

WHAT DRIVES CHANGE?
EXAMINING WEALTHY CHINESE ENTREPRENEURS' CREATION OF
FOUNDATIONS: AN INSTITUTIONAL ENTREPRENEURSHIP
THEORY PERSPECTIVE

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What Drives Change? Examining Wealthy Chinese Entrepreneurs' Creation of

Foundations: An Institutional Entrepreneurship Theory Perspective

A significant literature gap exists in our understanding of the motivating mechanism for creation of foundations by philanthropist, a rapid paradigm shift that is occurring in many countries. This study aims to address the literature gap by discovering Chinese entrepreneurs' heterogeneous responses to the conditions that may lead to creation of their own foundations. Adopting the institutional entrepreneurship theory, which examines agency/ change breaking in from an old institution, the researcher tested and operationalized four major factors derived from the institutional entrepreneurship theory—i.e. conflict, heterogeneity, institutional logic, and power—to account for the behavioral change. Through investigating 209 wealthy Chinese entrepreneurs from the 2003-2004 Top 100 Philanthropists List produced by the Hurun Research Institute, utilizing the event history analysis method, the study discovered that among the four factors only heterogeneity resulting from strategic industry intersection and the entrepreneurs' political power are the antecedents of their creation of foundations. Other factors—such as conflict, heterogeneity resulted from civil network, and institutional logic—were not relevant in this study. These results suggest that Chinese entrepreneurs who benefit from their improved political and social standing and increased capital are also making endeavors to take initiatives to contribute to the social and economic well-beings in the social areas that the entrepreneurs' industry intersect heavily. This study enriches our understanding of the creation of foundations from entrepreneurs'

contextual background in an emerging market. The empirical validation of the antecedents of behavior change, and civic leadership innovation also provides practical implications for policy-makers, philanthropy advisers, and nonprofit leaders.

Key words: wealthy entrepreneurs, creation of foundations, institutional entrepreneurship, emerging market

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Chapter 1: Introduction

Overall Research Background on Entrepreneurs and Philanthropy

The history of entrepreneurs' engagement in philanthropy is long and storied. Benjamin Franklin, Andrew Carnegie, John D. Rockefeller, James Buchanan Duke, Charles Schwab, Cornelius Vanderbilt, Pierre Omidyar, Bill Gates, and Warren Buffet are among those whose names are easily recognizable as much for their philanthropic efforts as for their entrepreneurial efforts. The research on entrepreneurs and philanthropy only recently became a topic of scholar interest (Acs, 2013; Taylor, Strom, Renz, 2014). In an ever-growing global economy and rapid wealth accumulation that have resulted from a plethora of entrepreneurs, the entrepreneurs' engagement in philanthropy is of ultimate importance to enhance the economic, political, and societal well-beings (Acs, 2013). The key to achieve these aforementioned goals is entrepreneurs' voluntary dismantling of their wealth concentration through institutionalized giving. Institutional giving denotes a philanthropic foundation that reflects entrepreneurs' personal civic values, guided by a long-term strategic vision for the public good. Moreover, it is managed by professional staff, creates or supports nonprofit organizations to deliver public goods and contest the public value, and addresses social problems in a systematic and scientific way (Anheier & Hammack, 2010; Hall, 2006). Philanthropy, in this context, is distinguished from charity. Specifically speaking, philanthropy focuses on long-term development and addresses social problems by creating opportunities for potential development, whereas charity focuses on short-term relief (Payton & Moody, 2008). Foundation or institutional philanthropy is one of the major vehicles for entrepreneurs and other high-net-worth individuals carrying out philanthropy in the United States and many other western

countries. Philanthropy, in this study, is narrowly confined to examining big philanthropic foundations.

Entrepreneurs' philanthropic foundations benefit the economy, political climate, and social justice in the following aspects:

First of all, entrepreneurs' use of philanthropic foundations eases the fundamental tension inherent to capitalism: creation of wealth and maintenance of opportunities (Acs, 2013). The philanthropic foundations created by American entrepreneurs have played a crucial role in reforming and supporting higher education systems, arts and culture, public schools, health care, and the like (Anheier & Hammack, 2010); thus do they generate many opportunities and innovations for the American economy through provisioning and sustaining these organizations (Acs, 2013). For instance, Julius Rosenwald (1862–1932), a co-owner and leader of Sears, Roebuck & Company, created immense opportunities for today's American economy through his Rosenwald Fund, which initiated and supported 5,357 public schools in 883 counties of 15 states in the South (Werner, 1939).

Second, entrepreneurs' dismantling their wealth concentration through philanthropy is essential to democracy. The high concentration of wealth may lead to plutocracy; however, tycoons and philanthropists, like Andrew Carnegie, who became healthy contributors to a democratic country while answering the high call of "gospel of wealth." Alexis de Tocqueville noted, "What is most important for democracy is not that great fortunes should not exist, but that great fortunes should not remain in the same hands" (Alexis de Tocqueville, n.d.). Moreover, the financial support from philanthropic foundations is essential to bulwark the nonprofit sector's striking features: pluralism and

independence (Gardner, 1979); thus, democracy is further advanced through the nonprofit sector that continuously contests “what is public good” and engages in advocacy (Payton & Moody, 2008).

Third, releasing wealth concentration at the top of society and producing the most good for the community is an important way to achieve social justice. Andrew Carnegie set a good example in explaining the gospel of wealth and by being a good steward of wealth to redress education inequity. In addition, successful entrepreneurs bring talents that drive their business success to accelerate and refresh the philanthropic sector in achieving social equity. They also use their social influences to seek change at policy levels (Bishop & Green, 2008). The Melinda and Bill Gates Foundation is a case in point. Bill Gates not only utilizes his massive philanthropic fund to support education, global health, and community development, but also capitalize on his influence to mobilize more wealthy entrepreneurs to pledge their wealth to address social problems (ibid, 2008).

The creation of philanthropic foundations was regarded as America’s great invention in the late 18th century when George Peabody established Peabody Education Fund, which innovated the emergence of later major foundations, including Russell Sage Foundation, John D. Rockefeller Foundation, and the Carnegie Cooperation (Acs, 2012). Many businessmen have followed suit and left a legacy of hope for many generations to come. In the new era of public administration that emphasizes cross-sectorial collaboration, it is very important for policy-makers to release society’s energy in the pursuit of the public good. Policy-makers should understand and help create the conditions to incubate innovation to nurture and help reset the goals for entrepreneurial

philanthropic giving (Taylor, Strom, & Renz, 2014). With the above background and rationale, this study's research questions emerge.

- How are successful Chinese entrepreneurs' philanthropy like and are they practicing philanthropy or just charitable giving?
- Do the Chinese nouveau riche establish their foundations?
- What factors account for their heterogeneous responses to the conditions of foundation creation?

The importance of these questions is demonstrated by all of the earlier discussions of entrepreneurs' engagement in philanthropy. In addition, there is one more alarming fact to consider: 27% of wealthy Chinese entrepreneurs have already emigrated, while another 47% are considering doing so (Ti, 2012). China is going to bear a huge loss if 70% of its wealthy class wants to leave the place where they were born and made their fortune. Such a massive migration creates a different sense of awareness about place and needed changes. The situation grows even more formidable when 80% of Chinese wealth is concentrated in 20% of China's families (ibid, 2012). Therefore, philanthropy—"the voluntary action for the public good" (Payton & Moody, 2008), which aims for long-term development through opportunity creation—can provide some hope for China's healthy economic, political, and societal development.

The China Context

Since the late Ming Dynasty, Chinese merchants have given generously through local government, trade associations, and benevolent societies (Fuma, 1998; Smith, 2008). With the development of China's market economy, an emerging private business class began to give generously through local governments and quasi-government agencies

(Dickson, 2003; Shue, 1998; Young, 2002). In a 1995 national survey of 2,870 Chinese private entrepreneurs, 87% had given at least something in the past. The median of the cumulative contributions was 1,163 USD, with a maximum of 1.3 million USD (Ma & Parish, 2006). In 2012, donations from private business amounted to 27.506 billion RMB, accounting for 57.98% of all corporate donations (China Economic Times, 2014). Moreover, private businesses and entrepreneurs are now recognized with the China Philanthropy Award, the top award in philanthropy granted by the Chinese government.

Chinese private business and entrepreneurs participate in charitable giving through the following four major forms (China Economic Times, 2014): a) direct corporate or individual giving and aid to the needy organizations and individuals; b) corporate giving implemented by an intermediary; c) partnering with charitable organizations through project giving and implementation; and d) establishment of their own foundations. Mr. Xiaolin Li, Secretary-General of China Siyuan Foundation for Poverty Alleviation, noted,

Most entrepreneurs and private corporations usually participate in philanthropy through direct giving and implementation (i.e. form a), however, some entrepreneurs start to shift their corporate and individual philanthropic giving from direct giving to establish their own foundations (ibid, 2014).

In fact, the phenomenon of paradigm shift from direct giving to create new foundations is also found beyond China. For example, in the United States, foundation giving is predicted to increase in 2015 and 2016, according to The Philanthropy Outlook 2015 & 2016 report (Indiana University Lilly Family School of Philanthropy, 2015). The growth of foundation giving reflects “the growing trend of donors using institutions and asset-building giving vehicles” (ibid, p.16, 2015). Concurrently, the Middle East similarly witnessed a major shift of direct giving to institutionalizing philanthropy (Cheema, 2013).

This study explores the factors that determine Chinese entrepreneurs' philanthropic behavioral shift from giving to other organizations to establish their own private foundations. Owing to a democratic political system, established capitalist market system, and dynamic civil society, American philanthropy is becoming more institutionalized, professionalized, impact-driven, empirical, and innovative/disruptive (Bishop & Green, 2008). In contrast, Chinese business people have only just started to engage in the conversation, within the past three years, of whether to give and where to give (Fu & Song, 2010; Gu, 2013). Some successful entrepreneurs have donated millions to existing organizations and government agencies over the years and some recently have shifted to start their own charitable foundations. Philanthropic giving has a long history in China, but establishing a charitable foundation is still considered a new practice (Heim, 2011). Thus, the central question is, "What accounts for the entrepreneurs' heterogeneous responses to conditions of creating foundations?"

This study proposes an institutional entrepreneurship theoretical perspective to examine entrepreneurs' civic leadership innovation in emerging markets. This perspective, which has traditionally been used to examine organizational change and adoption of new practices, has been extended to enhance the understanding of individual and organizational innovations.

Building on the institutional entrepreneurship literature, this study posits that variations in entrepreneurs' civic leadership among Chinese entrepreneurs are the result of the entrepreneurs' responses to the ineffectiveness of existing charitable practice and social, economical, and political opportunity structures. Specifically, ineffective charitable practices for consumer-related industries prompts the change to new feasible

ways to assume social responsibilities. After the Red Cross scandal in China (Wong, 2011), giving to quasi-governmental organizations would not bring desired publicity for entrepreneurs; it may paradoxically tarnish their image. I argue that the entrepreneur whose business is service-industry oriented is more motivated to establish his or her own foundation. Further, in cases where entrepreneurs are not motivated to establish a foundation despite ineffective giving results, entrepreneurs' civic networks may imbue civic value. This value highlights independence from government or brings opportunity for the entrepreneurs to exchange and incubate new ideas of practicing philanthropy. Furthermore, the entrepreneurs' business products and services intersecting with public goods and disadvantaged populations create a strategic business opportunity structure to institutionalize their philanthropy. Lastly, if establishing a foundation is consistent with the institutional logic of the entrepreneurs' business headquarters and the entrepreneurs have access to the critical resources (e.g., political trust), they will be seen as having greater legitimacy and thus elicit less resistance from social and political environment and more likely to succeed.

The empirical context to be used is the current philanthropy institutionalization status of the Top 100 Chinese Philanthropists (2004–2010) ranked by Hurun Business Research Institute, a research firm specializing in analyzing wealthy Chinese spending behaviors. *Philanthropy institutionalization* is defined as establishment of a private foundation either in the name of entrepreneurs' themselves or a corporation. Western philanthropic traditions, from volunteering to foundations creation, had not been common in China because the communist ethos and state control of recourses outlawed the accumulation of private wealth until 1978. Charitable donations were mainly channeled to the Chinese

government or quasi-governmental agencies (McGinnis, 2009). These quasi-governmental agencies exist as public foundations. The public foundation is eligible to raise funds from the public; whereas the nonpublic foundations may not raise funds from the public. Corporate foundations, university foundations, and independent foundations are under the nonpublic foundation umbrella (Ministry of Civil Affairs, 2004). In 2004, the State Council of China adopted the “Regulations on the Management of Foundations” (*Jijinhui Guanli Tiaoli*). Foundations are divided into two major categories: public foundations and nonpublic foundations. A public foundation is required to spend at least 70% of the previous year’s income on activities for the public good, whereas a nonpublic foundation shall spend at least 8% of the previous year’s fund balance. All the foundation’s administrative spending is limited to 10% of the foundation’s total expenditure for the concerned financial year. The May 2008 Sichuan earthquake prompted a huge donation spike in China. Many individuals, corporations, and organizations donated to such an extent that 2008 is widely regarded as the first year of civic engagement awareness in China (Liu, 2008).

Philanthropy faces obstacles in China. First of all, entrepreneurs disagree on the importance of charitable giving. Some believe that running an effective business is a form of charity (China Charity Fair, 2014). Some believe that philanthropy is essential to improve themselves and to be an elite in China (Song, 2014). Second, the current environment is still hostile to wealthy people. As Yushi Mao, a well-regarded Chinese economist, commented,

Philanthropy couldn't bring the desired reputation, nor safeguard private property of the wealthy... because the public disapproves the rich for the reason that they are “exploiters” and the entrepreneurs’ wealth remains to be potentially confiscated in the lingering “class struggle” (Mao, 2010).

Third, the Chinese government has been discouraging the establishment of nonprofit organizations—including private foundations—through strict registration requirements and little tax deductions. Nonetheless, in recent years the opportunities for Chinese entrepreneurs' philanthropic engagement are burgeoning: In 2013, Chinese government further clarified the corporate donations deduction and highlighted its attention to improve its current charitable tax deduction and exemption system (Xinua News, 2013).

