

Chapter 5

Asian Third Sector Organisation and Governance Structure

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The study of divisions, hierarchies and assignment of roles and responsibilities of an organisation helps understand the space available to different actors, and the governance process and practices in an organisation. The mode of formulating the policies, the execution of the action plans, the extent of participation, the flow of information and even transparency and accountability in an organisation tend to depend on the structures designed for specific purposes. The present chapter surveys the governance structure in selected third sector organisations (TSOs) in our six participating countries. Before the discussion on the governance structure, the chapter highlights some aspects of organisational dynamics of the TSOs in the 'Organisational Dynamics' section. This discussion highlights the legal status, major fields of activity, age, membership and staffing position of the TSOs. The 'Governance Structure and the TSO Growth Pattern' section looks at the governance structure, and growth pattern in the TSOs highlighting the role of the driving force. The 'Board Constitution and Roles' section analyses the internal dynamics of the TSOs, ie. the internal relation mechanisms, (non)existence of a board, the role of the chief executive officer (CEO), the participation of the membership in the organisation's activities, the presence of individual leaders, the role of the founders, and the relationship of the CEO with the board and the target group. The final section presents the unique governing practices of TSOs that do not have a formal structure. Such an analysis is vital considering the fluid structures and the role such structures play in shaping governance practices especially in informal or traditional organisations. Needless to say, this is of immense significance in understanding the governance process. The study is based on a survey of 492 TSOs in the six participating countries.¹ The findings are only indicative as to the nature of functioning of the TSOs in the countries under study.

¹Please see Chapter 1 in this volume for more on the methodology.

Organisational Dynamics

The legislations for TSO incorporation place some structural requirements. The compliance to these requirements in turn influences other features such as functional direction, financial governance, internal relationships, external horizontal as well as vertical relationships and so on. Organisational dynamics, for the sake of this chapter, is all about understanding the main features, and the governance, of the TSOs in our participating countries. The section is divided into six subsections, and deals with the legal status, the fields of activity, age, staffing patterns and membership positions in the selected TSOs. At the end, the section has a comparative analysis of the data discussed in the section.

Legal Status

The provision of rights to form association is strikingly similar in all the countries under our study.² The data from all the six countries indicate that at various stages of their history they have had non-invasive states providing space for the TSOs. The peoples' groups existed irrespective of the state of the economy and the nature of the political system. In some countries like India, the already existing civic initiatives were validated and endorsed through a constitutional rights to association while in some other countries like Vietnam, such rights became a part of the newly amended Constitution. The modern TSOs have appeared at different times of history in our participating countries. The first TSOs were created as early as in the 1800s (India and Indonesia) and as recent as 1946 (Vietnam).

In all the six countries, there are numerous informal and un-incorporated TSOs.³ For example, in Indonesia there are traditional TSOs like the *subak*,⁴ *arisan*,⁵

²For more please see Chapter 3 in this volume.

³We have used the term Incorporated and Un-incorporated organisations to denote the legal status. The term Informal Organisations refers to mostly modern but un-incorporated and those practicing informal methods of governance. There are incorporated organisations which also follow some informal methods that we have included under this category. Traditional organisations are those which generally represent religious institutions or organisations of indigenous people.

⁴Subak is a way of working together, found in Bali, concentrated in an irrigation area (cited in Radyati, 2006).

⁵Arisan is a gathering of people who know each other well to collect money and at certain periods they come together to draw lots in order to decide who has the right to borrow the money. This gathering is quite common in Java.

*mapalus*⁶ and *tanggung renteng*.⁷ But the present trend is to form formal, legally incorporated TSOs. Further, each country has developed its own mechanism to control, check and guide people's initiatives. In some countries, for example, China, Indonesia, Thailand and Vietnam, TSOs need to register with the government without seeking legal status.⁸

TSOs in India and the Philippines, however, are not subject to mandatory registration. India provides a greater space and choice for the TSOs to incorporate under one or more legislations or to operate as an un-incorporated initiative. The un-incorporated TSOs can hold bank accounts, receive government funds and even foreign donations (with permission from the Ministry of External Affairs).⁹ This has helped the un-incorporated TSOs to operate and sustain in India.

TSOs in the Philippines can operate without having to register with any government agency. However, only registered TSOs enjoy benefits like tax relief.¹⁰ To qualify for tax exemption, receive grants, do fund-raising, own property, or receive government subsidies, or even just to open a bank account, TSOs in the Philippines need to have a legal personality. This is conferred through the registration, which in turn enforces a specific governance structure—the Western corporate structure.

