by the patron–client form of governance involving respect and obedience to the elders of the community (Pye, 1999; Smillie and Hailey, 2001).

No comprehensive work is available on third sector governance in Asia. There are works dealing with third sector management and accountability. One such work found that in most cases a governing board of TSO is either non-existent or non-effective. For example, in south Asia, especially in the accidental NGOs,⁹ board members or trustees ‘were mostly friends and acquaintances whose primary function was to encourage the founders and offer what little assistance they could’ (Smillie and Hailey, 2001). Then where governing boards are independently and sincerely formed, the governing boards are confused about their roles. In some extreme cases, the governing board functions as the leader of the organisation providing strategic directions, credibility and thus income opportunity. But how do they function and what is the relationship between governance and performance, and how to explain the relationships in terms of political economy.

Rationale of the Study

Most research on the third sector has been conducted in North America and the United Kingdom. This is particularly true of research into the governance of TSOs. In some circles, there is a belief that the third or non-profit sector is a product of North American civilisation and that it is at its strongest there. The work of Lester Salamon and his collaborators have firmly laid that nonsense to rest (e.g. Salamon et al., 2003). There is a gap in exploring third sector governance in Asia. In this section, we justify our selection of the region and the six participating countries.

Why Asia?

Asia is the largest of the world’s continents, in terms of both area and population. It extends from the Mediterranean and the Urals to the Pacific, from the Arctic to the Indonesian archipelago. Asia encompasses the world’s two most populous nations, China and India, which are quickly becoming major economic actors. In many of its countries at least one of the major world religions are widely practiced: Buddhism, Christianity, Hinduism and Islam. It includes two countries whose

⁹NGOs those are grown gradually as opposed to premeditated NGOs, e.g. BRAC in Bangladesh, see Smillie and Hailey (2001).

regimes are still formally communist. It includes countries that were for more than centuries (in some cases), and until only 60 years ago, colonies of one of the major European powers (or the United States). To varying degrees, that colonial legacy lives on in institutions and laws.

Despite their manifest differences there is a tendency to talk of an Asian way (Clarke, 2000)—applied to the conduct of international relations and to business dealings. The reference point is generally East and South-East Asia. It seems unlikely that there is an ‘Asian way’ but a study of the TSO governance in several diverse Asian countries provides a different context to test if there is any validity in such a claim.

There is a growing literature on the role of TSOs in Europe, Latin America and increasingly in Asia. Much of that focuses on one set of TSOs—the development NGOs (e.g. Fowler, 1996). While valuable, there are many more organisations in the third sector than these; of equal value and interest. This volume hopes to add to knowledge of the third sector in Asia and also to the literature on the governance of the variety of TSOs.

Why These Six Countries?

In our initial thinking we identified forces and variables that would create different arrangements and practices in organisational governance and other forces and variables that would tend towards cross-national uniformity. These are treated extensively in the two chapters that follow, but are introduced here as important background that shaped the team’s approach to the project.

Among forces for variation we identified the radically different histories, cultures and current political regimes in the participating countries. Aware that many examples of TSOs could be found in each country many hundreds, even thousands of years in the past, we wondered how important the different historical experiences of our six countries might be in shaping different approaches to the governance of TSOs. China had a history as a great power stretching back thousands of years; so too did large parts of India, though the current Indian nation state was a result of decolonisation as were Indonesia, Vietnam and the Philippines (at least in their present borders). Four had been colonies of European powers (and in the case of the Philippines, later of the United States). Thailand had never been colonised, but had been formed around a thousand years earlier. Two countries, China and Vietnam, had experienced communist revolutions and were still ruled by communist regimes; others were democracies, though Indonesia and the Philippines had been ruled by dictators for some of the past 30 years (Thailand is still a constitutional monarchy, though). We expected to find that governments would more closely oversight and even be involved in the governance of TSOs in some countries and far less in others.