Indeed, the institution for establishing private foundations is weak and the development of Chinese private foundations is a new phenomenon. The research focusing on the philanthropic behavior of Chinese entrepreneurs is limited, although reports and studies on private foundations are gaining popularity with scholars (Center on Philanthropy, 2012; Estes, 1998; Li, 2010; Liu, 2009; Xu & Wang, 2010). Chinese entrepreneurs in the contemporary context are worth studying due to their crucial role in building Chinese civil society (Rankin, 1986; Rowe, 1989). Furthermore, there is in general a dearth of literature on philanthropy and entrepreneurship. This study contributes to the literature on institutional entrepreneurship by examining conditions that contribute to the emergence of a new type of organizational form in an emerging market.

Understanding the entrepreneurs' heterogeneous responses to conditions of creation of foundations will be of significance in the following aspects: First, entrepreneurs in this study are high-net-worth people in China. This research will help to understand Chinese philanthropic behavior and the context for giving. Second, it will be helpful to capture the “new” phenomenon of Chinese philanthropy as well as to lay the groundwork for understanding the future behavior of private foundations, a new organizational form in China. Third, it will contribute to the understanding of the institutional context that

catalyzes entrepreneurial civic leadership. Last, it will help better inform policy-makers who promote high-engaged, professional and scientific philanthropy through institutionalized philanthropy. This paper consists of seven chapters: Chapter 1 is the introduction; Chapter 2 is the literature review; Chapter 3 explains the theoretical framework and hypothesis; Chapter 4 delineates the methodology and measurement; data analysis is elucidated in the Chapter 5; Chapter 6 interprets the findings; and Chapter 7 concludes this paper.

Chapter 2: Literature Review

This study examines the question, “What accounts for Chinese entrepreneurs’ heterogeneous response to institutional philanthropy?” In order to better understand that research question, this literature examines as an umbrella theme the creation of foundations and entrepreneurs’ engagement in philanthropy. A comprehensive literature investigation helps couch the current research question within the realm of entrepreneur’s philanthropic behavioral studies. Due to China’s relatively short history of private business growth, many entrepreneurs are still working as top managers of their company; their individual charitable behavior overlaps with their corporate philanthropy. Consequently, the literature on an entrepreneur’s individual characteristics and his or her corporate philanthropy needs to be examined. Lastly, literature on Chinese entrepreneurship and philanthropy is briefly surveyed.

Creation of Foundations

Generally, a *foundation* is an organized form of giving on a large scale and in an impactful way. Existing research in philanthropic studies is characterized by inadequate systematic study of foundations (Anheier, 2000). Predominantly, it is foundations in western countries that are mostly examined, such as the United Kingdom (H.K. Anheier & Leat, 2006) and the United States (Renz et al., 1997; Ylvisaker, 1987; Odendahl & Sullivan, 1987). The research on the creation of foundations can be approached from multiple perspectives:

- Its roles and contributions (Anheier, 2000)
- The environment conducive to foundation creation and success (Fleishmann, 2007; Odendahl, 1987; Boris, 1987)
- The motivation of the founder (Breeze & Llyod, 2013; Odendahl, 1987)

Studies show that wealthy people contribute to philanthropy for the following reasons (Breeze & Lloyd, 2013; Boris, 1987):

- They believe in the cause.
- They want to be a catalyst for change.
- They feel a responsibility to share their wealth.
- Philanthropy helps them achieve self-actualization.

However, the reasons for establishing a foundation are mainly strategic, such as enabling planned, long-term, tax-efficient giving (Breeze & Lloyd, 2013; Odendahl, 2013). In addition, other factors are also important, such as the legal environment (e.g., regulation, gift deductibility, availability of other charitable alternatives, attorney's recommendation) (Odendahl, 1987), lack of heirs (Boris, 1987), wealthy donor's stronger confidence in nonprofit services than in government (Boris, 1987), donor's favorable perception of foundations as an effective conduit for charitable giving (Boris, 1987), and popularization of foundations (Odendahl, 1987; Boris, 1987).

Explorations of the establishment of foundations by the wealthy have primarily focused on the motivation factors using legal or personal attitudinal perspectives. The important contextual factor of the wealth-generating activity enabling the creation of the foundations remains relatively unexplored. These contextual factors illuminate motivations and lay the groundwork for generating insights that may produce predictive models.

Entrepreneurs and Philanthropy

Schumpeter (1965) defined entrepreneurs as "individuals who exploit market opportunities through technical and/or organizational innovation" (p. 46). Bolton and Thompson (2000) defined an entrepreneur as "a person who habitually creates and innovates to build something of recognized value around perceived opportunities" (p.16).

More specifically, Hisrich (1990) defined an entrepreneur as “someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure” (p.210). Thus, an entrepreneur is an individual who recognizes the opportunity of creating or innovating, and musters resources to organize and pursue the opportunity. All entrepreneurs usually share certain common traits. According to Brandstätter (2011), a typical entrepreneur has the following five characteristics:

Initiating a life of self-determination and independence, finding new opportunities and ways of structuring and developing the enterprise, (being) hard-working and persistent in goal striving, establishing a social network, and taking the risk of failure (p. 223).

Entrepreneurial philanthropists, according to Harvey et al. (2011), are the entrepreneurs who pursue “on a not-for-profit basis of big social objectives through active investment of their economic, cultural, social and symbolic resources”(p. 425). Economists from the time of Adam Smith have recognized the power of self-interest in the creation of wealth as well as the significance of striving for public benefit in safeguarding self-interest. The creation of wealth through entrepreneurship and redistribution of wealth through philanthropy are distinct characteristics of American capitalism (Acs, 2012). However, entrepreneurial philanthropy is not unique to America only. Faced by the common challenges that are brought on by globalization and persistent economic and health inequalities, the phenomena of entrepreneurial philanthropy now goes global. Some terms related to entrepreneurial philanthropy in recent years include: venture philanthropy (Letts, Ryan, & Grossman, 1997), creative philanthropy (H.K. Anheier & Leat, 2006), enterprising philanthropy (Dees, 2008), and philanthrocapitalism (Bishop & Green, 2008). However, entrepreneurial philanthropy has gone beyond the

emphasis on novelty, and it is a paradigm that has been in continuous use since the late nineteenth century in the U.S. (Harvey et al., 2011). As noted by Taylor, Strom, and Renz (2014):

This topic (entrepreneurs' engagement in philanthropy) is simple yet profound. It requires an understanding of entrepreneurs in their for-profit world and an understanding of the world of philanthropy. It entails an investigation into the motivations that drive entrepreneurs and philanthropists, and the social and political environments that are conducive to their success. (p.1)

The research on entrepreneurs and their engagement in philanthropy is mostly ignored and lacks systematic research (Taylor, Strom, & Renz, 2014). An extensive body of historical research discloses the wealthy industrialists and their journey to philanthropy, such as Carnegie, Rockefeller, Rosenwald, Vanderbilt, Ford, Morgan and Kauffman. From the historical angle, the transition from entrepreneurs in the economic realm to philanthropists involved in various social issues is a rising area of scholarly research (Acs and Phillips, 2002; Taylor et al., 2008; Feldman & Graddy-Reed, 2014; Harvey et al., 2011). From Ewing Marion Kauffman to Andrew Carnegie, we see case studies of 19th- and 20th-century individuals who revealed their reasons for transitioning from entrepreneurs to philanthropists. These reasons include: balancing family wealth transfer and giving (Hoy & Rosplock, 2014); building education, continuity and cohesion (Hoy & Rosplock, 2014) and leaving a philanthropic legacy (Hoy & Rosplock, 2014); long-term investment in America's future; expectation for manifold returns on cultural, social, and symbolic capital (Acs & Phillips, 2002); and image enhancement (Acs & Phillips, 2002). In contrast, the contemporary young high-tech entrepreneurs' transfer to philanthropists is based on these four reasons: financial security, identity, gratitude, and hyperagency (Schervish, 2014). *Hyperagency* is defined as "the ability to be a producer and a creator

of the organizational life of a society rather than a supporter and participant” (ibid, p.172).

Moreover, ample literature examines enduring qualities of entrepreneurial thinking fused with philanthropy (Harvey et al., 2011; Carson & Stilwell, 2014; Hoy & Rosplock, 2014). Entrepreneurs bring to philanthropy the mental models, strategies, tactics, routines, and practices learned through creating and building a successful business. They are also individuals who are curious, optimistic, and innovative (Carson & Stilwell, 2014).

Additionally, some research compares and contrasts personal factors that influence one’s entrepreneurial and philanthropic propensity (Brush et al., 2014). Research has found that gender differences of entrepreneurial propensity are not found in the philanthropist; and age, a factor that is negatively correlated to entrepreneurship, is positively correlated with philanthropic behaviors. The personal characteristics overlaps include social capital, human capital (e.g., education, income), and personal intentions.

Some other studies are also contingent on the research question, but they focus on the motivation for charitable giving of high-net-wealth people (Auten, Clotfelter, & Schmalbeck, 2000; Havens & Schervish, 2001; HNW, 2000; Noonan & Rosqueta, 2008; Schervish, 2007; Steuerle, 1987), elite social groups (Ostrower, 1995), and high-tech entrepreneurs (Schervish, O’Herlihy, Havens, & Social Welfare Research Institute, 2001). Research on entrepreneurs’ engagement in philanthropy has yet to be singled out sufficiently for special examination.

Overall, literature concerning entrepreneurs and philanthropy skews toward more historical, descriptive understanding of entrepreneurs’ motivation for transitioning to

become philanthropists. Existing literature also lacks an understanding of contextual factors that account for entrepreneurs' philanthropic giving.

Top Managers and Corporate Philanthropy

Examining literature that studies the decision-makers' individual determinants of corporate philanthropy informs the current study. Specifically, a closer look at the board and the CEO's role in corporate philanthropy will be meaningful to this study, because most Chinese business entrepreneurs are still active as CEO or chair of the board in their own firm.

Studies confirm that corporate giving is highly correlated with the high level of discretion of top managers/CEOs (Buchholtz, 1999; Geletkanyez & Hambrick, 1997). Leaders do play a role in determining companies' engagement in corporate social responsibility (CSR). Their leadership style, personality, personal interests, and community network are correlated with a company's CSR. Specifically, a CEO's transformational leadership is positively correlated with the CSR for companies that are strategically oriented (Waldman et al., 2006). Charismatic leaders are likely to progress to a higher stage of development involving deeply-held personal values and standards, e.g., integrity, and maintaining the societal good (Bass & Steidlmeier, 1999). The CEO's board membership in a nonprofit and the portion of outside board of directors both influences the corporate foundation's giving and CSR (Werbel & Carter, 1999; Post, Rahman, & Rubow, 2011).

As is seen above, literature on top managers and corporate philanthropy is dominated by the CEO and board members' leadership characteristics. Yet, the companies' and leaders' responses to the surrounding external environmental factors have been rarely

investigated, which is equally important for understanding the research question of this study.

Chinese Entrepreneurs and Philanthropy

In spite of the common culture-neutral traits among all entrepreneurs, culture has a shaping power on entrepreneurs. Certain cultures can promote or inhibit entrepreneurship. Cultures facilitating entrepreneurship score high in individualism, low in uncertainty avoidance, low in power distance, and high in masculinity (Hayton et al., 2002). Chinese culture, which stresses collectivism and prefers certainties in career choice, is fundamentally hostile to entrepreneurship (Wang, 2012; Liao & Sohmen, 2010). Also, compared to U.S. entrepreneurs, Chinese entrepreneurs are found to be more likely to stress family security, avoidance of conspicuous wealth, and refraining from outward recognition of achievement than is the case for their American counterparts (Holt, 1997). These understandings of Chinese entrepreneurs serve as the basis of understanding Chinese entrepreneurs' engagement in philanthropy.

Literature shows Chinese entrepreneurs have taken various forms to engage in philanthropy in the course of history. Traditionally, successful Chinese entrepreneurs initiated their charity work in their hometown by building schools, constructing roads and wells, and providing disaster relief (Koll, 2003, p.13). Since Qing Dynasty (1644-1912), benevolent societies, a collective and organized form of charity federation, gained popularity among Chinese merchants (Fuma, 1998). In addition, since this time, and influenced by the ideas of "democracy" and "science," business association had become a major vehicle for Chinese entrepreneurs' engagement in benevolent societies (Tsu, 1912; Smith, 2008; Fuma, 1998; Dillion, 2011). Not only did entrepreneurs contribute to

support the benevolent societies, they also governed the benevolent societies in partnership with a group of voluntary elites, including influential literati (gentry), officials, and merchants from the local community (Fuma, 1998; Smith, 2008). Moreover, they have always been innovative in improving philanthropic practices. For example, they introduced scientific principles in practicing their philanthropy in early Republic Era by supporting the establishment of western hospitals (Liang, 2013).

Chinese entrepreneurs' engagement in philanthropy has been considered an important phenomenon for the development of Chinese civil society (Deng & Jing, 1992). Chinese civil society has a characteristic of corporatism (Gu, 2004; Zhang, 2008). Distinct from state-centered authoritarianism and society-centered pluralism, corporatism views the interaction of state and society as an organic whole and emphasizes the alignment of interests of both parties (Gu, 2004). In times of economic transition, Chinese private entrepreneurs donated generously to government welfare projects and in exchange gained political access and social status via appointment to political councils (Ma & Parish, 2006). In addition, China's social and cultural environment, which stresses conformity to government (Chen & Tourve, 2012), has shaped Chinese entrepreneurs' philanthropic behavior to be less a "voluntary" action (Fuma, 1998; Chen & Tourve, 2012) and more supportive of social and political conformity. The greater economic and social conformity indicated by a firm or private entrepreneur, the more likely the owner is to become a member of the People's congress at a higher level (Chen & Tourve, 2012).

However, not all Chinese entrepreneurs' philanthropic engagement follows the corporatism model. Xiao (2013) and Yang (2012) use an ethnographic approach to document and provide insights about the philanthropic involvement of a group of top

Chinese entrepreneurs in environmental protection in Inner Mongolia. They contend that emerging Chinese entrepreneurs are experimenting with democratic practices through philanthropic engagement that include membership in environmental organizations and they have created a new space for fertilizing Chinese democracy on a wider scale.