Both the key informants and the organisational respondents in all countries¹¹ noted that the legal entity brings recognition, creates opportunity for receiving external funds, and provides tax exemption and government support. Thus, many TSOs are willing to go for incorporation. But then the excessive bureaucratic intervention in the affairs of the TSOs (that follows incorporation), the overbearing nature of some political leadership, and the fear of co-option keep TSOs away from incorporating.¹²

It thus emerges that the constitutional provisions, legal regime, as well as the attitude of the government seems to be shaping the organisational dynamics of TSOs in all the countries under study. It is heartening to note that, at least technically, in all the six participating countries there is ample space for the TSOs to operate. The ground realities in our participating countries, as evident in other

⁶ *Mapalus* comes from Manado, North Sulawesi. It means 'Working and Helping each other' (cited in Radyati, 2006). *Mapalus* work together to achieve certain objectives, e.g. to grow rice, to have saving groups like the *arisan* in Java.

⁷ *Tanggung-renteng* is a system of women's traditional credit cooperatives. The membership in an organisation is based on friendship. If evidently one of the members fails to carry her obligation in paying debt, then the other members take over that obligation for the time being, and thus exercise significant influence on people's lives.

⁸ For details see Chapter 3 in this volume and the country chapters at the end of this volume.

⁹ For example, the un-incorporated self help groups (SHGs) get government supports like the seed capital or the bank loans.

¹⁰ In Lerma and Los Baños (1999a, pp. 241–242) cited in Domingo (2006).

¹¹ Please see Chapter 1 in this volume for a detailed methodology.

¹² This is based on the interviews with the TSO representatives and the key informants undertaken for the study. These seem to be the main reasons why TSOs prefer to work without incorporation in countries like India and Indonesia.

comparative chapters and in the country chapters, are different at varying degrees in various countries.

Major Fields of Activity

The range of issues that the TSOs address is enormous. They are found to be operating in almost all the fields that make human lives more meaningful and comfortable in society, and the human bodies to have dignified last rites e.g., the cremation society in Thailand. In the present study, the sample units are classified on functional lines based on the International Classification of Non-profit Organisations (ICNPO). There are nine major areas of activity identified and covered in the study: (i) Art and Culture, (ii) Business and Professional, (iii) Education, (iv) Environment, (v) Law and Advocacy, (vi) Religious Organisations, (vii) Social and Economic Development, (viii) Social Service and (ix) Others.¹³

Identification and classification of the TSOs on the basis of fields of activity was difficult for many TSOs under study in all the countries¹⁴ because the fields of activity seem to vary over time depending on the needs of the target group, changes in the sources of funds and other supports. The fields of activity do not seem to have any bearing on governance structure. It emerges that incorporation places the precondition for formal governance structure for the TSOs. Nevertheless, the data indicate that there are TSOs that are incorporated, but do not have a formal decision-making structure. Excepting the fields of law and advocacy and religious organisations, all other fields of activity, including 8% of the Business and Professional organisations, have TSOs that are incorporated, but do not have a formal governing structure (Table 5.1).

As noted earlier the multiple fields of activity in some of the countries have serious implications on governance of the TSOs. For instance, key informant's interview in India revealed that different funding bodies sponsor different activities and that the functioning and governing mechanisms of many TSOs depend on the activity and requirements of the funding agencies. This was found to be true in case of fourteen TSOs in Indian study. The organisations' representatives noted that the presence of multiple major funding bodies' support to the TSOs necessitates such practice. The TSOs with multiple donors have noted that they live from project to project, and each project coordinator addresses the governance issues (according to the project specifications) irrespective of (or often disregarding) the TSO's mission

¹³Each country had its own problem with this model. For want of an alternative that is workable to accommodate the requirements of all the six countries under study, this model was used.

¹⁴For example, in India and the Philippines, many respondents noted that the TSO had been involved in many equally important interlinked fields of activity (multi-faceted), and did not want to identify a single activity as the major field. They believe that the focus and programs of their respective organisations are multi-faceted.

Table 5.1 Fields of Activity, Legal Status and the Existence of Board

Number of (un)incorporated TSOs in each field of activity Boards exist→	Existence of boards in surveyed TSOs			
	Incorporated TSOs		Un-incorporated TSOs	
	Yes	No	Yes	No
Arts and culture; Inc: 31, Un-incorporated: 10	29 (94)	2 (7)	7 (70)	3 (30)
Business and professional; Inc: 37, Un-incorporated: 3	34 (92)	3 (8)	0	3 (100)
Education; Inc: 49, Un-incorporated: 10	47 (96)	2 (4)	4 (40)	6 (60)
Environment; Inc: 32, Un-incorporated: 7	30 (94)	2 (7)	6 (86)	1 (14)
Law and advocacy; Inc: 48, Un-incorporated: 7	48 (100)	0	4 (57)	3 (43)
Religious organisations; Inc: 26, Un-incorporated: 6	26 (100)	0	3 (50)	3 (50)
Economic development; Inc: 85, Un-incorporated: 18	80 (94)	5 (6)	14 (78)	4 (22)
Social service; Inc: 95, Un-incorporated: 25	86 (91)	9 (9)	9 (36)	16 (94)
Others; Inc: 1, Un-incorporated: 1	1 (100)	0	0	1 (100)
Total; Inc: 405, Un-incorporated: 87	382 (94)	23 (6)	47 (54)	40 (46)