In terms of religion our six countries represented much of the variety of Asia. In all but the two communist regimes, religious practice is widespread. India is

predominately Hindu, but with a large Muslim, and small Buddhist and Christian minorities; Indonesia predominately Muslim, Thailand is Buddhist and the Philippines, Christian (Roman Catholic). In China the influence of Confucianism and the strength of ancestor worship had never died; and in Vietnam various traditional faiths contended: Buddhism, Confucianism and Christianity. Each of these religions is manifested via its own set of TSOs, each reflecting different approaches to organising; different relationships between religious leaders and their followers.

Partly related to religious traditions, but also to even more traditional norms, each country had strong norms covering interpersonal relations, and especially the importance of reciprocation, of respect and the preservation of 'face'. Although this manifests in different ways and to different degrees, we expected that this might be a factor encouraging similar approaches to governance across the six countries.

All countries had progressed some way along the path of economic development; to varying degrees all had embraced (and been embraced by) the economic transformation resulting from globalisation; several (Indonesia, Thailand and the Philippines) had also been damaged in the 1997 economic collapse. Economic development meant a huge transformation of traditional peasant economies as millions of people moved to manufacturing and service jobs, or to unemployment and the precarious informal economy in cities that had become huge. Nevertheless many still live in traditional village communities, or have transferred many traditional forms of social organising to the expanding suburbs (*barrios/kampungs*) of the cities. To the extent that economic development involved modernisation towards a common Western model of organising, we expected to find all but traditional and religious organisations to follow similar approaches to governance across our six countries. But to the extent that traditional forms of organising continued we expected to find traditional collective style of organising, in some other cases, where a single 'big man' ran a TSO to ameliorate the poor.

We expected to find that in each country there would be a set of laws that governed TSOs. In some cases these may be the transplanting to a country of laws borrowed from the colonial powers; in other cases they might be the product of communist regimes' desire to exercise maximum control or they might be inspired by a desire to establish legal forms to encourage the growth of private enterprise and attract foreign investment. But laws are one thing; whether they detail how an organisation is to be governed, whether they cover all TSOs and how they are enforced are further variables. We expected to find a strict system of coverage and supervision in communist regimes than the other countries. But we were also aware that a concern with governance and a favouring of a particular model of governance was particularly strong in the United States and the United Kingdom and other common law countries, while a variety of models were common in civil law countries of Europe. Two of our countries (India and the Philippines) inherited common law traditions while others, to varying degrees, operated civil law regimes. We wondered if these might affect approaches to governance.

Thus we selected six countries (China, India, Indonesia, the Philippines, Thailand and Vietnam). These countries provide a wide variety of Asian culture and

religion, historical and colonial past, legal and political tradition and affluence that have been vital in shaping the third sector in these countries.

Methodology

This volume draws on data collected in a large-scale study of the governance of TSOs in six countries: China, India, Indonesia, the Philippines, Thailand and Vietnam.¹⁰ The research was conducted in each country by a small team of researchers, in all but one case (Vietnam) based at universities in their respective countries. A small team at the University of Technology Sydney initiated and coordinated the project.¹¹

All of the researchers had undertaken other research into the third sector in their respective countries and in most cases had worked with the UTS team¹² and each other on other projects. The experience and understandings gained in these earlier projects helped shape the broad aims of the current project: it was designed to collect data on the actual arrangements and practices of governance and on the context which may have shaped these practices across the full range of TSOs in a range of countries representing the variety of political and cultural systems that could be found in Asia.

Data collected by each team was basically of three types. The first was a thorough study of the legal requirements imposed on TSOs in each country with questions like the following:

- Are groups of people who wish to form a voluntary organisation required to incorporate and/or to register with a government agency for their organisation to be legal?
- Are requirements about governance specified in these laws or regulations?
- How many forms are available for groups wishing to incorporate?
- How rigorously are these laws enforced?

¹⁰The field work was carried out between 2002 and 2004 and was funded by the Ford Foundation.