Chinese private business began growing rapidly only 30 years ago, and many corporate owners are still alive and active in corporate decision-making. It is necessary to briefly survey the Chinese corporate philanthropy literature to fully understand Chinese entrepreneurs' philanthropic behavior. Studies show that the impact of political connection, along with the market mechanism, on corporate donations is strong in China (Zhang et al., 2012). An additional three factors that arguably affect the development of the Chinese entrepreneur's philanthropic activities include an entrepreneur's awareness of the alignment of the economic goals and societal goals, company interests and social cognition, and the religious and traditional culture that entrepreneurs experience from birth (Zhao, Bai, & Zhao, 2014).

With the rapid growth of the Chinese economy, entrepreneurs are faced with unprecedented opportunities and responsibilities to improve the country and the world. Coming from different family backgrounds and success trajectories, Chinese entrepreneurs are a heterogeneous group embracing different ambitions and values. The existing literature on Chinese entrepreneurs informs the understanding of their philanthropic behaviors, but overlooks the examination of the new philanthropic phenomenon among the Chinese entrepreneurs, i.e. creation of foundations.

In sum, a review of the entrepreneurial philanthropy literature reveals that beyond the work of a handful of researchers, philanthropic activities undertaken by entrepreneurs

have been afforded little attention. The existing literature on the creation of foundations, on entrepreneurs and philanthropy, and on top managers and corporate social responsibility reveals that the contextual factors illuminating the motivations of Chinese entrepreneurs' engagement in philanthropy are inadequately examined. Also, empirical studies are largely absent in the aforementioned research realms. Meanwhile, literature on Chinese entrepreneurs and philanthropy has mostly focused on charitable giving, and research dedicated to examining the creation of foundations is virtually nonexistent.

In an attempt to address the above literature gaps, this study explores the social and economic conditions that may lead entrepreneurs to create their foundations, a behavior shift from unorganized giving to creation of a foundation, a shift from an old mode of giving to a new mode of giving.

Chapter 3: Theory and Hypotheses

Institutional Entrepreneurship

As shown in the aforementioned literature reviews, studies and theories are limited in explaining entrepreneurs' heterogeneous responses to institutional philanthropy, especially the conditions of creation of foundations from economic and societal environment perspectives. This paper examines factors that account for the behavioral change (from unorganized giving to creation of foundations) under the institutional entrepreneurship theoretical framework.

Institutional entrepreneurship evolves from institutional theory, which emphasizes the influence of the environment on organizations. Institutionalism holds organizations to not only serve their rational goals but also serve some institutions (Selznick, 1966). With the increased focus on external institutions such as the state, social norms, traditions, and conventions, along with imitation in shaping organizational practices, neo-institutionalism highlights the external institutional forces exerted on organizations. In the search for legitimacy and social acceptance, organizations try to align their actions, structures, and practices with the pattern held to be socially correct (Scott & Meyer, 1991). *Legitimacy* is “a generalized perception of supposition that actions of an entity are desired” (Suchman, 1995, p. 4). Expanding the idea of conformity for legitimacy, DiMaggio and Powell (1991) coined the term *isomorphism* to analyze organizational homogenization. *Isomorphism* is a process that organizations develop similar organizational structures, processes, and cultures in response to environmental pressures. Institutional theorists viewed institutions as external environmental constraints on human agency; however, the passive view of agency in adapting to environment is only one side

of the coin. Agency and institutions have a dialectical relationship. On the one hand, institutions shape the agency; on the other hand, it is the agency that creates the institutions, or the institution is the product of human agency (DiMaggio and Powell, 1991).

Definition of Institutional Entrepreneurship

The early/old institutionalism actually accounts for active agency. For example, Selznick (1957) emphasizes the role of human agency in creating institutions by analyzing the role of leaders in the institutional process. DiMaggio (1998) is the first person to introduce the notion of institutional entrepreneurship into institutional theory. He defined *institutional entrepreneurs* as actors who have an interest in modifying institutional structures or in creating new ones, and who have enough resources to do so (DiMaggio, 1988). *Institutions* are commonly defined as “rules, norms, and beliefs that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot” (Hoffman, 1999, p. 351). *Entrepreneurship*, from a sociological perspective, means change associated with deviations from some norm (Garud & Karnøe, 2001). In Eisenstadt (1964)’s work, institutional entrepreneurs are individuals or groups who serve as leaders in institution building. Active roles for actors and agency are emphasized in the institutional change process. Institutional entrepreneurship refers to “activities of actors who have interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy and Lawrence, 2004, p.657). Not all change makers are institutional entrepreneurs. Only actors who initiated and implemented divergent changes within a given institutional context by breaking with the institutional logic can be regarded as institutional

entrepreneurs (Battilana, Leca, & Boxenbaum, 2009; Greenwood & Hinings, 1996). In other words, institutional entrepreneurship emerges within the boundaries of an organization within the broader institutional context in which an actor is embedded.

Examples of Institutional Entrepreneurship

The following is a concrete illustration of the above-mentioned definition of institutional entrepreneurs. Traditionally, the U.S. mutual fund industry has been dominated by passive money-management practices, i.e. preservation of wealth and conservative investment strategies. Within this milieu, some money managers began to create variations among “conservative” funds by promoting active money-management strategies, thus qualifying as institutional entrepreneurs (Lounsbury & Crumley, 2007) because the new practice of active money management, which also became institutionalized later on, deviated from the dominant institutionalized template of passive money management in the U.S. In contrast, a money manager who initiates a change project aimed at preserving wealth is not an institutional entrepreneur. The reason is that such change is aligned with the dominant institutional logic of wealth management in the U.S. mutual fund industry.

The introduction of a new model of managing human resources in U.S. law firms in the early 1980s is another example of institutional entrepreneurship (Sherer & Lee, 2002). The standard model for human resource management at U.S. law firms in much of the 20th century was the Cravath model, which essentially was an “up-or-out” system. Lawyers were placed on a partner tracker and moved up to the position of partner or out of the firm after six years.

In 1982, the New York law firm Davis, Polka and Wardell broke with the Cravath model and created a track for associates who did not make partners within a given timeframe. The law firm, by initiating a change that deviated from the institutionalized model for managing lawyers, effectively acted as an institutional entrepreneur.

Characteristics of Institutional Entrepreneurs

Furthermore, “New institutions arise.... When organized actors with sufficient resources see in them an opportunity to realize interests that they value highly” (DiMaggio, 1988, p.14). Institutional entrepreneurs’ intentionality with regard to change, and the success of their change, are not the necessary conditions for identifying an institutional entrepreneurship. Creation of a new venture or organizational form does not necessarily qualify as an actor in institutional entrepreneurship. Rather it is the act of initiating deviated change from the dominant institutional context that defines the institutional entrepreneurship. The defining character of institutional entrepreneurs is duality, namely *structure* and *agency*. They are confined or constrained by the structure or the preexisting institutional environment (structure), yet they generate entrepreneurial activities (agency) based on the structure and try to break through the old structure and modify or create a new structure. Through the interplay of habits, reflection, and judgment, the institutional entrepreneurs “reproduce and transform those structures in interactive response to the problems posed by the changing historical situations” (see Garud, Hardy, Maguire, 2007, p. 10). The innovation of institutional entrepreneur creates externalities outside of the organization. A business entrepreneur in China, where the market institutions were being established in the late 1990s and early 2000s, was considered an institutional entrepreneur (Li, Feng, & Jiang, 2005). This is because these

entrepreneurs created their business ventures despite various institutional barriers (such as entry restrictions and excessive intervention) by breaking the existing bureaucratic rules and pushing for the establishment of a sound market institution. All in all, to qualify as institutional entrepreneurs, individuals must break with existing dominant institutional rules and practices and institutionalize the alternative rules, practices, or logics they are championing (Battilana, 2006).

On the whole, institutional entrepreneurs are characterized by three major qualities:

- They are knowledgeable, which allows them to produce or reproduce a new institution.
- They have resources at their disposal to enable them to influence the institutionalized rules (DiMaggio, 1988).
- They possess social skills that enable them to motivate others to support their initiative (Fligstein, 1997).

A Holistic Perspective of Viewing Institutional Entrepreneurship in the Institutionalization Process

As mentioned earlier, institutional entrepreneurship theory evolves from institutional theory and addresses the limitation of institutionalism. The limitation of institutionalism lies in its emphasis on compliance, conformity, and isomorphism but overlooks the proactive role of an agent to innovate and change (organizational) structure. Institutional entrepreneurship theorists explore how actors shape emerging institutions and transform existing ones despite the complexities and path dependences that are involved (Garud, Hardy, Maguire, 2007).

Institutional entrepreneurs are embedded in an old system and try to construct a new system based on their understanding and evaluation of the old system. Institutional entrepreneurship theory emphasizes the process of a new practice of construct prior to being popularly adopted and diffused. Institutionalization is not a simple, systematic,

linear process. Institutionalization is a result of institutional entrepreneurship, and the deinstitutionalization dimension of such entrepreneurship can also be the result of fixing the problem of institutionalization. As a process, institutionalization reflects the relative power of organized interests and actors who mobilize them. Deinstitutionalization and reconstruction, a role that the institutional entrepreneurs play, leads to a new institution diffusion and institutionalization after theorization and legitimation (Greenwood, Suddaby, & Hinings, 2002).

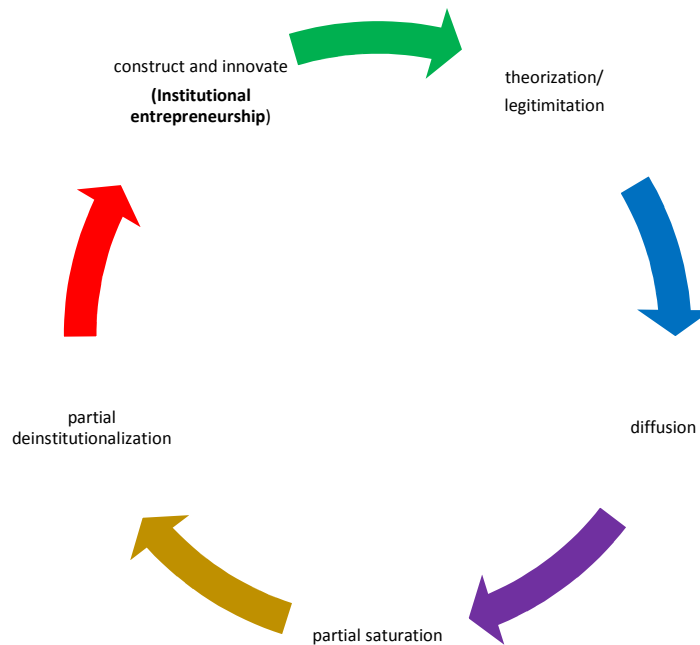


Figure 1. Institutionalization in circular perspective.

Institutional Change and Institutional Entrepreneurship

Hargrave and Van de Ven (2006) define *institutional change* as “a difference in form, quality, or state over time in an institution”(p. 866). As observed by Hargrave and Van de Ven (ibid, 2006), “institutional change can be determined by observing the arrangement at two or more points in time on a set of dimensions (e.g. frames, norms, rules) and then calculating the differences over time in these dimensions.” An institutional change can be viewed from four dimensions: institutional design, institutional adaptation, institutional diffusion, and collective action (ibid, 2006). The institutional adaptation and institutional diffusion models focus on the conformity of individual organization and organization fields due to the regulative and normative environment. In contrast, the *institutional design* dimension focuses on the intentional behaviors of an individual entrepreneur in the creation or revision of an existing institution to achieve one’s desired goals. Thus, the institutional arrangement reflects “the pursuit of conscious choices” (Hargrave and Van de Ven, 2006, p. 867). Similarly, the collective action model focuses on the institutional innovation as a result of interaction of interdependent partisan agents. Both the individual and the groups of embedded partisan actors can be institutional entrepreneurs. Deinstitutionalization and reconstruction is the role that the institutional entrepreneurs play. Table 1 illustrates institutional change dimensions.

Table 1. *Mode of Change*

	Construction	Reproduction
Multiple actors in interorganizational field	Collective action	Individual diffusion
Single actor	Institutional design	Institutional adaptation

Note: From Zahir-ul-Hassan and Vosselman (2006)

From the mode of change diagram, it is reasonable to consider the possibility of change as a result of institutional adaption and diffusion. The institutional entrepreneur is

just one of the change agents. Not all change agents are institutional entrepreneurs. Only the actor who initiated a deviated change in a dominant institutional context can be regarded as institutional entrepreneurs. Institutional changes occur as the result of an interaction between the contextual factors and intra-organizational dynamics (such as interest, values, power dependencies, and capacity for action) (Greenwood and Hinings (1996). Institutional entrepreneurs play an important role in such an interaction (Garud et al., 2007). The change of cultural, political, social, and legal context provides pressures or understandings for institutional change (Oliver, 1992); however, the discourse does not determine its final change. The macro-level environmental changes provide legitimacy or building blocks for new institutional fields, but how the building blocks are used to construct a field depends upon the local actor's choices (Lawrence & Phillips, 2004).

Introducing Institutional Entrepreneurship Theory to Philanthropic Studies

Garud, Hardy, and Maguire (2007) argue that institutional entrepreneurship theory offers considerable promise for understanding how and why certain novel organizing solutions—new practices or new organizational forms, for example—come into existence and become well established over time. Institutional entrepreneurship theory is widely adopted to examine the innovation and creation of practices and organizational management, industry, social movement, and the like. The key two aspects of institutional entrepreneurship include the following:

- How one becomes an institutional entrepreneur while being embedded in an established institution (Garud, Hardy, & Maguire, 2007; Seo & Creed, 2002; Tolbert & Zucker, 1996)

- How the divergent changes are implemented (Fligstein, 2001; Greenwood et al., 2002; Perkmann & Spicer, 2007; Suddaby & Greenwood, 2005)

How will the application of theory be applied to the research question, which analyzes the behavioral shift of Chinese entrepreneurs' philanthropic giving mode from direct giving to the creation of foundations? The research question of this paper is related to the enabling conditions of institutional entrepreneurship, i.e. how institutional entrepreneurs emerge despite institutional pressures. In the case of the Chinese entrepreneurs' philanthropic giving practices, direct giving to government agencies, quasi-government organizations, existing charitable organizations, and disadvantaged individuals serve as a dominant institutional logic for charitable giving in China. Moreover, Chinese entrepreneurs tend to conform to government (Chen & Tourve, 2012) and hesitate to expose their affluence to the public (Mao, 2010). All these institutions exert strong influence on Chinese entrepreneurs and prevent them from establishing their own foundations that oftentimes are considered as independence-seeking from government in the discourse of civil society. Although Chinese entrepreneurs have to bear extra risks and burdens to establish a foundation compared to their counterparts in a codified civil society, these institutional constraints faced by Chinese entrepreneurs also provides opportunity for them to break through the old institutions and establish a new institution toward an organized philanthropy. Such embeddedness of Chinese entrepreneurs could potentially influence their intent to change and make them an institutional entrepreneur.