Numbers in the first column represent is the total number of third sector organisations (TSOs) surveyed in each the field; the numbers within the parentheses in other columns represent respective percentages.

and philosophy. In such TSOs there seem not to have any horizontal cooperation or coordination among the project coordinators creating 'complex' governance practices for versatile TSOs. Thus, the sources of funds for a particular field of activity, and not the declared field of activity of the TSOs, are likely to impinge on governance practices of the TSOs.

Age of the TSOs

The respective socio-political dimensions have greatly influenced the TSOs' existence and survival, in each of our participating countries. In China and Vietnam, the state recognition and encouragement to TSOs is a recent phenomenon. For instance in Vietnam, even though legislative support was available, not many TSOs were formed until the late 1980s. With gradual decline in state control (in extent and kind), and the increase in citizen needs new TSOs are being formed.

On the other hand, the third sector activity has a very long history in the Indian context. It would be difficult to identify the oldest TSO, as the sector's actual

terrain is not known. In India, there are temples, churches and mosques that have been serving people for hundreds of years. The socio-political scenario in India changed with the advent of the British and this led to an expression of socio-cultural activism as early as the 1800s.¹⁵

The experience of Indonesia on the other hand reveals that the average life span of the large popular organisations (PO) is greater than that of the small and informal organisations (SIO). The latter TSOs are generally not incorporated, and not registered with the government either (Radyati, 2006). In the Philippines, many TSOs are well over 20 years old. The Philippines country report indicates that the TSOs that can overcome the struggles of their early years and live longer are perceived to be better performing and have a potential to grow further (Domingo, 2006).

The presence of a formal decision-making body in a TSO seems to have a significant positive relationship with its age. The TSOs under this study are generally formed by a single individual or a group of people of similar interests. As found from the organisational survey in India, Philippines and Indonesia, in many cases the founder, becoming the CEO and the chair of the board, tends to dictate all decisions. As TSOs age, they become more structured and formal, accepting different individuals as the board chair. Table 5.2 reveals that while in 46% of the young TSOs the CEO functions as the board chair, in more matured (20–49 years old) TSOs, in 80% cases the chair of the board is not the CEO of the TSO. The data also show that with age, TSOs tend to embark on a more formal governance structure. For example, only 78% of the younger TSOs (<10 years) have a formal structure of governance with a board/committee, whereas the older, 20–49 years or 50+ years, TSOs have formal governance structure in more cases (89% and 97%, respectively). It is, however, highly likely that TSOs with a formal structure of governance and an independent board tend to sustain over time than other types of TSOs. But then we do not have data to confirm or reject that assertion.

Table 5.2 CEO as the Chair of the Board in Relation to the Age of the Organisation

Age of the third sector organisation (TSO)	CEO as chair of committee/board		Total
	Yes	No	
Less than 10 years	48 (46)	57 (54)	105 (100)
10–19 years	33 (30)	77 (70)	110 (100)
20–49 years	17 (20)	68 (80)	85 (100)
50+ years	6 (23)	20 (77)	26 (100)
Total	104 (32)	222 (68)	326 (100)

Numbers within the parentheses represent percentages within the group.

¹⁵The oldest TSO covered in this study is about 140 years old and is un-incorporated.

Membership Status

Membership provides a TSO a greater democratic framework and opportunity for being more accountable and open. The roles of the members in the TSOs have been found to be varied in different countries, and along the fields of activity. At the same time they differ on the basis of the work that the TSO is addressing. In the countries under study religious organisations have a large number of devotees regularly donating and volunteering who do not consider themselves as members.¹⁶ In general, however, TSOs are found to be member-driven organisations. In the present study, all countries except Thailand have more member-based and member-serving TSOs than the non-member-serving TSOs. There is not a single TSO in the Vietnam survey list, that is, a non-member TSO. The field data reveal that in China the membership-based TSOs are predominant in regional cities and in the field of activity of business and professional.¹⁷

Membership in the TSOs tends to increase volunteering significantly. The country data show that the TSOs with no members depend more on paid staff, whereas the membership organisations' dependence on paid staff is relatively low. Of the member-based TSOs in the samples, 67% depend on paid staff for functioning; in the non-member-based TSOs the corresponding rate is 85%. This indicates that the member-based TSOs tend to have more volunteers to run the organisation. As Lyons (2001, pp. 161–162) notes 'for TSOs, members are, in effect, the owners of the organisation', and as such get motivation to 'run the show'. The more the people's participation, and the participatory development approach receive currency, the more the TSOs become stronger having more members.