¹¹Dr. Samiul Hasan managed and worked as the international coordinator of the project, developed the theoretical and methodological basis of the work, and devised the method of data collection and analysis in association with other partners. Professor Mark Lyons of the University of Technology, Sydney was the overall supervisor of the project. Professor Jenny Onyx, as a part of the research team, provided theoretical and methodological input to the study.

¹²The most important of these earlier projects was the Asia Pacific Philanthropy Information Network (APPIN) project designed to construct a detailed overview of the third sector and philanthropy (history, legal environment, income sources and contribution of third sector organisations across different fields of activity) in thirteen countries (including all the countries participating in the present study) to post this on a dedicated website <www.asianphilanthropy.org>. APPIN was an initiative of the Asia Pacific Philanthropy Consortium (APPC).

Each team prepared a narrative report answering these questions. The findings of each of these country reports are summarised in Chap. 3.¹³

Data was also collected from a wide group of key informants in each country (that we named the key informant survey)—a total of 184 respondents in six countries.¹⁴ These were people of some standing in their communities with some knowledge of at least some parts of the third sector. We were interested to know the key informants' thoughts about the way the TSOs should be and are (or they believe are) governed in their country. We tried to discover if there was a general view, even a set of expectations, of the third sector and how TSOs should be governed.¹⁵ This data was collected in interviews, but before each interview informants were asked to complete a small questionnaire which provided quantitative data that was entered in an Excel spreadsheet for within and cross-country comparison.

Each country formed an advisory body with around 15 knowledgeable and expert people from different regions, sectors of activity, profession and minority groups representing both the sexes to help the research team. The advisory body helped the research team in identifying the dimensions and issues for the research work, show direction to the research work and the team, help select organisations following the method, and provide networks for conducting the interviews and case studies. The advisory body also helped interpret data and made comments on the preliminary draft of the country report.

All participating countries organised country workshops participated by selected influential and knowledgeable people, resource persons and people involved in some aspects of TSO governance in the country concerned. There were at least two workshops in all countries—the first one to understand the extent of the third sector, major issues of third sector governance, and the second one to validate and disseminate the analyses of the information and data.¹⁶

Finally, and most importantly, we collected organisational data from 492 TSOs across our six countries.¹⁷ We deliberately sought to obtain a wide coverage of organisations, to include organisations from eight different fields of activity (Box 1.1).

¹³ Each country report contains a major chapter comprehensively dealing with legal environment in the respective country. The legal chapter in India was so comprehensive that a complete version of it is being published as a separate book.

¹⁴ Including 42 people in China, 41 each from India and Indonesia, 27 in the Philippines, 13 in Thailand and 20 people in Vietnam. The key informants represented public officials (28%), indigenous third sector organisations (53%), representatives of overseas donor and aid organisations (7%) and the business sector (12%).

¹⁵ We also asked the senior third sector executives who were the source of organisational data similar questions, partly to discover if there were any differences between their views and those of our key informants. Since most countries failed to do it due to technical difficulties, we did not include this in the analysis except for highlighting certain distinct differences identified.

¹⁶ All these gatherings, including the one in China, received local media coverage, and were participated by influential policy makers.

¹⁷ With 81 TSOs in China, 98 in India, 83 in Indonesia, 79 in the Philippines, 70 in Thailand, and 81 in Vietnam.

Box 1.1 Fields of Activity TSOs and the Total Number of TSOs Selected in Each Country

1. Arts and culture and recreation: e.g. arts and culture or sports and recreation (41; 8%)
2. Business and professional associations: e.g. chamber of commerce, medical associations (40; 8%)
3. Education and research: e.g. formal and informal education, vocational training, think tank (59; 12%)
4. Environment: e.g. management and protection of the climate, flora and fauna (39; 8%)
5. Law and advocacy: e.g. advocacy groups, ethnic and minority associations, legal services (56; 12%)
6. Religious organisations (32; 6%)
7. Social and economic development: e.g. farmers and production cooperatives (103; 21%)
8. Social services: e.g. child welfare, women services, youth development (120; 25%)

The first figure in the parentheses represents number of TSOs surveyed in the field of activity; the second figure is the corresponding percentage in the total sample. *Note:* Follows the International Classification of NPOs developed by the Nonprofit Data Project headed by Lester Salamon and Helmut Anheir.