No private foundations were established until 2004 when the Regulations on Foundation Administration were enacted. The Regulations seemed to open up more space

for civil society and may have motivated entrepreneurs to establish foundations, but it also constrains the growth of foundations due to tight control on registration, interference of governance, and ambiguity and uncertainty of regulation implementation and supervision (He, 2006). The establishment of private foundations is a novel organizational solution for philanthropic giving that breaks with the dominant institutional logic (i.e. direct giving) despite all the institutional ambiguities. Because this paper examines factors that account for the agency for Chinese entrepreneurs who change their strategy of giving and initiate the establishment of their foundations at organizational level, the institutional entrepreneurship theory can be applied to explain this new phenomenon.

The application of institutional entrepreneurship in understanding donor behaviors and motivations is rare in the extant research literature. The introduction of such theory can contribute to the expansion of philanthropic studies theory building. Moreover, the study of philanthropy is positioned to educate leaders (Burlingame, 2006), and exploring theories on understanding and catalyzing change is of significance to the cultivation of future leaders.

In addition, China, as one of the top emerging economies, provides great context for testing and improving the institutional entrepreneurship theory. The reasons are as follows: first, China has witnessed lots of social innovations and transitions, especially in philanthropic areas, followed by its economic success. The number of private foundations has grown significantly since 2004, when there were 892 registered public foundations and no private foundations. During the five years following the issuing of the Regulations on Foundation Administration in 2004, the number of Chinese private foundations

boomed from 202 in 2005 to 342 in 2006, 443 in 2007, 643 in 2008, and 846 in 2009. As of April 21, 2013, there are 3,120 foundations in total, among which 1,344 public foundations, and 1766, private foundations. It is obviously seen that the birth and growth of private foundations in China is a novel practice and becoming well established over time. As stated earlier, institutional entrepreneurship offers promise for understanding how and why certain novel practices come into existence and become institutionalized gradually. Second, China's existing tradition of charitable giving, authoritarianism political system, and policy constraints (such as dual-registration requirement, 10% cap administration fee, and limited tax incentive) create institutional barriers for philanthropists to create a private foundation. The entrepreneurial philanthropists not only play role of traditional entrepreneurs in the Schumpeterian sense, but also help break the old institutions of giving and help establish a new mode of philanthropic institutions in the process of their giving. The traditional sense of entrepreneurship cannot capture the challenges and endeavors of these institutional entrepreneurs, because they face additional challenges in navigating an imperfect charitable and social management system. Therefore, China is an appropriate context for testing the institutional entrepreneurship theory.

Moreover, China is different from other contexts that have been used for the development of institutional entrepreneurship, because it is a place that fully introduces "agency, interest, and power" (Garud, Hardy, & Maguire, 2007, p.2) into institutional analysis. Chinese philanthropists must possess skills beyond those of traditional Chinese philanthropists or philanthropists from western countries where professional and organized philanthropy is an established practice. Instead, they have to deal with

government officials who try to limit the ability of civil society and public opinions that hold hostility for the rich. These philanthropists are institutional entrepreneurs that face more risks than their counterpart of a mature codified civil society. More interestingly, China is well known for its people's conformity, but what makes them push for an independent and organized mode of giving rather than being submissive to the imperfect environment? As an emerging market, China is a unique place to understand the mechanism that makes the change work.

Hypotheses

As discussed above, the research question is concerned with enabling conditions of institutional entrepreneurship. The enabling conditions that are identified range from characteristics of actors to characteristics of environments in which they are embedded (Battinala, Leca, and Boxenbaum, 2009), including conflicts between the current situation and adapted practices, heterogeneous social networks and strategic intersections between business and public welfares, supportive institutional logic, and power. The following hypotheses are proposed with a focus on the aforementioned institutional and individual characteristics.

Institutional Contradiction

A contradiction can be defined as a pair of features that together produce an unstable tension in a given system (Blackburn, 1994). Seo and Creed (2002) explained that institutional contradictions lead embedded agents to take collective action to bring about institutional change. The institutional contradictions can come from four different sources, including a) the legitimacy that undermines the functional inefficiency; b) adaptation that undermines adaptability; c) intrainstitutional conformity that creates interinstitutional

incompatibilities; and d) isomorphism that conflicts with divergent interests (ibid, 2002). The institutional theorists contend that organizations are embedded in pluralistic institutional environments that are often imbued with sharply inconsistent prescriptions for actions (Meyer & Rowan, 1977). Thus, organizations sometimes tend to incorporate all sorts of incompatible and conflicting practices and procedures in the search for legitimacy, survival, and stability. Seo and Creed summarized,

Individuals and organizations that are increasingly exposed to multiple and contradictory yet interconnected, institutional arrangements and prescriptions—all of which are the inevitable by-product of the ongoing social construction of those institutions (2002, p. 228).

Firms that are more influenced by consumers (i.e. the extent to which a firm's business is open and vulnerable to its social environment) are more likely to have corporate giving programs that aim to meet a variety of stakeholder expectations (Saiia, Carroll, & Buchholtz, 2003). The Chinese *consumer-related industries*, defined as industries where firms sell directly to individual consumers, have a stronger motivation to be recognized by government and the public and therefore may donate more (Fye et al. 1982; Ma & Parish, 2004). The 2008 Sichuan earthquake witnessed a peak of Chinese philanthropic donations, but the Red Cross scandal in China put the governmental charities under extreme public criticism and degradation (Wong, 2011), thus, the Chinese public's expectation and legitimacy—granting has been increasingly diverted from government legitimacy—granting. The former favors companies that donate to more transparent civil charitable organizations; whereas, the latter still demands a company's conformity with donation to government-run charities. Although entrepreneurs may choose to donate to civil or grassroots charitable organizations, the culture of pursuit of power and conformity to the state, along with the state's denial of legitimacy of the

grassroots organizations (Saich, 1999), prevents most entrepreneurs from engaging with civil and grassroots organizations. Chinese entrepreneurs now turn to operating charitable projects by their own company or foundation.

Thus, the following hypothesis:

Hypothesis 1_a (H1_a): Chinese entrepreneurs whose businesses have been involved in more consumer-related industries are more likely to establish a corporate-type foundation than those whose business are less consumer-related.

Contrary to the institutional contradiction observation, if the legitimacy and adaptation from the institution continues to contribute to efficiency and adaptability, it frustrates the potential for change. Odendahl (1987) found that the availability of donor-advised funds of the wealthy donors decreased the likelihood of a wealthy donor's creation of a foundation. Similarly, if the Chinese entrepreneurs have established donor-advised funds under the Charity Federation (a quasi-governmental public foundation), and it still serves their purposes well in carrying out their social responsibilities, the likelihood of shifting to establishment of foundations is low. Thus, the following hypothesis:

Hypothesis 1_b (H1_b): Chinese entrepreneurs who have established a donor-advised fund are less likely to establish a foundation sooner than those who have not had a donor-advised fund.

Institutional Heterogeneity

Battilana (2004) goes beyond the institutional contradiction and starts with a multidimensional definition of agency. She conceptualizes agency as a temporally embedded process of social engagement, informed by the past (in its habitual aspect), but

also oriented towards the future (as a capacity to imagine alternative possibilities) and towards the present (as a capacity to contextualize past habits and future projects within the contingencies of the moment) (ibid, p.11).

Drawing on Giddens's structuration theory, Battinala (2004) concludes that the heterogeneous environment accounts for the agency. The heterogeneous environment will present an opportunity for the agent to be more conscious and critical in evaluating those arrangements. Especially, when the agent is embedded with a multiple-institutional field, he or she has more knowledge about those arrangements. Chinese entrepreneurs are greatly motivated to connect with political and quasi-governmental social networks for the purpose of establishing organizational legitimacy under a hostile institutional environment in the transitional economy (Yueh, 2008; Feng & Wang, 2009). In the past two decades, Chinese government has been chiefly encouraging entrepreneurs to make charitable contributions through government agencies or quasi-government agencies (Hurun Research Institute, 2013) to advance government's societal development agenda (Ma & Parish, 2006). In contrast, civil society organizations, such as private foundations, encourage independence and diversity. Being exposed to civil nonprofit organizations, Chinese entrepreneurs are exposed to new ideas of practicing philanthropy and cultivated to embrace democracy (Yang, 2012; Xiao, 2013).

Thus the following hypothesis:

Hypothesis 2 (H₂): Chinese entrepreneurs, who have been involved in civil nonprofit organizations, are more likely to establish foundations than those who are only connected with governmental or quasi-governmental organizations.

Battinala (2004) further points out that there is an inverted U-shaped relationship between the likelihood that an actor will become an institutional entrepreneur and the degree of interinstitutional heterogeneity between the focal organizational field and the other organizational fields this actor knows about. Actors who are at the intersection of related organizational fields usually see the strategic position that is highly likely to impact their agentic orientation. A study by Husted, Allen, and Rivera (2010) confirm such strategic position-taking. They state that the higher the centrality of CSR activities to the firms' mission, the more likely that the firms will engage in CSR internally. CSR activities in areas closely related to the core business of the firm are usually internalized because of the greater competence of the firm and thus the greater ability to monitor recipients through its administrative control system. A corporate foundation, which is established by the company and construes the majority of its board with the company's internal staff, is an important tool and representation to internalize its CSR activities. Moreover, when the entrepreneurs' business intersecting with public welfares, the more they are committed to public welfares, the more shared values they create for themselves and the public, and the more strategic their CSR activities are.

Thus, the following hypothesis:

Hypothesis 3 (H₃): Chinese entrepreneurs, whose core business industry intersects more with the public welfare, are more likely to establish a corporate type of foundation than those whose industries do not intersect.

Institutional Logic

The changing environment of the actor causes the poor adaptation of the actor in a new environment and drives the actor to change (Oliver, 1992). The environmental

pressures exert significant influences on the actor's agency as well as on the actor's isomorphism. When the environment, especially the regulatory or social normative environment, changes, the actor is prompted to question the status quo legitimacy (Oliver, 1992). In order to establish a new legitimacy, institutional entrepreneurs emerge. Chinese society is highly government-driven (Chen and Touve, 2011). Feng and Wang (2010) examined the institutional environment faced by Chinese entrepreneurs. Entrepreneurs are frequently asked to donate or contribute to government welfare. The legitimacy is established through political connection to and conformity with government. Therefore, the government's nod to philanthropy is very important for creating a foundation. More importantly, the local government's institutional logic may provide some indication of what constitutes a reasonable contribution by a philanthropist.

Thus, I hypothesize the following:

Hypothesis 4 (H₄): Chinese entrepreneurs whose businesses are headquartered in a location where philanthropic giving is encouraged through regulatory and social environments are more likely to establish foundations than those who are based in a location where philanthropy is not actively promoted.

Power and Legitimacy

Private entrepreneurs were formally permitted to join the China Communist Party (CCP) in 2001, and more private entrepreneurs are included in the political elite system. In China, membership in the People's Congress (PC) or Chinese People's Political Consultative Conference (CPPCC) usually offers entrepreneurs the opportunity to know those government officials and gain the trust of the government. Thus, membership not only gives them some level of political power but also makes it easier for them to

cultivate formal and informal ties with important government bureaucrats who can lower the barriers to the establishment of foundations. Although China has witnessed growth in philanthropy in recent years, the Chinese government is still cautious and mindful about the growth of Chinese private philanthropy. In most provinces, foundation registration still requires a government agency as a sponsor. Only a few provinces are open to test-pilot the philanthropic promotion. Yang (2012), a top civil public foundation leader, confirms that tensions between government and private foundations exist, and government is very cautious in approving public and private foundations. Chinese entrepreneurs who are in the higher echelon of the political party are more easily trusted by the government and are afforded more legitimacy. In addition, their political position at the level of elite decision-making reduces their own uncertainty or vulnerability about a new institution. This leads to the following hypotheses:

Hypothesis 5a (H_{5a}): Chinese entrepreneurs who are in the higher political echelons are more likely to establish a foundation than those who are not in the system.

Hypothesis 5b (H_{5b}): Chinese entrepreneurs who joined the political echelons earlier are likely to establish a foundation sooner than those who joined the CPC or CPPCC later.

Chapter 4: Methodology and Measurement

Sample and Data Collection

The unit of analysis is the individual Chinese entrepreneur with significant donations since 2003. The reason for choosing this period of time is because the regulation of Chinese foundations came into effect in 2004. The regulations set the policy for private individuals establishing private foundations. Thus, it is helpful to track from 2003 as the point from which significant donations had been made but the regulations on foundations had not yet started. If we track from 2004, the government policy may become a key influencer on an entrepreneur's institutionalization activities. The subjects of this study are Chinese entrepreneurs who were born and/or raised in Mainland China. Entrepreneurs who were born and raised in Hong Kong, Macau, and Taiwan or overseas are not included, because they have been exposed to business, social, and legal environments distinct from Mainland Chinese entrepreneurs. The sampling frame is mainly drawn from the Hurun Top 100 Philanthropists ranking list from 2004 to 2011, which tracked entrepreneurs' donation activity starting from 2003.

In fact, several ranking lists are dedicated to the philanthropic donations of Chinese wealthy people. Table 2 below is a brief comparison of the major recognized philanthropists ranking lists in China.