Staff Pattern in the Sample TSOs

This study reveals that the membership-based TSOs tend to be less dependent on paid staff, and that the dependence on the paid staff increases with age of the TSOs (Table 5.3). For example, only about 65% of less than ten-year-old TSOs depend on paid staff for their functioning, but for more than ten-year-old TSOs this percentage increases to 78% (Table 5.3). In some countries, there is a visible positive relationship between legal status and staff pattern in the TSOs. Un-incorporated TSOs tend to depend more on volunteers whereas incorporated TSOs depend more on paid staff.

¹⁶This phenomenon is evident in India and Indonesia, please see Dongre and Gopalan (2006); and Radyati (2006), respectively.

¹⁷The China country report also notes that there is a new trend in developed areas such as Pearl River Delta and Yangtze River Delta regions where more men and women in business are forming self-governance organisations with members to protect the members' interests, rights and to negotiate with the government on policy matters. To increase the strength of their organisations they launch regular membership drive.

Table 5.3 Age-Wise Distribution of third sector organisations (TSOs) with Paid-Staff/Volunteer

Age of the TSO	Paid staff		Total
	Yes	No	
Less than 10 years	111 (65)	61 (35)	172 (100)
10–19 years	126 (78)	35 (22)	161 (100)
20–49 years	91 (75)	30 (25)	121 (100)
50+ years	28 (80)	7 (20)	35 (100)
Total	356 (73)	133 (27)	489 (100)

Numbers within the parentheses represent percentages within the group.

For example, whereas 83% incorporated TSOs in China and 76% in Indonesia depend on paid staff, only 39% and 9% respectively of the un-incorporated TSOs in these two countries depend on paid staff for their operation. In case of the Philippines, Thailand and Vietnam, irrespective of the legal status of the TSOs, the dependence on paid staff is greater than that of the volunteers; and also there is no significant difference between the incorporated and un-incorporated TSOs in this respect.¹⁸

It is worth noting at this juncture that it would be difficult to correlate the high dependence on staff and greater professionalism in the TSOs. As it stands, the people working in the TSOs in these countries mostly are part-timers without any relevant training. Most times local people are recruited because the TSOs require a local connection and ‘cheap labour’, and on the supply side, some local individuals may have inclination to solve some local issues by being associated with the TSOs operating in their area. Some case studies undertaken by the research team and the additional discussions the interviewers had with the organisational respondents in India reveal a trend in the staffing pattern of the TSOs that seems to be representative of all countries. In India, staff in 76% of TSOs are minimally paid employees who take the jobs because of a passion for the cause or a lack of a better job. The staff in 64% of the surveyed TSOs noted that they use TSOs as a spring board to gain experience and move to higher salaried positions.¹⁹ The TSOs, especially the small ones, thus face a major problem in retaining efficient and good staff. It could be a governance issue in the sense that many CEOs or committee of many TSOs tend to see the staff as just ‘workers’ without

¹⁸For example, while 80% incorporated TSOs in the Philippines, 87% in Thailand, and 73% in Vietnam depends on paid staff, 69%, 75%, and 67% un-incorporated TSOs, in these countries respectively are dependent on paid staff.

¹⁹For example, some young social work graduates informed the interviewer that the young graduates take a TSO job as a training ground with a minimal pay, hoping to move up to a higher pay and more formal organisations as they gain experience (Dongre and Gopalan, 2006).

appreciating their worth and valuing their passion, and not giving them any opportunity to fulfil their achievement needs or belongingness, and then expect them to stay with the organisation.

Comparative Perspective

This study was exploratory in nature with a small sample in each country. Thus, the findings cannot be generalised. Nonetheless, we have tried to provide a comparative perspective of issues related to internal dynamics, through the method of internal average comparison. Taking the average of the TSOs covered in the study as a basic parameter, the variations in the trend have been located. This comparison, it is hoped would help us better understand the situation at the regional level. The computations are presented in Table 5.4.