We sought to collect data from organisations that varied in size, from those that had no paid staff to those that had a few and those that had many. We also tried to ensure that as well as selecting organisations from the city (where our team was based in each country that turned out to be the national capital, except for India) we would try and collect data from TSOs in another major centre in a different region and from a rural area.¹⁸

We knew from our earlier research in each of these countries that TSOs were active in a wide range of field of activities. In some cases the TSOs were providers of services, often to poorer members of their communities; in other cases they were formed to serve the interests of their members or to advance other causes, such as that of the environment. In such cases they might advocate for reform of laws or to change public opinion. We were conscious that organisations which were primarily established to serve their members would operate differently, and perhaps display different approaches to governance compared with those set up to help others or to pursue a particular cause.

¹⁸To assist each team, at our second meeting we developed a matrix to select TSOs from different regions and fields of activity in each country. In the end, for some teams these requirements proved difficult to meet, but overall we obtained a wide cross-section of third sector organisations.

We were also aware of the old adage about pipers and tunes and we expected that those that received their income from membership fees or dues might have different approaches to accountability and governance to organisations that received most of their income from public donations or from government grants or from grants from overseas sources. We expected that organisations that received most of their income from international donors would be more likely to reflect in their governance models that were considered best practice in those donor countries.

But in addition to the way laws or funding sources might or might not enforce approaches to governance, there is a more diffuse factor, that of public opinion. We were interested in the extent to which those running organisations or who, engaged with the third sector as legislators, advisers, regulators, funders, reporters or users of their services, were concerned with governance; how important was it as a priority; indeed, how was it understood and how well was it understood? Or to put in another way: to what extent did TSOs operate in a culture where their governance was a matter of frequent reflection and discussion?

Finally, we were aware that TSOs, like other organisations change as they age, or as some scholars talk of it, go through a life cycle. New organisations perhaps need, or believe they need strong leadership and reflect this belief in the way they are governed, while once firmly established a more open form of governance might emerge. In addition, organisations that were perhaps a 100 or more years old may have deeply embedded traditional approaches to governance that might resist the unifying efforts of legal systems or funding bodies.

We sought data on the TSOs' age, main field of activity, sources of revenue and (positive or negative) growth over the previous three years. We sought information on whether it had a board or management committee and how that was constituted and selected; we sought information on how the organisation went about financial management, planning, evaluation of its performance and managing its external relations, especially its relations with stakeholders. We sought to discover the role of the board in performing these functions. We also sought to discover if there was a single person who was the driving force in the organisation and who this person was. Most of this information was collected on a pre-agreed questionnaire and entered into an Excel spreadsheet. Thus we had an extensive set of quantitative data from each country capable of being joined into a single data set for basic quantitative analysis in which the country was just one variable along with field of activity and age.

We tried to ensure that some of the organisations chosen had a reputation as being very good at what they did. We asked our key informants to nominate organisations that they believed to be have been performing well.¹⁹ Members from each

¹⁹Not all teams were able to do this while one, the Philippines, focused all attention on these organisations.

team visited each chosen organisation and collected information via a questionnaire and also by a series of open-ended questions. Each visit took several hours, sometimes a whole day.²⁰ We recognised that it would not be possible to collect data of the kind we were seeking from conventional TSOs from any traditional or village type organisations we might be able to identify. We agreed that each team would try and identify a few organisations that were operating along traditional lines, though we recognised that the data we collected from these could not be included in the main data set. Instead separate case studies would be prepared on these.²¹

While each country team could draw on all the data they collected to prepare country reports, a great deal of the information was prepared in a format to enable comparative study. Each country team prepared a report on the legal environment of third sector governance, each submitted questionnaire responses of key informants on a pre-prepared Excel format along with a report of the various views expressed in response to open-ended questions. And responses to an extensive questionnaire about governance practices, administered to each of the organisations included in the organisational survey, were also recorded in an Excel spreadsheet to facilitate comparative analysis.