Table 2. *Comparison of Major Ranking List*

	Top 100 Philanthropists	Chinese Philanthropists List	100 Most Generous Donors	China Charity Ranking
Research entity	Hurun Research Institute	Forbes China Research	China Philanthropy Research Institute	<i>China Nonprofit Times</i>
Type of organization	Business	Business	Academic	Quasi-governmental
Targeted philanthropists	Mainland Chinese entrepreneurs*	Mainland Chinese private corporations	Mainland Chinese high-net-worth or nonstate company's major shareholders	Mainland Chinese corporations and individuals
Beginning of ranking	2004	2005	2011	2004
Donation tracking periods	2003–present	2004–present except 2006 and 2007	2011	2003–present
Selection criteria	Cash, in-kind	Cash	Cash, or cash-equivalent securities, pledge	Cash and cash-equivalent
Data sources	Survey, news press, experts, philanthropists, foundations archives	China Nonprofit Times, Forbes China Research, Commission of Corporate Social Responsibility of China Social Work Association at Ministry of Civil Affairs	News release, donation receipt organizations, company website	Ministry of Civil Affairs, donors, recipient charitable organizations, annual report from public listed companies, press release, China Nonprofit Times
Entry donation amount	3 million RMB or more	1 million RMB or more	-	1 million RMB or more

Note. *Corporate donations are counted toward the entrepreneurs' personal donations if the Chinese entrepreneur owns a share of 50% or more.

Through comparison, it is clear that the Hurun Top 100 Philanthropists list tracks over a longer period Chinese entrepreneurs' donations activity; in addition, its major subjects reflect this study's population. Although the China Charity Ranking conducted

by *China Nonprofit Times* is comparable with the Hurun list, its targeted populations include more than entrepreneurs. Admittedly, discrepancy exists among the different ranking lists due to the challenges of data collection (Jinghua Daily, 2011). For instance, the Forbes China Research team even suspended its philanthropy ranking list in 2007 and 2008, stating that “Chinese entrepreneurs are too private about their charitable donations to collect data” (China Daily, 2007). Moreover, “more than half of the philanthropists contribute directly to donor-advised funds or earmarked organizations. This increases the difficulty of data collection. Many more entrepreneurs’ donations are not captured on this list” (ibid, 2007), said Rupert Hoogewerf, the founder of Hurun Research Institute. Different research institutions examine wealthy entrepreneurs’ donations from different sources, and “it is hard to be 100% accurate,” commented Dr. Deng Guosheng, a well-known scholar on nonprofit studies from Tsing Hua University (ibid, 2007).

The 2004–2013 Hurun Top 100 Philanthropists list consists of 381 distinct entrepreneurs. Due to time and resource constraints, this research only selects entrepreneurs from the 2004–2011 Hurun Philanthropist List and examines whether they have created their foundation as of 2014 and the corresponding time of establishment. An initial total of 246 entrepreneurs were generated from the 2004–2011 lists. A database based on the selected entrepreneurs through multiple data collection methods was compiled, details of which will be described further below. After the first round of data collection, the researcher removed the listed entrepreneurs who are part of Chinese diaspora and whose company website was not available. Entrepreneurs who haven’t established a foundation as of October 2014 and have been reported to have gone bankrupt or arrested were also eliminated from the list. Since the starting year (t_0) is 2003,

entrepreneurs who established a foundation in 2003 or before are excluded from the list. The final total sample of this study is 209 entrepreneurs. This sample includes well-renowned entrepreneurs such as Cao Dewang, the Chinese glass tycoon; Chen Guangbiao, the Chinese tycoon who offered to buy *The New York Times*; and Niu Gengsheng, founder of the Chinese dairy giant Mengniu Dairy. Because these megaphilanthropists are capable of creating their foundations, given the multimillion donations that have been contributed, they are considered to be appropriate for this study.

All the research subjects were carefully identified, documented, and managed throughout the whole data collection process. A detailed data management plan was created before the data collection. All the variables are carefully defined, and a pilot research effort was conducted to test definitions and check the variation of the variable definitions.

Data collection took place in two stages. At stage one, the researcher collected information about entrepreneurs' business industry and company information through their company website, annual reports, media releases, various company ranking lists, and industry yellow books. Entrepreneurs' civil services and membership information were collected through their member organizations, their public Wikipedia page, company website, and media releases. Entrepreneurs' political status and year of joining the political membership was obtained through their public Wikipedia page, and local and national People's Congress and/or Political Consultative Committee. Entrepreneurs' personal information was chiefly collected through Hurun's Rich List, Forbes Rich List, Top 3,000 Chinese Family-owned Corporations, personal Wikipedia pages, and company websites. Moreover, the institutional logic score information was collected through

Ministry of Civil Affairs. A list of variables, definitions, and data sources is described in Appendix A.

At stage two, the researcher made phone calls to the company to crosscheck multiple resources to ensure consistency and accuracy. The researcher first collected contact information through the entrepreneur's company website. Then, the researcher faxed a letter of introduction indicating the purpose of the study and expected follow-ups. In addition, to increase the credibility of the researcher and thus to increase the response rate of the telephone survey, a letter was issued by the sponsor institute—the Song Chingling Education Center on Philanthropy at Beijing Normal University Zhuhai, where the researcher was an adjunct faculty member. The data were verified mainly through the key informants of the company, such as manager of President's Office or Public Relations Department. About one third of the sample was obtained and verified. A detailed data verification questionnaire for the telephone interview is attached in Appendix B.

Information on whether entrepreneurs had established their own foundation is identified with reference to the China Foundation Center's (CFC) database. The CFC claims to have the fullest data set on Chinese foundations. Criteria that were used to identify the private foundations include the following: a) private foundation, denoting the foundation does raise money from public funds and the private party is responsible for the operation and governance; b) primarily initiated by a business entrepreneur; c) is primarily funded by a business entrepreneur; d) the foundation carries the individual entrepreneur's name; e) the foundation doesn't carry the individual entrepreneur's name but represents a social cause indicating the donor's intent; f) the foundation carries the corporate name in which the donor has majority share holdings; g) the entrepreneur had

made donations prior to establishing the foundation. (This is to identify the entrepreneur as *an agent*, one who changes from previous sporadic giving to organized giving.) These foundations are usually organized according to the following categories: family foundation, corporate foundation, and independent foundation. Each is categorized, respectively, in the CFC's database. The researcher reviewed all types of foundations contained in the CFC database and cross referenced with the sample to the Hurun Top 100 Philanthropist List.

Furthermore, the researcher also referred to press releases, company websites, and company annual reports to identify whether the entrepreneur, or the company which the entrepreneur has the majority holdings, had established a foundation. Additionally, the researcher also consulted experts from China Foundation Center to review the accuracy of information about the establishment of a given foundation by entrepreneurs and their companies.

Dependent Variable (y)

I examine the antecedents of Chinese entrepreneurs' shifting philanthropic donation behavior from direct giving to creation of foundations. The dependent variable (y) is the hazard rate of an entrepreneur's establishment of their foundations: at any given time, each entrepreneur in the "risk set" (entrepreneurs who have not established foundations) faces some underlying "risk" that he/she will establish a foundation. In the sample, the 209 top Chinese entrepreneurs made donations from 2004–2013 in either their own name or corporate name. Among them, 53 entrepreneurs established at least one foundation primarily funded by them. Other entrepreneurs have donated significantly to other organizations (more than 3 million RMB accumulatively), but have never established

their own foundation. The study will measure the number of years from 2004 to when the entrepreneurs establish their own foundation.

Independent Variable (x)

Number of consumer-related industry (X_1): the China National Statistical Bureau (2013) divides the Chinese economy into three major industries: the first industry includes agriculture, forestry, hunting, and fishing; the second industry includes mining, manufacturing, constructing, heating, gas and water provision; the third industry is the service industry, which includes all the industries that fall beyond the first and second industry group. The service industry embraces a wide range of activities, such as wholesale, transportation, hotel, dining, information technology service, finance, insurance, real estate, etc. In this study, the consumer-related industry is measured by its service nature. Big entrepreneurs are usually involved in multiple industries. If the entrepreneur's industry has no service industry, it was recorded as 0; if he or she does, the number of the service industry was recorded. This variable is a time-constant variable.

Whether established a fund (X_2): As is the case for donor-advised funds in the United States, Chinese donor-advised funds are also a philanthropic vehicle associated with a public foundation, usually at local Charity Federations. It is not an institutional donation, but it entrusts the public foundation to invest the donation, identify the charitable project(s), and distribute the investment interests to the designated projects over time. Data on entrepreneurs' donor-advised funds was collected through the annual report of Charity Federations, press releases, and corporate CSR reports. If the entrepreneur has a fund, it was coded as 1, if not, as 0. Also, the year of establishing a fund (if there is any) was also recorded. This is a time-varying variable.

Involvement of civil nonprofit (X₃): The entrepreneur's civic engagement is measured by his/her membership in civil nonprofits, especially his/her leadership roles in the organization. A civil nonprofit organization is a social organization usually originated by nongovernment agency, such as entrepreneur clubs, industry associations, grassroots nonprofit organizations. Entrepreneurs sometimes report their civil involvement at Federation of Industry and Commerce, charity federation, and public foundations; however, these organizations have strong government affiliations, and they are not coded as civil nonprofit organizations. An entrepreneur who is the member of a civil organization was coded as 1; an entrepreneur who is not involved in the civil nonprofit was coded as 0. This variable is time-constant binary covariant.

Number of businesses intersecting with public welfare (X₄): In economics, a public good is a good that is both nonexcludable and nonrivalrous in that individuals cannot be effectively excluded from use and where use by one individual does not reduce availability to others. Public goods can be provided both by government and the market. When the public goods can be excluded through limited access to the products or be of differentiated quality, the market will provide it. In this study, the business industry that intersects with public welfare denotes the industry that provides public goods through private excludable markets. Such industries include art, private education, health, culture, environmental sustainability, and nursing, or industries that mainly serve disadvantaged populations (e.g., farmers/agriculture), children, elders, and woman. If an entrepreneurs' business involves the aforementioned public good provision, the researcher recorded the number of his or her industries that intersect with public welfare. If no industry intersected with public welfare, it was recorded as 0. This is also a time-constant variable.

Institutional logic (X₅): Institutional logic is a pre-existing knowledge and beliefs shared by members of a society. It means, in this study, the environment's overall attitude and actions toward charitable giving. Locations, where the individual and corporate resides, shaped charitable giving culture and values. Based on this rationale, the *Philanthropy Development Index* has been produced since 2011 by the Chinese Ministry of Civil Affairs to rate the charitableness of Chinese cities. This index examined six aspects in four dimensions. The six aspects in the vertical axis included social donations, social organizations, charitable project, volunteering, city government's financial support, and philanthropic culture. The four dimensions in the horizontal axis included size (quantity), structure (quality), contribution (output), and sustainability (potentials). About 32 indicators are examined with a total score of 320. The study uses this index as the measure of institutional logic. The entrepreneur whose business home is in the higher "philanthropy development" city was assigned a higher value per the index. Due to stability of institutional logic, the study uses the three-year average score for each city. If the entrepreneur's city was not in the ranking list, the researcher assigned the average score of the province that the city belongs to. This score is a time-constant variable.

Power₁- Political status level (X₆): Under China's current Constitution, the China people's congress (CPC) and the People's Political Consultative Conference (CPPCC), a consultative body whose members represent various social groups, are the main deliberative bodies of China. The National People's Congress is structured as a unicameral legislature, with the power to legislate, the power to oversee the operations of the government, and the power to elect the major officers of state. Understandably, a member of the CPC and the CPPCC will have more power in the political capital and

social capital arenas. Both the CPC and the CPPCC have regional committees, which include provincial, prefecture, and county level. Entrepreneurs who assume either national CPC or CPPCC memberships were coded as 4, one who has either provincial CPC or CPPCC membership as 3, and one who has either municipal CPC or membership as 2, and one who has either county CPPCC or CPC membership as 1. Entrepreneurs who do not have any CPPCC or CPC membership affiliation were coded as 0.

Power₂: whether a political echelon member (X₇): In addition, another related variable to the power is a binary variable measuring whether the entrepreneur has a political status, i.e. whether a CPC or CPPCC member affiliation regardless of levels. The year of joining either political membership was recoded. This binary variable is a time-varying variable.

Control Variables

Personal wealth stability. Financial security is an important factor for an entrepreneur's engagement in philanthropy (Schervish, 2014). The Chinese entrepreneur's personal wealth before or at the year of the foundation's creation may affect the entrepreneur's willingness to commit to a philanthropic foundation. In the case of having established a foundation, the most recent three years of the entrepreneurs' personal wealth were gathered prior to his/her foundation's establishment; otherwise, the most recent personal wealth data (2011–2014) were gathered. Personal wealth data primarily comes from the Hurun Rich List and Forbes Wealth List. In order to increase accuracy, wealth data from both Hurun and Forbes were collected, and an average of the two sources was counted as the entrepreneurs' overall wealth data. A value of 1 was

coded if the entrepreneur's personal wealth has steadily increased or remained at the same level; otherwise the value code is 0.

Age of entrepreneur. Age affects one's philanthropic giving. A person's age especially can affect a philanthropist's decision about whether he or she wants to create an institution in order to leave a legacy (Odendahl, 1987). The entrepreneur's age at the time of the foundation establishment, or as of 2014, was recorded depending on whether a foundation is created.

Number of children. The number of children of the entrepreneur can influence the entrepreneur's decision on whether to establish a foundation (Brooks, 2005; Brown & Ferris, 2007). Many cases have shown that establishing a foundation can help improve family relationships for the ultra-wealthy family. Therefore, data on number of children of the entrepreneur was collected as a control variable.

Education level. Education level can play an important role for the entrepreneur's philanthropic choice. Four categories of education level are distinguished: Entrepreneurs with overseas education, entrepreneurs with MBA degrees, entrepreneurs with other types of college education, and entrepreneurs with education lower than college degrees. The number of 4, 3, 2, and 1 was assigned, respectively, for each aforementioned category.

Public-listed. The number of social responsibly reporting requirements for public-listed companies is growing, driven by regulatory and stock exchanges around the world (The Initiative for Responsible Investment, 2013). Whether the entrepreneur's company is public-listed can be a sensitive factor in the study. If the entrepreneur's company is public-listed, it was assigned as 1; otherwise, 0.

Age of company. The age of the entrepreneur's company operation is an indicator of the entrepreneur's sense of stability and openness to innovation; this may become a factor for the entrepreneur's decision to establish a foundation. The age of the entrepreneur's corporation at the time of foundation establishment, or as of 2014, was recorded.