The average ratio of incorporated TSO to un-incorporated TSOs studied is 4:1. Taking this as the basis, if we compare the status of incorporation of the TSOs in different fields of activity, we notice a major deviation (12:1) in case of Business and Professional organisations indicating that such TSOs are more likely to be incorporated than those in other fields of activity. Similarly, we notice that younger TSOs exhibit a 2:1 ratio of incorporation to non-incorporation while this ratio is 5:1 in the case of more than 50-year-old TSOs. It is possible that many TSOs first start the initiative and think of incorporation at a later date depending on the needs. The

Table 5.4 Comparative Situation of Organisational Structure in the third sector organisations (TSOs)

Particulars (ratios)	Average position	Major trends
1. Incorporated: Un-incorporated	4:1	Business and professional 12:1
2. Incorporation: Age	4:1	Less than 10 years 2:1 20 years and above 5:1
3. Age: Field of activity (religion)	3:1	Less than 10 years 12:1 20 years and above 1:1
4. Legal status: Staff (paid: voluntary)	2:1	Incorporated 4:1 Un-incorporated 1:2
5. Field of activity: Staff (paid: voluntary)	2:1	Environment 5:1 Religious 1:1
6. Location: Incorporation	4:1	Large city/Urban 5:1 Regional city/Rural 3:1
7. Location: Field of activity	–	Art and culture—Large city 11:1, Rural 20:1 Social service—Large city 5:1, Rural 4:1

other major trend shows that the ratio of religious organisations is higher among the older TSOs (>20 Years) than among the younger ones (<10 years). There is a marked difference in the ratio of paid staff to volunteers among incorporated and un-incorporated TSOs. While there is one volunteer to every four paid staff in case of incorporated TSOs, this ratio is on the reverse with one paid staff for every two volunteers in case of un-incorporated TSOs.

In terms of the fields of activity, the TSOs working in the area of environment have more paid staff (5:1) while religious organisations have a 1:1 ratio of paid staff and volunteers. When the location is considered as the basis, we find that every five out of six TSOs in the urban areas are incorporated while their number is three out of four in rural areas. Similarly, every 1 out of 12 TSOs in urban areas fall under the art and culture category against a ratio of 20:1 in rural areas signifying less number of TSOs in this field of activity in rural areas. On the other hand, the ratio of social service TSOs in large cities and rural areas respectively is 5:1 and 4:1 indicating that social service TSOs are more likely to be found in rural areas than in urban locations with reasonably similar distribution. There is no uniform organisational dynamics for the TSOs. It varies along countries, and across fields of activity within each country.

Governance Structure and the TSO Growth Pattern

Organisational dynamics alone is not enough to explain the governance and growth pattern of the TSOs under study. Our assumption was that in each TSO in Asia there has been a driving force moving the organisation forward and ensuring its sustainability. But then the character of the driving force influences governance structure. Mapping the pattern of growth and expansion of the organisation in terms of activities, funding and the number of staff would also help understand the direction in which the TSOs move over a period of time. In this section an effort is made to present the comparative picture of the TSOs in terms of their growth, and its relationship to some selected aspects of governance structure influenced by the driving force. The discussion, however, begins with a note on the driving force—as revealed from the study.

Driving Force

The presence of a driving force in the TSOs has been found to be predominant in all (80% TSOs in China, 67% in India, 88% in the Philippines, 86% in Thailand and 77% in Vietnam) but the Indonesian TSOs (only about 17% reported the existence of a driving force). The extensive presence of a driving force in the sample units substantiates the fact that in most cases TSOs are formed because of the vision and commitments of a single individual or a group of individuals. In most cases the driving force is an individual ranging from a national ideologue (like Gandhi in India) to the chair or CEO of the organisation. Country wise breakdown shows that

in Thailand nearly all (93%) ‘driving force’ is the chair/CEO of the respective TSO, while in Indian samples chair/CEO in 72% cases is the driving force.²⁰

An individual driven TSO can be perceived as undemocratic. The India country report, from elaborate analyses, however, suggests that in nearly 60% of the TSOs in India, where the CEO/chair is the driving force, there is a nurturing of second line leadership with a good opportunity for different people in organisational hierarchy to create good public acceptability (Dongre and Gopalan, 2006). Thus, the study of TSO governance needs to consider regional and/or cultural expressions.

Expertise/competence of the person has been cited (by 42% of the respondents) as the main character of the driving force in all the countries under study. The good news is only when an organisation becomes professional in its approach and operation, people with the apt expertise become the driving force.

Organisational Dynamics and Third Sector Growth

Growth or expansion of activity is an important indicator of organisational performance. As the activity grows, governance becomes both important and complex. Thus, it is important to analyse how different aspects of governance structure influence the TSO growth in the countries under study. With 82% of the TSOs indicating growth in activities, only 64% and 51% of the TSOs recorded growth in funding and staffing respectively in the three previous years. It is of interest to note that the number of TSOs reporting growth in activities is much higher than those reporting growth in funding and staff strength. This trend establishes the fact that for some TSOs, activities are independent of funding and staff strength. It would be worth analysing the relationship of growth with some aspects of governance structure.