However, it should be noted that while the sample in each country was approached in a standardised way, and covers the broad variety of TSOs, nonetheless the overall samples cannot be considered fully representative, nor are the samples for each country directly comparable. For instance, while some partners (for example Indonesia) attempted to sample equal numbers of small/informal organisations as well as those with a high profile reputation, other partners (for example the Philippines) only included the latter. India chose to include only those organisations which were incorporated within the survey analysis; non-incorporated organisations were subject to a separate, case study, qualitative analysis. No country was able to adequately assess the thousands of organisations located in small rural villages, or those which were not registered. So, we essentially have a sample of well established and officially recognized TSOs in six Asian countries. For those organisations we can build a picture of the way the organisation says that it operates.

Summary of the Chapters

This volume has 17 chapters divided in two parts—the first (after this chapter) includes nine comparative chapters arranged in three sections, and a concluding chapter and the second part includes 6 country chapters. The argument advanced is that while the legal environment pushes all but the smallest TSOs in all our countries

²⁰ Sometimes team members would arrive at the prearranged time to discover that their informant, usually the senior executive of the organisation, was too busy or had decided that he did not wish to reveal details about their organisation's governance. In such cases an alternative organisation was found.

²¹ In the end, only India, Indonesia and the Philippines were able to do this.

to adopt a board (corporate) model of governance, within that there are several variants. However, other factors, especially the requirement of foreign funding agencies, are pushing organisations towards the arrangements and practices associated with the corporate model of governance. Overall, while examples of traditional forms of governance can be found, the tasks of service delivery development and democratic public governance are carried by the TSOs that are little different in their governance from similar organisations in the North. Major features in the political economy in each country, however, influence the TSO governance structure and process differently.

But before detailing the argument and its evidence, the remaining three chapters of Section 1 in Part I (Setting the Scene) will lay some groundwork. Chapter 2 (Third Sector Growth and Governance: Contexts and Traditions in Asia) analyses relevant features of each country, its geographical, social and political structures, its economic transformation, its cultural tradition and what is known about the size and role of the third sector and the features of traditional approach to governance. The main purpose of the chapter is to focus on questions like: what is the basic political and governmental system and how does this influence the third sector in the country? How have the cultural and religious traditions, and political history and evolution, helped shape the third sector in the country? Have any recent events or governmental actions been instrumental in the growth of the third sector, and important in comprehending the TSO governance? The chapter also highlights the traditional forms of third sector governance in each country.

Chapter 3 (Legal Environment for TSO Governance: A Comparative Overview of Six Asian Countries) sets out the legal requirements of TSO governance in each, paying attention not only to the formal requirements but also to the extent to which they are enforced. The chapter identifies the formal laws of incorporation (introduced over the past 150 years mainly by the colonial powers) that became parallel and gradually have displaced the traditional system. It is argued that neither tradition nor the current legal regimes wholly explain the governance arrangements that prevail, but that both exert an influence. The chapter looks at the legal and administrative requirements affecting the role and composition of boards and accountability process of the TSOs, and the degree to which these requirements are complied with/enforced.

Chapter 4 (Perceptions of Third Sector Governance in Asia) draws on our key informant interviews to examine the climate of opinion and expectations regarding TSO governance. The discussion identified TSO governance in terms of a transparent system of answerability, democracy and leadership, good internal relationships, professionalism, and partnerships and networks concluding that for the respondents third sector governance is always good governance based on Asian values and cultures.