Ownership concentration. The percentage of the entrepreneur's shareholding in the company can be an important factor in the decision to establish a foundation. The researcher coded the ownership as a binary variable: 1 if ownership percentage ≥ 0.5 ; 0 if ownership percentage < 0.5 .

Family controlled. Family-control of the company will give the entrepreneur more power and control over decision-making. Research has confirmed that family firms are generous givers (Reis & Clohesy, 2001). This is also a binary variable.

Number of employees. The firm size is found by many studies to be a major factor in corporate giving (Burlingame & Frishkoff, 1996). The number of employees is an important indicator of the firm size. The size of the company is a control variable, because larger companies are more resourceful and more visible. The researcher coded this variable into a categorical variable: The value of 1 was assigned if the number of employees is between 1–999; 2 if between 1,000–4,999; 3 if between 5,000–9,999; 4 if between 10,000–29,999; 5 if larger than 30,000.

Coastal areas. Studies of China often make the distinction between firms located in coastal versus interior areas, because the former typically have better market infrastructures (Park & Luo, 2001). If entrepreneur's company sits in a coastal area, it was coded as 1, and otherwise, as 0.

Number of branches. Companies with more branches tend to deal with multiple philanthropic requests (Saiia, Carroll, Buchholtz, 2003). The creation of a foundation can serve multiple purposes for different branches. The researcher further categorized the number of branches after data collection. The value of 1 was assigned if the number of branches is between 1–29; 2 if between 30–100; 3 if more than 100.

Number of firms with a foundation in an industry group. Studies of practice diffusion find that a practice adopted by socially proximate firms (such as firms in the same industry) will be more quickly adopted by the focal firm because of the ease of obtaining information, the perceived relevance of the practice, and the pressure of being left behind (e.g., Davis & Greve, 1997). In this study, corporate foundations existing in the same industry group as the entrepreneur's company may encourage other entrepreneurs to set up a similar foundation. Data on this variable was first obtained through China Foundation Center's database on corporate philanthropy as of December 30, 2014. The researcher coded this variable by first identifying the core business industry of the entrepreneur and then calculated how many corporate foundations have been established in the similar industry as of the end of 2014.

Giving to civil organizations. The entrepreneurs' past giving history may be an influential factor to their creation of foundations. On the one hand, their giving history indicated their diverse network, which potentially supports the mission of the entrepreneurs' foundation in the near future; on the other hand, the past giving history to civil organizations suggests their heterogeneity in charitable giving or civic values. The entrepreneurs' donation recipients are gathered through company website and/or media releases. The entrepreneurs' donation usually goes to government, schools, local charity

federations, civil nonprofit organizations, traditional charities (such as orphanage, elder homes), industry organizations or business associations, individuals, and noncivil foundations and associations. The variable, *giving to civil organizations*, mainly embraces giving that goes to civil nonprofit organizations, industry organizations, or business associations, and individuals. If the entrepreneur has given to the aforementioned civil organizations, it was coded as 1; otherwise, as 0.

Chapter 5: Data Analysis and Results

Brief Introduction to Event History Analysis

The research question in this study examines whether Chinese entrepreneurs establish their own foundations and, if yes, what factors correlate with the creation of foundations? Research methodology calls for event history analysis if the researcher's question is centered on whether—and if so, when—events occur (Teckle & Vermund, 2010).

The *event history analysis* is also commonly known as *survival analysis*, *duration analysis*, or *hazard modeling*. It is concerned with the patterns and correlates of the occurrence of events (Yamaguchi, 1991). This method was developed by biostatisticians in the 1970s and has been extended by economists and sociologists to the study of social transitions since the 1980s (see Singer & Willett, 1991). Since 1991, event history analysis has been introduced and popularized in psychology, education, political science, and other behavioral science research. Regardless of the different names, these statistical techniques address similar research goals: to help understand whether an event occurs and if so, when. Below is a brief introduction about some key concepts related to event history analysis.

An *event* is a transition from one state to another. The event can be death, divorce or marriage, occurrence of disease, leaving a job, etc. The occurrence or nonoccurrence of the event is recorded as event status or *state*. At every point in time, each individual occupies one state. In the current research, the entrepreneur is either in the state of “has not established a foundation” or “has established a foundation.” In some cases, an event can occur several times (this is called recurrent events), such as recovery of depression.

In this study, the event of interest occurs only once because it is not possible to exit the destination state and go back to the original state.

Risk period. The period that someone is exposed to a particular risk is called the *risk period*. To be able to experience the risk, one must occupy the original state. For example, the entrepreneurs who have never established a foundation in a particular year are at “risk” of experiencing the event of establishing a foundation. All subjects who are at risk of experiencing the event concerned are the *risk set*.

Building on the above concepts, event history analysis can be defined as the “analysis of the duration of the nonoccurrence of an event during the risk period” (Teckel and Vermunt, 2010, p.5). When the event of interest is “creation of a foundation,” the analysis concerns the duration of nonoccurrence of the experience of creating a foundation. In practice, the event history model, as Teckel and Vermunt (2010) noted, is not duration or time itself but a “transition probability or hazard rate” (ibid, p.5). In this study this concerns an entrepreneur’s probability of establishing a foundation given that this did not happen before.

The event history analysis is used to study the duration until the occurrence of the event of interest, where the duration is measured from the time at which an individual becomes exposed to the “risk” of experiencing the event (Steele, 2005). For example, a teacher is at risk of leaving his or her job from the time he or she starts his or her teaching. In some instances, the researcher must choose an appropriate origin when it is less obvious to detect the origin.

The data of event history analysis are collected through retrospective or prospective study designs, or through experimental or observational study. Retrospective data

collection is most common in event history analysis; this approach looks back to the dates when events happened since a certain time point or during a fixed window of time before the study end point.

The time to event or survival time can be continuous or discrete. When the event time takes on any nonnegative value, it will assume a continuous-time method. When the event time takes on a finite set of values, it will assume a discrete-time method. Events that occur at discrete time points (e.g. weekly, monthly, yearly) can be analyzed with the discrete-time method; whereas, in other situations, events that occur at real continuous-time (e.g. seconds, minutes, hours, or days) can be analyzed with a continuous-time method.

A typical event history database contains information on whether the event(s) of interest occurred to the individuals in the sample and, if so, the time of occurrence, risk factors, social demographic covariates, and/or the treatment or intervention received if any. Among the covariates, some are time-constant variables and some are time-varying variables.

The event history analysis method distinguishes itself from other regression methods, such as linear or logistic regression. As noted earlier, subjects in the event history analysis are usually followed up over a specific period of time, and the focus is on the time at which the events of interest occurs. Simple linear and logistic regression methods are not suited to dealing with two distinctive features of event history analysis data: censoring and time-varying variables (Willet & Singer, 1993). *Censoring* is a type of missing-data problem resulting from the unknown time of event occurrence when the subjects did not experience an event during the observation period. Censoring arises for

two major reasons (Willet & Singer, 1991): a) some individuals will never experience the event; b) some will experience the event, but not during the study's observation periods. The event history analysis assumes the censoring is missing data at random. Linear and regression models lack a way to deal with censoring data and yield a biased result or loss of information. Moreover, the standard regression models are not able to deal with *time-varying covariates*, variables that may change their value over time. On the contrary, event history analysis models can correctly incorporate both censoring data and time-varying covariates.

Data Analysis for the Current Study

Because event time is measured on a year-to-year basis, discrete-time event history analysis is used to examine how likely and how soon Chinese entrepreneurs shift to establishing their own foundations. Continuous-time event history analysis statistical models have their own statistical packages, such as Cox proportion hazard models, but proportional and nonproportional hazard models are used to analyze the discrete-time data using a modification of logistic regression known as *discrete-time survival models* (DTSM) (Singer & Willett, 1991). The discrete-time event history model is used to analyze the probability distribution of the random time-period variable J , the duration of nonoccurrence of the event, and to gain an understanding of how risk factors and covariates affect the event times (Teckel and Vermunt, 2010). The detailed data analysis procedures are delineated below:

First, the researcher defined the state, event, and length of the study time. In this study, the entrepreneur occupies two possible exclusive states: establishing a foundation or not establishing a foundation. The target event occurs when the entrepreneur shifts

from not having a foundation to establishing a foundation. The beginning of time for this retrospective data observation started in 2003, a point in time before any of the sample subjects had established a foundation. Therefore, the t_0 is the period of 2003, which means that during this time no Chinese entrepreneurs in the sample established their own foundations. The year of 2004 is the beginning time (t_1) of the event history analysis. The concluding time is 2014(t_{11}). The time unit is in years. The event history analysis requires time intervals, so the series of time intervals is as follow: $[t_0, t_1)$, $[t_1, t_2)$, ..., $[t_{j-1}, t_j)$, $[t_j, t_{j+1})$, ... and so on. Let the letter j index periods. Any event occurring at t_1 (or 2004) but before t_2 (or 2005) is classified as an event happening during the first time interval $[t_1, t_2)$. The j th (or 2014) time interval, $[t_j, t_{j+1})$, begins immediately at time t_j (or 2014) and end just before time t_{j+1} (or 2015). The conventional mathematical notation [bracket] denotes inclusions, and (parenthesis) denotes exclusions. For example, the interval $[t_1, t_2)$ or $[2004, 2005)$ means that the event occurs at t_1 or 2004 but not in t_2 or 2005. The covariates or predictors are indicated as P in this study, and the number of predictors as P_n ($p = 1, 2, 3, \dots, N$). In this study, for example, p_1 is the number of consumer-related industry. Because some variables are time-varying variables, for instance, *whether entrepreneur has a fund* and *the year of joining the political echelon*, the researcher records the values of all predictor in every time period. Thus, for any individual i , the value of his/her each N predictors in time period j as the vector $p_{ij} = [p_{1ij}, p_{2ij}, p_{3ij}, \dots, p_{nij}]$.

Second, the researcher reconstructed data from a person-oriented dataset into a person-period dataset due to the combination of both time-variant and time-invariant variables. Although the discrete-time model uses a logistic regression approach, the person-oriented dataset, which is used in standard regression analysis, cannot handle the

subjects that have a different number of records depending on the duration or stay in the risk set. Instead, the discrete time history model requires a person-period dataset. The set of dummy variables D_1 through D_{11} are also created to represent each time period in the logistic regression model for the discrete time history model. The dummy variable $D_1 = 1$ if period = t_j and 0 otherwise. A dichotomous event indicator is created for the occurrence of “creation of a foundation” to indicate whether an entrepreneur experiences the event during the time period concerned (0 = no event, 1 = event). For each entrepreneur, the event indicator is 0 in every record except the last. Noncensored entrepreneurs experience the event in their last period, so the variable event takes on the value of 1 in that last period. For example, if an entrepreneur experiences an event in the fifth period, the event indicator only takes on the value of 1 in the fifth period, i.e. the last period of his or her observations. Censored entrepreneurs never experience at the periods in the data, so the variable event remains 0 through the records. Values of the time-constant covariates are repeated in each time period. The person-period dataset contains all information on survival time, including information for censored observations. After creating the person-period data, the existing procedures in general statistical packages can be directly used for event history analysis without any modification for censoring (Teckel and Vermunt, 2010). After splitting the data, the total records amount to 2,022.

Third, the researcher described data with the life-table method. Different from conventional data description that reports mean and standard deviation, the life table is used in event history analysis for data description. The life-table method and the Kaplan-Meier estimator are two descriptive methods for estimating the event-time distribution from a sample. The life-table method computes nonparametric estimates of the survival

and hazard functions in different time-intervals. The life table contains the following statistics: the number of cases at risk (or the number of subjects entering the respective interval without having experiencing the event), proportion of cases that experience the event (hazard h_j), and cumulative proportion surviving (survival function S_{lj}). Among them, the hazard function, defined as conditional probability that a randomly selected individual will experience the target event in time period j , given that he or she did not experience the event prior to j , is the most important function.

$$h_j = \Pr [T=j | T \geq j]$$

It not only exactly assesses whether and, if so, when the event occurs, but also includes data from both noncensored and censored cases. As the central focus of the analysis, the researcher estimates the values of the hazard probability and examines their dependency on selected covariates. See Table 3 for the life table description statistics.

Table 3. *Life Table Describing the Time Periods at “Establishing a Foundation”*

Time periods	Time interval	Number		Proportion	
		Entering interval (risk set)	Established foundation during the interval (or “failure”/ event)	Established foundation during interval (hazard)	Who has not established a foundation at the end of interval (survival function)
j0	[2003,2004)	209	0	0	1
j1	[2004,2005)	209	3	0.0144	0.9856
j2	[2005,2006)	206	5	0.0243	0.9617
j3	[2006,2007)	201	3	0.0149	0.9474
j4	[2007,2008)	198	9	0.0455	0.9043
j5	[2008,2009)	189	5	0.0265	0.8804
j6	[2009,2010)	184	6	0.0326	0.8517
j7	[2010,2011)	178	5	0.0281	0.8278
j8	[2011,2012)	173	8	0.0462	0.7895
j9	[2012,2013)	165	4	0.0242	0.7703
j10	[2013,2014)	161	3	0.0186	0.756
j11	[2014,2015)	158	2	0.0127	0.7464

The hazard and survival function over the time is reported in the Figure 2 below:

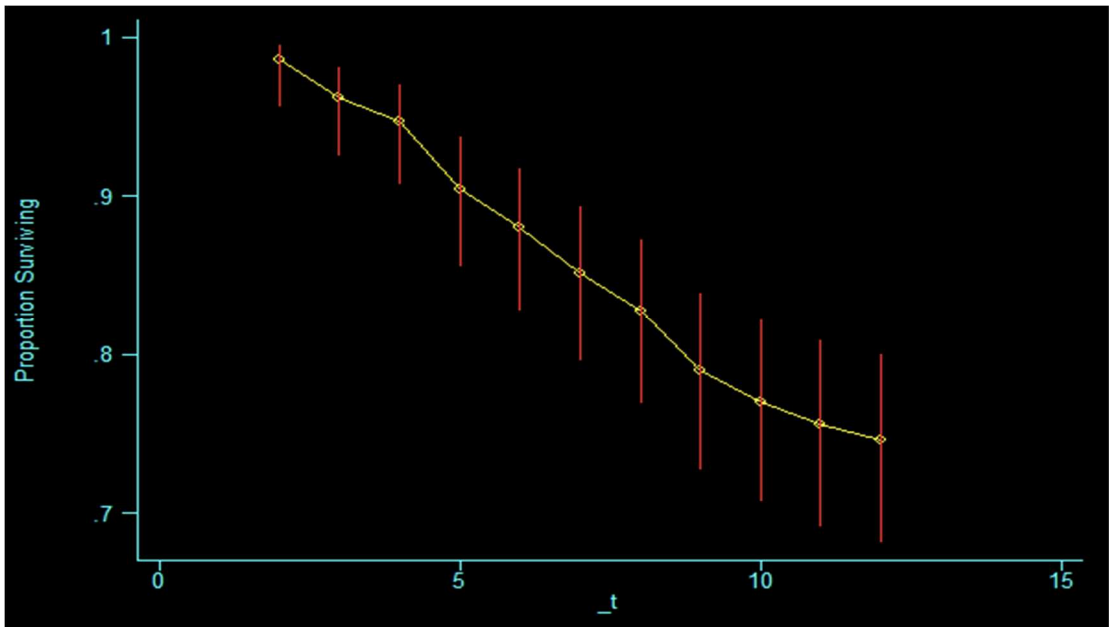
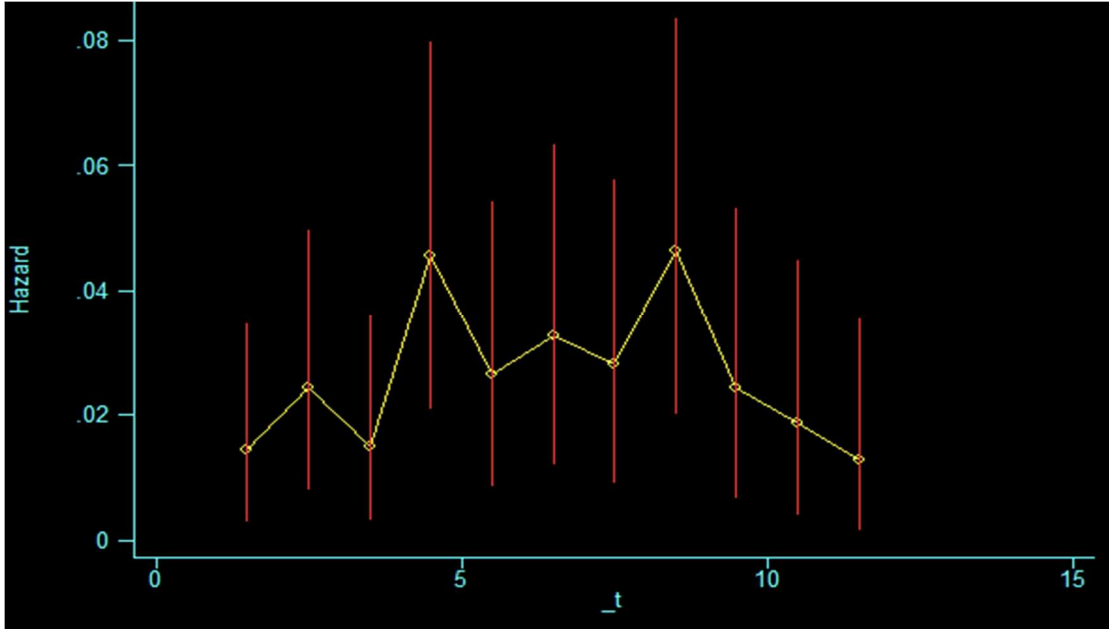


Figure 2. Hazard rate and survival rate over the time periods for “establishing a foundation.”

Fourth, the researcher fitted the model and tested the hypothesis. In building these models, maximum likelihood estimates are calculated for each mode and the fitted model. The likelihood function for the discrete event time model expresses the probability of the event occurrence actually observed over time. The probability of observing an event occurrence for the i th individual at the time period t_j given that the event has not occurred before, is $h_i(t_j)$. Then, the probability of observing an event nonoccurrence for the i th individual at the time period t_j , given that the event has not occurred before, is $[1 - h_i(t_j)]$. The likelihood function can be mathematically expressed as the following:

$$\text{Likelihood} = \prod_{i=1}^v \prod_{j=1}^J h_i(t_j)^{\text{event}_{ij}} [1 - h_i(t_j)]^{(1 - \text{event}_{ij})}$$

Where Π is a product sign, v is the total sample size. The event_{ij} is the binary value of the event variable for the i th person at j th period. J refers to the last time period observed for anyone in the sample. The two product signs are to make the likelihood function multiplies the contribution of each record across all individuals via the first product sign and across all time periods for individuals via the second product sign. Because the event value takes a value of either 0 or 1, only one of the two terms, $(h_i(t_j)$ or $1 - h_i(t_j))$, contributes to the likelihood function at each record. In other words, in the time period when the event does occur, the second term becomes 1. In time periods when the event does not occur, the first term becomes 1. The maximum likelihood estimate helps estimate the parameters that maximize the likelihood function. The logistic regression model is sufficient to provide estimates of the parameters of the discrete event time model in a person-period dataset. The researcher first ran the univariate analysis. A result of this analysis is shown in Table 4.

Table 4. *Univariable Logistic Regression*

Variables	Coef.	Odd ratio	Standard error	P> z
Number of consumer-related industry	0.0668	1.069	0.0936	0.475
Whether established a fund (time-vary variable)	0.201	1.222	0.281	0.475
Involvement of civil nonprofit	0.669**	1.952**	0.287	0.02
Number of businesses intersecting with public welfare	0.109	1.116	0.193	0.572
Institutional logic	-0.0161	0.984	0.0108	0.135
Power 1-political status level	0.148	1.16	0.111	0.181
Power2- whether a political echelon member (time-varying)	1.477***	4.379***	0.436	0.001
Personal wealth stability	1.078***	2.94***	0.331	0.001
Age of entrepreneur	-0.107***	0.898***	0.0191	0.00
Number of children	0.0787	1.082	0.155	0.613
Education level	0.121	1.129	0.167	0.468
Publicly listed	0.266	1.305	0.279	0.34
Age of company	-0.0969***	0.908***	0.021	0.00
Ownership concentration	-0.281	0.755	0.324	0.386
Family controlled	0.415	1.515	0.332	0.211
Number of employees	0.112	1.119	0.111	0.312
Number of branches	0.0624	1.064	0.191	0.744
Coastal areas	-0.36	0.698	0.283	0.203
Number of firms with a foundation in an industry group	0.00161	1.002	0.00156	0.303
Giving to civil organizations	0.662**	1.939**	0.28	0.018

*** p<0.01, ** p<0.05, * p<0.1

Then, the researcher dropped control variables whose p values are larger than 0.2. According to Vittinghoff et al. (2005), the “parsimonious” models that only include predictors that are statistically significant at p<0.05 or even stricter criteria is not reliable, because there is substantial residual confounding in such model. It has been suggested that potential residual confounding problems can be eliminated only if p >0.20 and variables that are at 0.20 or below can be kept in the model (Maldonado & Greenland, 1993). Thus, the following control variables are selected for the next step’s model

building: *personal wealth stability, age of entrepreneur, age of company, coastal areas, and giving to civil organizations*. The results of rerunning regression models of each predictor and all control variables showed that the variable, *number of firms with a foundation in an industry group*, is a statistical significant influencer; hence, it was added on to the control variable list.

Prior to the model building assessing the effects of additional predictors, it is recommended that all discrete-time survival analyses begin with an initial model that only include time variables (D_1 through D_{11}) (Singer & Willett, 1993). Generally speaking, the analysis follows the model structure below:

$$\text{Logit}(h_i(t_j)) \text{ or } \log_e\left(\frac{h_{ij}}{1-h_{ij}}\right) = (\alpha_1 D_{1ij} + \alpha_2 D_{2ij} + \alpha_3 D_{3ij} + \dots + \alpha_J D_{Jij}) \\ + (\beta_1 P_{1ij} + \beta_2 P_{2ij} + \beta_3 P_{3ij} + \dots + \beta_n P_{nij})$$

Where [D_{1ij} , D_{2ij} , D_{3ij} , ... D_{Jij}] are a sequence of dummy variables. The model indicates that the conditional log-odds that the event will occur in each time period j (given that it did not occur before) is a linear function of a constant term, α , specific to period j , and of the values of the predictors periods j multiplied by the appropriate slope parameters. In the discrete-time hazard model, there is no single standalone intercept, and the alpha parameters, α_j or $(\alpha_1, \alpha_2, \alpha_3, \dots, \alpha_J)$, act as multiple intercepts (Singer & Willett, 2003). When all covariates are set to zero, only the time value of time dummies, $(\alpha_1, \alpha_2, \alpha_3, \dots, \alpha_J)$, remains in the model. The $[\alpha_1, \alpha_2, \alpha_3, \dots, \alpha_J]$ also represent the population baseline logit-hazard probability of experiencing the event when all covariates are all zero, given that they have not experienced any. In each model, the dummy variables for each period

of time are represented (α_1 through α_J). Each coefficient of the dummy variable for time periods (α_j) is the population value of logit hazard in time period j for the baseline group, for $j = 1, 2, 3, \dots, J$. The researcher has adopted the general model in parameterizing the main effect of time on hazard in the aforementioned analysis. The inclusion of these dummy variables does not put constraint on the shape of the baseline model and facilitates the interpretation of the coefficients (Teckel and Vermunt, 2010); however, this leads the general model to be overparameterized and lack parsimony when the interaction of time and other predictors are taken into consideration (Singer & Willett, 1993). The solution is to consider the time periods as if they are continuous covariates and a specification of polynomial model for the baseline logit hazard function; this approach gives a more parsimonious model. The parsimonious model can reap improvement in statistical power, coefficient stability, and time to convergence during estimation (Singer & Willett, 1993). The polynomial representation can be linear, quadratic, cubic, or higher degree polynomials. The researcher searches for the best polynomial models by comparing the general model (original model with each time period representation) with linear, quadratic, and cubic models. A likelihood ratio test is further conducted to see the statistic difference between a polynomial model and general model. A good polynomial model should show no significant statistical difference with the general model. Table 5 displays the deviance statistics and differences in deviance statistics for the likelihood ratio test. It is clear that the quadratic model is as good as the general model. Thus, the quadratic polynomial representation of the time periods is parsimonious as well as fits the data as good as the general model for the discrete event time history analysis for this study. The parameters of the polynomial models are estimated using maximum likelihood

method. The smaller AIC value, the better fit of the polynomial representation compared to the general model.

Table 5. *Polynomial Representations for Time Period in a Baseline Model*

	Polynomial model for the baseline logit hazard	#of parameters	-2LL	Difference in -2LL comparison to		AIC	BIC
				Previous model	General model		
Constant model	Logit ($h_i(t_j)$) $=a_0$	1	245.3014	-	4.6527	492.6028	498.2147
Linear model	Logit ($h_i(t_j)$) $=a_0 + b_1 period_j$	2	245.2871	0.0143	4.6384	494.5741	505.7978
Quadratic model	Logit ($h_i(t_j)$) $=a_0 + b_1 period_j + b_2 period_j^2$	3	242.8679	2.4192	2.2192	491.7357	508.5713
Cubic model	Logit ($h_i(t_j)$) $=a_0 + b_1 period_j + b_2 period_j^2 + b_3 period_j^3$	4	242.8084	0.0595	2.1597	493.6169	516.0643
General model	Logit ($h_i(t_j)$) $=\alpha_1 D_{1ij} + \alpha_2 D_{2ij} + \alpha_3 D_{3ij} + \dots + \alpha_J D_{Jij}$	J(11)	240.6487			503.2973	565.0276

As is seen in Table 5, the quadratic model is as good a fit as the general model. Hence, the polynomial specification representation of the model is now rewritten as below:

$$\text{Logit}(h_i(t_j)) \text{ or } \log_e\left(\frac{h_{ij}}{1-h_{ij}}\right) = \alpha_0 + b_1\text{period}_j + b_2\text{period}_j^2 + \beta_1 P_{1ij} + \beta_2 P_{2ij} + \beta_3 P_{3ij} + \dots + \beta_n P_{nij}$$

Lastly, the researcher ran major models that contain variables testing major hypotheses and selected control variables to assess the effects of additional predictors. Each predictor within the same hypothesis group was added to the previous model to see the influence on the hazard rate. Table 6 is a detailed presentation of the major models. Lastly, the likelihood ratio test was used to test the significance of the effects of the covariates in each of the models. The -2 Log Likelihood statistic (-2 LL), the deviance statistic for the discrete event history models, was calculated and reported between two nested models to figure out models that fit best. The smaller deviance, the better fit the model is to the observed data. Note that two models are nested when both models contain the same parameters and one of the models has at least one additional parameter. When comparing the reduced model (the one with less covariates) and the model with additional variables, we reject the null hypothesis if the difference of deviance statistic is larger than the critical value for chi-square distribution and conclude that some models with additional covariates are a better fit and the added covariates have significant effect on the log odds of event occurrence (Teckel and Vermunt, 2010). The detailed process of calculating the -2 Log Likelihood statistic and discussion are elaborated in the next

chapter. The parameter estimates and associated goodness-of-fit statistics for the selected models are displayed in the Table 6, and it supports later discussion.