Table 5.5 reveals that there is a direct correlation between growth in terms of activity, funding and staffing in the TSOs and the existence of some governance mechanism in the form of committee, board, etc. Incidence of growth is much higher in the TSOs with a board/committee. The role of the founders seems to be a key factor in the third sector organisational growth in the countries under study. Activities of the TSOs have grown in 91% cases where the founder has the final say in the TSO concerned. Again, the performance is better when the founder remains as the driving force of the TSO. Nonetheless, the track record or experience has been a major factor in ensuring activity growth in the TSOs under study. The organisational performance is much higher when the track record and experience are the main features of the driving force—as is the case when organisational position makes the driving force. Thus, after all, in our sample TSOs professionalism does matter. The fact can be proven negatively as well in the sense that when political connection is the major feature of the driving force the growth in funding and number of staff is the lowest.

²⁰ According to the country data, in China in 80% of the sampled TSOs chair/CEO is the driving force, in Indonesia it is 82%, in Philippines 75%, and in Vietnam 62%.

Table 5.5 Third Sector Growth and Governance Structure Relationships

Governance structure	Growth of the third sector organisations (TSOs) in the previous three years (% grown)		
	Activity	Funding	Staff
Has a committee/board	85	67	56
Does not have a committee/board	71	56	45
Board has final say	84	67	55
CEO has final say	77	68	53
Founder has final say	91	75	71
Has a driving force	85	66	58
Does not have a driving force	82	72	51
Founder as driving force	88	67	60
CEO as driving force	83	66	62
Chair as driving force	86	67	60
Feature of driving force—expertise	81	65	53
Feature of driving force—political connection	88	56	56
Feature of driving force—track record	96	70	61
Feature of driving force—position	92	83	58

Board Constitution and Roles

The internal dynamics of an organisation relates to the decision-making body and its role, intra-organisational relations and in particular the relationship between board and the CEO, and the modes of intra-organisational communication. These aspects can determine both the process and quality of governance. The internal dynamics of an organisation would throw light on the willingness of the TSO to be transparent and democratic. In other words the analysis of internal dynamics refers to a study of ‘who is responsible for determining what they do and how well they do it’ (Lyons; 2001). In order to understand the above correctly we need to look at the board structures and roles first.²¹

We have noted earlier that all the countries under study have both incorporated and un-incorporated TSOs. The un-incorporated TSOs fall within the ambit of the general laws of the land, but need not follow a legally prescribed structure for decision-making and governance. It is mandatory for the incorporated TSOs, however, to have a formal body in place with the structures mandated by the relevant legislations.²² Constituting a board of management is one such legal compulsion. The legal status and the presence of the board are positively correlated

²¹ For discussions and analyses of other aspects of internal dynamics please see Chapters 6 and 7 in this volume.

²² In China, it is not mandatory for incorporated TSOs to have a board. But, if they have one there are conditions laid down as to how they should form them and what are the expected roles of the board, please see Chapter 3 for more.

Table 5.6 Incorporated Organisations with and Without Board

Country	Incorporated	Board/Committee				Total
		Yes		No		
		<i>f</i>	%	<i>f</i>	%	
China	Yes	54	93	4	7	58 (100)
	No	14	61	9	39	23 (100)
India	Yes	96	98	2	2	98 (100)
	No	47	94	3	6	50 (100)
Indonesia	Yes	5	15	28	85	33 (100)
	No	62	98	1	2	63 (100)
Philippines	Yes	13	81	3	19	16 (100)
	No	55	95	3	5	58 (100)
Thailand	Yes	10	83	2	17	12 (100)
	No	67	86	11	14	78 (100)
Vietnam	Yes	3	100			3 (100)
	No	381	94	24	6	405 (100)
Total	Yes	45	52	42	48	87 (100)
	No					

with 94% of the incorporated TSOs having a board/committee. Though not a legal requirement, 52% of the un-incorporated TSOs under this study were found to have a board/committee. The figure is much higher in China (61%), the Philippines (81%) and Thailand (83%) (Table 5.6).

All the countries under study have noted that public recognition is the strongest impetus for the TSOs to have a formal board structure. The TSOs seek to have a formal structure to enjoy the social and legal standing it brings them. The TSOs with board have noted that the board brings in clarity in shouldering responsibility and simplifies work. Organisations from the Philippines, India and Thailand have noted that having a board with proper people enhances a TSO's prestige, credibility and trustworthiness. This issue takes us to the question of the composition of the board. It is interesting to note that percentage of TSOs with government officials in the board is the highest in Thailand (much more than in China), and that is how TSO governance in Thailand is regulated (Table 5.6). It is also worthy of note that in percentage terms TSOs in China have more elected representatives than they are in Thailand. Again, in percentage terms more TSOs in the Philippines have elected representatives in the board than there are not. TSOs in India, the largest country with a sustained and successful democracy, are not far behind. Table 5.7 is thus a true representation of how democratic governance of a country influences TSO governance.