Section 2 Part I (Descriptive Findings and Analyses), in three chapters, sets out the arguments of and evidences from the study. The first of these three chapters, Chap. 5 (Asian Third Sector Organisation and Governance Structure), describes the organisations in our sample, their membership (if any), their staffing and sources of revenue and their boards: who constitutes them, their relationships with the chief executive officer (CEO) and, sometimes, the founder. Its focus is primarily

structure of governance and the personnel engaged in it (or should but do not). The discussion in the chapter revolves around the questions like do all TSOs have boards? If not, how are they run in how many different ways? What tools and bodies regulate the formation and functioning of the boards? How? What do the boards and the board members do inside and outside the organisations? Do the board members involve themselves in sustainability enhancement, e.g. fund-raising?

Chapter 6 (Third Sector Organisations and Governance Process) examines the extent that our sample of organisations engages in a series of basic organisational task: planning and decision-making, financial management and managing stakeholder relations. The chapter discusses three models of governance: the corporate governance model, the traditional Asian model and the democratic model. All three models of governance provide appropriate form of ‘good governance’ under specific circumstances. The question then is: what is the appropriate form of governance in TSOs as opposed to those in the other sectors. And what is the appropriate form of governance in Asian TSOs? As far as possible information concerning organisational practices drawn from the organisational survey results and the case studies are examined from the perspective of the three models. The data is also subject to statistical analysis to identify the effects on these organisational practices of incorporation or registration with government, membership and the presence of external funding.

Chapter 7 (Third Sector Organisation Accountability and Performance), following the same approach as Chap. 6, explores the way our TSOs review organisational (and executive) performance and how they practice accountability—to members, donors, users, governments and the wider public. A major point that the chapter makes is that the recent legal requirements for incorporation and/or being registered with the government, and the influx of foreign funds appear to be driving a major cultural shift within the Asian TSOs, away from traditional modes of local governance and towards more formalised governance mechanisms applied within the corporate governance model.

Section 3, Part I (Theoretical Analyses) contains a set of analytical chapters that seek to answer some of the questions that originally prompted our study. The main question Chapter 8 (Collective Governance: An Alternative Model of Third Sector Governance) deals with is to what extent the traditional models of governance have survived and/or have influenced TSO governance? It then highlights the features of ‘collective governance’. There are a great variety of approaches to third sector governance within each country and within each field of activity. In effect, except for a couple of minor variables, there are no significant differences between countries. While there is no single Asian model, there are a variety of models that can be found throughout six Asian countries. The chapter focuses, based on examples identified in different country reports for this research project, on a collective governance model comparing it with the corporate governance model suggesting that the models are not types but are probably points in a continuum and different TSOs choose to incorporate elements more identified with corporate governance, than are with other kinds.

Chapter 9 (Three Models of Organisational Governance in Asia's Third Sector) identifies the criteria of three different models of governance in Asia's third sector and tries to statistically place our samples into different models. A major conclusion the chapter draws is that TSOs practicing features of democracy within the organisation are more likely than other TSOs to report to the wider public and suggests that encouraging democracy is more important than prescribing a governance model.

Chapter 10 (Experiences of Third Sector Governance in Asia: A Political Economy Analysis) deals with a major question—to what extent have the differing political economies of our six countries shaped approaches to governance. The chapter looks at the relationship of the following with third sector governance: colonial and post-colonial administrations, politics and administration of laws and regulations, and stakeholder relationships. The chapter also highlights some intervening socio-political phenomena like the hierarchical community structure and patron–client relationships, and kinship primacy. It turned out that good governance emphasise democracy; but to many respondents, democracy is not about the process, it is about the purpose or outcome—‘greatest happiness of the greatest number’ based on the actions aimed at the ‘highest good’—*summum bonum*).