The size of the board is another issue examined in our study. The TSOs with a board size of up to six members constitute the majority (103 TSOs) whereas on the whole, the TSOs with a board size of up to ten members constitute more than 55% of those with board. The laws related to the TSO board size are varied in the participating countries. For example, in India each law specifies a minimum size, but there is no uniformity. The Philippines law stipulates a minimum of five members,

Table 5.7 Board Composition of the third sector organisations (TSOs) (Numbers)

Country	A		B		C		D		E		F		G	
	0	>1	0	>1	0	>1	0	>1	0	>1	0	>1	0	>1
China	51	17	45	23	40	28	57	11	53	15	60	8	44	24
India	95	6	89	12	53	48	76	25	72	29	94	7	59	42
Indonesia	37	6	34	9	28	15	33	10	42	1	40	3	33	10
Philippines	49	22	67	4	29	42	56	15	69	2	66	5	66	5
Thailand	40	25	23	42	38	27	35	30	57	8	59	6	51	14
Vietnam	44	26	40	30	65	5	65	5	66	4	66	4	70	
Total	316	102	298	120	253	165	322	96	359	59	385	33	323	95

A–Ex-officio members; B–Elected members/constituent; C–Appointed by the board/committee; D–Appointed by the CEO/board Chair; E–Appointed by stakeholders; F–Others.

while in Vietnam there is no such specification. The general trend is that Vietnam has more TSOs with small boards whereas China accounts for a larger share of the TSOs with large boards.²³ The TSOs under study from the Philippines, India, Thailand and China have more professionally qualified people on the board, while Indonesia has the least.

The board diversity is perceived as the best indicator of a healthier board. Diversity could be better understood by using the ‘inclusive board’ concept. A board that accommodates members drawn from different backgrounds will be able to address the governance issues in a holistic way. The existence of an inclusive board speaks of the analogous philosophy of the TSO. In this sense the use of parameters like presence of women and members from the disadvantaged section of the society in the board is important. The TSOs in our study indicate that except Vietnam and India the boards of majority TSOs in all other countries have women members. All TSOs from the Philippines have women members on the board. In India 28% of TSOs under study do not have women members on board while in Vietnam only two TSOs in our study have women on board. The limited space available to the members of the disadvantaged sections of society (ethnic, religious and linguistic minorities) indicates that boards under study are not really inclusive in nature.

Irrespective of the composition of the board, in many participating countries TSO boards seem to be enjoying its decision-making power with 42% reporting that most decisions are taken by the board as a whole. Vietnam stands out as an exception to this trend with the CEOs controlling majority of the TSO boards and also with the largest percentage of the TSOs where the Chair of the board is the CEO. Our analysis further reveals that not all members take active part in the decision-making process of the boards. Even if the final say is noted as that of the board, there are a good number of boards where the decisions are taken either by one

²³The China country report reveals that there are TSOs that have boards consisting of more than 100 members, see Ding (2006).

person or by a small subgroup within the board. This trend is more visible in India. With a good number of staff on boards the role of the mid-level management in decision-making in the TSOs in China, Thailand and Vietnam gets pronounced.

The sample TSOs with boards in all the countries under study indicate that nearly 95% of the boards meet on a regular basis, and makes decisions through a consensus. The boards offer space for dialogue and collective decision-making. Apart from the board meetings, 83% of the TSOs mentioned that they hold general meetings as well. India, Thailand and the Philippines exhibit higher frequency of such general meetings. The incidence of making available in advance the agenda of the meeting and preparing the minutes of the meeting is quite common in all countries. This is very high in India than in other countries. The only deviation is the TSOs in Indonesia where less than half of the organisations under study said that agenda is made available before the meetings.

Unique Governance Practices: Decision-Making Structure Without Boards

As perceived by a majority of the key informants, TSOs in the Asia Pacific region are initially the product of efforts of an individual or a small group of persons. These TSOs grow in scale and complexity; incorporate the formal organisational character required according to the different laws that govern them and evolve into formal structures. In spite of their formal structure, more often than not these organisations follow a great deal of informal and/or local mode of operation. All the countries under study have noted that there are informal governing mechanisms among the TSOs. These informal mechanisms are seen to be present both in incorporated and un-incorporated TSOs; the data, however, are not enough to make generalisations. Nonetheless, we have some glimpses of these practices from our participating countries.

The decision-making structure of the TSOs without a formal board, as revealed by our study, is fascinating. The structures recorded by these TSOs could be grouped under four categories, namely, autocratic individual leader centric, democratic individual leader centric, group centric and external board centric. The first category includes those TSOs where all the major decisions are undertaken by the same person—the founder. By dint of being the founder, this person acquires unrestricted authority in the decision-making process. Such individual centric TSOs are existent mostly in Indonesia as well as in India and China.²⁴

Under the ‘democratic individual centric’ approach leaders who are responsible mainly for the establishment of the TSOs have the final decision-making authority.

²⁴Facts taken from Radyati (2006), Ding (2005), and Dongre and Gopalan (2006).

Nevertheless, these TSOs follow a very democratic system of decision-making. For example, discussions are allowed on issues on hand, opinions are collected about, and the options that seem most suitable and receive the largest acceptance are adopted. However, this democratic process is often dictated by the individual who commands high respect so much so that the members tend to accept the leader's views beyond the democratic process. Vietnam, India, China and Indonesia have recorded instances of this model.

The group centric approach has been cited by many of the respondents as a major type of governing body. In many TSOs, a larger group comprising both the board members (if a board is present) and others becomes central to the decision-making process. The group cuts across hierarchy and all those who are seen to be capable of contributing would become part of this group. The elimination of unworkable suggestions and staying close to the issues at hand is the responsibility of the members within the group. Consensus and collectivity are the key phrases for such group endeavours. In some TSOs these methods are the common features whereas in some other, such mechanism is followed when a special issue needs to be handled. This is the case where a board is seen as a legal or technical requirement, while the collective effort remains the actual policymaking mechanism. This group approach takes many forms. Notable among them are the following: (i) the entire group is involved at all stages, (ii) the group formation is based on the members' interest and capability,²⁵ (iii) the individual leader develops the action plans and possible options available and place them for discussion in the group and the group approves the most acceptable way forward and (iv) the group develops the action plans and the leader or the board takes final decision and executes the plans.

In an external board centric approach a TSO may be incorporated without its own board being under the sponsoring TSO's board or a parallel board controlling more than one TSO at two levels. In case of China, India and the Philippines the TSOs that are formally incorporated but do not have board could be grouped under the external board controlled category. Sometimes one TSO may create and register another TSO with the same individuals in both the boards. In case of India four TSOs under the study noted this practice. Of the four TSOs three were established by one larger TSO (not in our sample) allowing the smaller TSOs to have its establishment, and its board members form a board with a new name. In India there are trusts registered as a private trust as well as a society, where the board members of the society controls the trust. This external board centric practice has great implications on funds mobilisation and in addressing issues the TSOs deal with.

The traditional/informal organisations too have very distinct mechanisms for governance. Though not covered in this study, the continued field investigation in countries like India has shown some very distinct decision-making and reporting

²⁵ Here groups are split into different sub-groups where decisions are taken and the larger group is then informed for its approval of the plans before implementation.

mechanism. There are TSOs, often very small, where all decisions are taken only in the presence of all the members. This is similar to making policy decisions by the general body instead of the board. Further, there are traditional TSOs which up till now practice an oral method of keeping records of policy decisions and financial reporting. For instance, a Tribal Youth Association and a Rural Women Panchayat in India have the practice of converting the proceedings into songs and singing to the absentee members and also in meetings for approval of the proceedings of the previous meeting. Community reporting through *Jan Sabhas* (public hearing) is another practice seen in some of the organisations.

It looks as though these practices are closely linked to harnessing the social capital base available in the region. The conception of governance, that of 'being true to oneself' held by many respondents in India, seem to be realised through the means other than the formal corporate governance structure. In any case, detailed studies would be required to be able to draw generalisations and evolve mechanisms of preserving such culture specific governance practices.

Conclusion

The structure or mechanism used in the process of governance is the determinant both of the nature and quality of governance. Most often we seem to think of only formal and typical governance structures for the TSOs. It is also true that our assumptions tend to draw heavily from the corporate structures, and, therefore, we consider that a board/committee is central to governance. Our exploration of governance structure in relation to TSOs in six Asian countries reveals that though such structures are very much visible, they are not the conclusive determinants of governance practices. Indigenous and broader mechanisms for decision-making, execution, reporting and even resource mobilisation are present, continuing and in fact play a major part in many of the TSOs included in our study.

Large, urban based and incorporated organisations clearly seem to have in place structures similar to the universalised patterns. However, even these organisations see such structures as mostly legal/technical requirements and actually use other mechanisms of governance. This demonstrates that the governance structures too are time, space and culture specific.

An external stakeholder, say international donors, may be interested in looking for structures that are familiar to them in their context. This could be problematic at two levels. First, expectation of particular structures and corroborating the quality of governance to the presence or absence of such structures, might give a totally wrong picture of governance. Second, such standardisation might go against the very idea of governance in some of the regions. It, therefore, seems necessary to think of alternative paradigms of understanding governance in the context of Asian countries.

The governance mechanisms of traditional/informal (mostly un-incorporated) TSOs are a dimension that needs greater academic scrutiny. Such mechanisms open up the possibility of understanding governance and its qualitative and region/culture specific contexts. It also saves us from the danger of universalising the mechanism of governance. Our study has indicated a need for further research. We need to build on these indicators and pursue broad based studies in this direction.