Chapter 11 (Governance Approach in Asia's Third Sector: Adapted Western or Modified Asian?) in the comparative analyses part draws some lessons for TSOs in Asia and elsewhere. Its basic conclusion is that governance is important, but deals with a difficult and contradictory set of tasks and responsibilities. There is no ‘one best method’, but rather a set of questions that each organisational leadership group needs to answer in order to ensure their organisation is balancing the interests of its key stakeholders (members, clients or patrons) as well as it can. The chapter summarising these various strands, attempt to answer our original question: is there an Asian approach to governance of TSOs? The answer to this question is simple: while there is no single Asian model, there are a variety of models that can be found throughout our six Asian countries. A similar mixture would be found in many other rich and low income nations.

Part II; *The country chapters*: The comparative analyses in this volume follow six country chapters. These chapters summarise and highlight the major points from the key informant survey, legal environment analyses and organisational survey. Each takes a different approach and concludes differently. The China chapter concludes that governance is a new concept in China, and means different things to different people—primarily internal management. The people appreciate the importance of government regulation but think that the legal framework that provides protection, encouragement, and guidelines but not just tend to control the TSOs needs to be created. The chapter suggests that there should be a transition from dominance to social governance through cooperation, negotiation and partnership between the government, business and the third sector for the establishment of a congenial environment for the third sector because that is what more important now to the TSOs than to work for transparency and accountability.

Governance as a concept is perceived to be comprehensive but also complex and time and space specific in nature. Therefore, the chapter on India suggests from the

study that there cannot be a common capsule indicator workable for evaluating governance in all types of TSOs. Indeed there can be diverse and multiple approaches to governance. This is especially relevant in the context of pluralistic societies like India, as found in the Indian study. The limited information derived in the Indian study on the informal/unregistered TSOs in India and the relevant governance practices signify the existence of undiscovered wealth of information that may help better explain the governance pattern revealed in the study.

The cooperative spirit inherent in the society has encouraged the growth of informal as well as formal TSOs in Indonesia. In different periods of Indonesia's post-colonial history, the political conditions have had a significant influence on the enactment and enforcement of the TSO laws. The government has been in the process of framing new regulatory mechanisms for the TSOs, but the study on Indonesia contends that it is unlikely to help achieve good governance in the TSOs until uniformity in the laws can be ensured. There is, however, a tendency among the surveyed TSOs to adapt the Western model with the sociocultural milieu of the society enjoying or benefiting from the best of the both worlds.

The Filipino society is collectivist in nature, thus the Philippines chapter based on Hofstede (1997) suggests that Filipino society may be characterised by 'large power distance' where power is associated with wealth and social/economic status, 'defined by existential inequality which is desired and manipulated in favour of the power holders, and accepted by the less-powerful as a determinant of right.' Filipino values also emphasise the need for social acceptance. This is manifested in different social norms and intended, according to the chapter, to maintain smooth interpersonal relations (SIR); which defines governance relationships in the TSOs as well.

The situation in Thailand seems to be similar. The Thai people, according to the country chapter, are concerned more about social legitimacy of the TSOs than those of transparency and accountability. Legitimacy depends on 3Fs—the founder (who), funds (how) and functions (what purpose). The credibility of the TSOs is not dependent on transparency, accountability and organisational effectiveness alone. Thai traditional values, belief and practices that place emphasis on charismatic leaders with high status and position, and on prominent figures with power and authority, are evident and adhered to in the case of the TSO governance.

Because of the increasing support of the foreign partners in different development projects, many TSOs in Vietnam are now capable of performing their works independently and effectively. Nevertheless, the TSOs' reliance on the government funds seems to be excessive and restrictive, especially when the government emphasises the financial independence of these organisations. The Vietnam chapter suggests that the more the TSOs become financially independent the more TSO governance in terms of accountability and performance monitoring will improve. We believe this contention is true for all types of TSOs in all our participating countries because competitions in resource mobilisation will create natural impetus for the TSOs to excel and become answerable to the stakeholders.