Table 6. *Parameter Estimates and Goodness of Fit*

Covariates	Parameter	Model 1 estfdt	Model 2 estfdt	Model 3 estfdt	Model 4 estfdt	Model 5 estfdt	Model6 estfdt	Model 7 estfdt
Year 1 (j ₁)	α1	-4.229*** (0.0145)	0.135 (1.1451)	0.457 (1.58)	-0.66 (0.517)	1.275 (3.579)	-1.863 (0.1553)	-1.134 (0.322)
Year 2 (j ₂)	α2	-3.694*** (0.02488)	1.881 (6.5621)	2.236 (9.358)	1.141 (3.128)	3.034* (20.777)	-0.056 (0.945)	0.938 (2.554)
Year 3 (j ₃)	α3	-4.190*** (0.01516)	1.54 (4.666)	1.927 (6.871)	0.872 (2.391)	2.678 (14.56)	-0.412 (0.662)	0.686 (1.985)
Year 4 (j ₄)	α4	-3.045*** (0.0476)	2.535* (12.62)	2.923** (18.605)	1.866 (6.462)	3.667 (39.132)	0.588 (1.8)	1.678 (5.357)
Year 5 (j ₅)	α5	-3.605*** (0.0272)	2.342 (10.406)	2.742* (15.516)	1.676 (5.346)	3.478** (32.404)	0.375 (1.455)	1.503 (4.494)
Year 6 (j ₆)	α6	-3.390*** (0.0337)	1.949 (7.0233)	2.305 (10.027)	1.269 (3.556)	3.101** (22.223)	-0.222 (0.8009)	0.872 (2.39)
Year 7 (j ₇)	α7	-3.544*** (0.0289)	2.275 (9.7266)	2.601 (13.474)	1.596 (4.931)	3.431** (30.906)	0.105 (1.112)	1.183 (3.265)
Year 8 (j ₈)	α8	-3.027*** (0.04848)	2.778* (16.091)	3.063** (21.39)	2.118 (8.312)	3.935** (51.164)	-0.468 (1.77)	1.655 (5.233)
Year 9 (j ₉)	α9	-3.695*** (0.02484)	1.743 (5.7117)	1.998 (7.376)	1.077 (2.934)	2.916 (18.475)	-0.014 (0.626)	0.598 (1.819)
Year 10 (j ₁₀)	α10	-3.964*** (0.01899)	2.199 (9.0184)	2.434 (11.408)	1.558 (4.75)	3.369* (29.057)	-0.014 (0.986)	1.061 (2.889)
Year 11 (j ₁₁)	α11	-4.357*** (0.0128)	1.093 (2.9837)	1.285 (3.616)	0.452 (1.573)	2.264 (9.621)	-1.176 (0.309)	-0.152 (0.859)
Personal wealth stability (yes = 1)	β8		1.037*** (2.821)	1.054*** (2.871)	0.977*** (2.711)	1.0685** *	0.9554 (2.6)	1.032*** (2.808)
Number of firms with a foundation in an industry group	β9		0.00288* (1.003)	0.0028 (1.003)	0.002 (1.002)	0.0028* (1.003)	0.003*** (1.003)	0.00217 (1.002)
Age of entrepreneur	β10		-0.107** * (0.8982)	-0.112** * (0.894)	-0.1029* ** (0.902)	-0.11*** (0.896)	-0.101** * (0.9036)	-0.106** * (0.899)
Age of company	β11		-0.0530* (0.9484)	-0.06* (0.942)	-0.047 (0.954)	-0.0519* * (0.949)	-0.057** (0.945)	-0.0578* * (0.944)
Giving to civil organizations (yes = 1)	β12		0.231 (1.260)	0.06 (1.062)	0.207 (1.23)	0.2622 (1.3)	0.299 (1.348)	0.169 (1.184)
Coastal areas (yes = 1)	β13		-0.176 (0.8384)	-0.199 (0.819)	-0.196 (0.822)	0.0699 (1.07)	-0.097 (0.908)	0.247 (1.281)

Covariates	Parameter	Model 1 estfdt	Model 2 estfdt	Model 3 estfdt	Model 4 estfdt	Model 5 estfdt	Model6 estfdt	Model 7 estfdt
Number of consumer-related industry	β_1			-0.034 (0.9664)				-0.173 (0.841)
Whether established a fund (time vary) (yes = 1)	β_2			0.561 (1.753)				0.474 (1.607)
Involvement of civil nonprofit (yes = 1)	β_3				0.399 (1.687)			0.474 (1.606)
Number of businesses intersecting with public welfare	β_4				0.997* (1.49)			0.590** (1.804)
Institutional logic	β_5					-0.017 (0.984)		-0.0188 (0.981)
Power ₁ -political status level	β_6						0.0998 (1.105)	0.153 (1.165)
Power ₂ -whether a political echelon member (time vary) (yes = 1)	β_7						1.817*** (6.149)	1.736*** (5.676)
(-)2LL		240.6487	155.4534	154.3828	153.264	154.8009	147.348	143.1788

Note. The value in the parenthesis is the odd ratio or exponentiation of the parameter.

*** p<0.01, ** p<0.05, * p<0.1

The fitting full model for the current study (with parameters) is as shown in Table 7.

Table 7. *Quadratic Polynomial Model Output and Estimate*

Logistic regression		Number of obs	=	1524	
Log likelihood = -146.34664		LR chi2(15)	=	77.46	
		Prob> chi2	=	0.000	
		Pseudo R2	=	0.2093	
estd	Coef.	Std. Err	z	p> z	[95% conf. Interval]
j	.7307758	.2794052	2.62	0.009	.1831518 1.2784
j2	-.0594118	.0230664	-2.58	0.010	-.104621 -.0142026
Number of consumer-related industry	-.1716418	.1463243	-1.17	0.241	-.4584323 .1151486
Involvement of civil nonprofit (yes=1)	.4612024	.3863271	1.19	0.233	-.2959848 1.21839
Number of businesses intersecting with public welfare	.5651033	.2819127	2.00	0.045	.0125645 1.117642
Institutional logic	-.0184506	.0158053	-1.17	0.243	-.0494284 .0125271
Power1- political status level	.1345626	.2058245	0.65	0.513	-.268846 .5379712
Power2- whether a political echelon member (time vary) (yes = 1)	1.695158	.6532775	2.59	0.009	.4147573 2.975558
Whether established a fund (time vary) (yes = 1)	.4454728	.3907297	1.14	0.254	-.3203433 1.211289
Personal wealth stability (yes = 1)	1.002124	.3780248	2.65	0.008	.2612088 1.743039
Number of firms with a foundation in an industry group	.0021147	.001908	1.11	0.268	-.001625 .0058544
Age of entrepreneur	-.106428	.0266874	-3.99	0.000	-.1587343 -.0541217
Age of company	-.0571886	.028656	-2.00	0.046	-.1133534 -.0010239
Giving to civil organizations (yes = 1)	.2035541	.3734282	0.55	0.586	-.5283517 .9354599
Coastal areas (yes = 1)	.2359195	.448065	0.53	0.599	-.6422719 1.114111
cons	-.6248643	1.95844	-0.32	0.750	-4.463337 3.213608

By fitting the model in the equation for the current study, we got:

$$\text{Logit } (h_i(t_j)) = -0.625 + 0.731 \text{period}_j - 0.059 \text{period}_j^2 - 0.172 \text{consumer_Industry} + 0.446 \text{fund}_j + 0.461 \text{Civil_Involvement} + 0.565 \text{Intersect_tot} - 0.018 \text{Instutiional_logic} + 0.135 \text{political_level} + 1.695 \text{political}_j + 1.002 \text{wealth_stable} + 0.002 \text{industry_number_fdn} - 0.106 \text{age} - 0.057 \text{corp_page} + 0.204 \text{give_civil} + 0.246 \text{coastal}$$

Lastly, the researcher did various tests about the model, including a multicollinearity test, model adequacy proportionality assumption, and unobserved heterogeneity. The results show that there is no multicollinearity between the independent variables (the mean VIF = 1.21) and the model is adequate ($p = 0.6864$); the proportionality assumption is appropriate; and it has insignificant frailty. In Chapter 6, the researcher continues to interpret the data analysis results and discuss the findings.

Chapter 6: Data Interpretation and Discussion

Data Interpretation

Table 3 shows a life table for the data on Chinese entrepreneurs' heterogeneous responses to conditions of the creation of foundations. The hazard life table (Table 3) contains information on the time period intervals, the number of entrepreneurs who enter each successive period interval without experiencing the event (or the risk set), cumulative event occurrence rate (or cumulative failure rate), standard errors of the cumulative failure rate, the hazard rate (the proportion of event occurrence to the risk set), and 95% confidence interval. From Figure 2, the plot that estimates hazard function based on the hazard rate column of Table 3, shows that the risk of establishing a foundation is small in the first three periods (i.e. the time interval, [2004, 2007]), and it in general increases with time starting from 2007 until 2012 (or period 4 to 8 [2007,2012]) when it drops suddenly and thereafter to the approximate level of the first three periods. In general, the "risky" time periods for entrepreneurs' establishing a foundation are from period 4 with a high peak at period 8 ([2011, 2012]). Since the survival is the complement of hazard function, meaning the survival rate is high when the hazard rate is low, or vice versa, Chinese entrepreneurs tended not to establish their foundations from 2004 to 2007 (2004, 2007). The explanation for this finding is intuitive: Establishing a foundation is a new phenomenon; the path dependence is still high, given the foundation regulation was only enacted in 2004.

Then, how many periods does an average Chinese entrepreneur resist the creation of his or her foundation? Due to censoring of the event time for those who have not established a foundation and the fact that the event time is now known for all individuals,

the sample mean cannot be used as an estimate of the center of the event time distribution. Instead, the estimated median life time (survival time) is the value of time (here time period) for which the value of the estimated survival function is 0.5 (Singer and Willett, 1993). However, due to the rare event (the onset of a new phenomenon), the estimated survival function did not reach 0.5; thus a 75 percentile is also acceptable (ibid, 1993). In this study, 75% of Chinese entrepreneurs in the sample have not established foundations as of 2014. The high survival rate of this study shows that a longer period of study is needed for more event occurrence. It also implies the factors that contribute to the very new phenomenon are worthy of study.

Table 4 above displays the result of the initial univariable logistic regression. It is seen that among all the covariates (including both major predictors and control variables) the following covariates have significant correlation ($p < 0.05$) with the dependent variable: *involvement of civil nonprofit* (+), *power₂: whether a political echelon member* (+), *personal wealth stability* (+), *age of entrepreneur* (-), *age of company* (-), and *giving to civil organizations* (+). The sign “+” in the parenthesis indicates the correlation is positive, and the sign “-” indicates negative correlation. The results suggest that the heterogeneous network (civil involvement) does contribute to one’s creation of foundation. In addition, the entrepreneur’s access to political power is positively correlated to an entrepreneur’s creation of foundation. Since the aforementioned variable is a time-vary variable, it also means that entrepreneurs who joined the political echelon earlier are more likely to establish the foundation than those who joined later. The reason for the political echelon membership’s effect on the creation of a foundation will be discussed later in this section when more covariates are added to the model. It is also

worthy of mentioning that the following variables alone do not show significant correlations with the dependent variable: *number of consumer-related industry*, *number of businesses intersecting with public welfare*, *institutional logic*, *power₁- political status level*, and *whether established fund*. Surprisingly, the correlation of a higher institutional logic score, although not statistically significant, is negative for the establishment of a foundation. One possible explanation is that the institutional logic that prompts charitable giving does not necessarily lead to creation of a foundation; Chinese government or quasi-government agencies are the major recipients of charitable donations, and a high degree of governmental interference usually boosts the local charitable donation (Deng, 2009). One piece of evidence for this argument is the high amount of donations raised on Guangdong Poverty Alleviation Day. The Provincial Government initiated this fundraising day, and it is reported that most of the multimillion gifts for Guangdong province are made on this occasion (Hurun Research Institute, 2014).

As reported in Table 6, model 1 contains only the time periods without reporting constant and it described the hazard profile over time. Model 1 is estimated using the dummy variables for time with a no intercept option for logistic model. The parameters α 's for each time period are the logit of the hazard (log odds). The exponentiation of the parameters can calculate the odds of the event occurrence. Model 1 is the baseline model, and its odds ratio is exactly the result on the hazard probability of life table analysis in Table 3. Model 2 is a model with only time variables and control variables. Statistically significant control variables include *personal wealth stability* ($\alpha < 0.01$), *age of entrepreneur* ($\alpha < 0.01$), *number of firms with a foundation in an industry group* ($\alpha < 0.1$), and *age of company* ($\alpha < 0.1$). Both the entrepreneur's age and corporation's age are

negatively correlated with the likelihood of establishing a foundation when controlling for all other covariates. Such a finding is not consistent with the phenomenon found in Western society, where elder philanthropists are more likely to leave a legacy through building a philanthropic institution. On the contrary, younger Chinese philanthropists tend to be more responsive to newly organized philanthropic giving opportunities. The same may be true of the younger companies. Nevertheless, wealth stability is consistent with previous literature on charitable giving (Breeze and Lloyd, 2013), and the industry competition and peer pressure, which is measured by the number of foundation established in the same industry, also exert influence on the adoption of the new philanthropic practice (i.e. establishing a foundation).

In Model 3, the researcher added covariates for *number of consumer-related industries* and *whether established a fund* in addition to the period dummy variables and selected control variables. The reference group contains subjects a value of 0 for the “fund,” i.e. entrepreneurs who have never established a donor-advised fund. The estimates of the parameters α 's for the reference group are shown as log odds under Model 3 in Table 6. The parameter β_2 in Model 3 is a shift parameter that displaces the baseline log odds of hazard profile for entrepreneurs with a fund (fund = 1) keeping the value of *number of consumer related industry* constant. The estimated log odds for the *number of consumer-related industries* is -0.034 with the corresponding odds ratio of 0.9664 (exp (-0.034)), controlling for fund and selected baseline control variables. The estimated log odds for *whether established a fund* is 0.561 with the corresponding odds ratio of 1.753 (exp (0.561)), controlling for *number of consumer-related industries*.

Similarly, in Model 4, the parameter β_3 is the log odds of hazard profile for *involvement of civil nonprofit* (civil = 1), keeping the value of the *number of businesses intersecting with public welfare* constant. The individual influence of *number of consumer related industry* and the *whether has a fund* on the dependent variable is also calculated. Table 8 is an example of the result of *whether established a fund* to the dependent variable.

Table 8.

Time period	α_j	β_2	Fitted value of							
			Logit hazard		Odds		Hazard		Survival	
			Fund=0	Fund=1	Fund=0	Fund=1	Fund=0	Fund=1	Fund=0	Fund=1
Year1 (j ₁)	0.136	-0.43	0.136	-0.02	1.15	1.44	0.53488	0.590163	0.46511	0.4098
Year2 (j ₂)	1.88	-0.43	1.88	1.71	6.56	8.53	0.86772	0.895068	0.13227	0.1049
Year3 (j ₃)	1.54	-0.43	1.54	1.34	4.67	6.29	0.82363	0.862825	0.17636	0.1371
Year4 (j ₄)	2.54	-0.43	2.54	2.34	12.6	16.97	0.92657	0.944351	0.07342	0.0556
Year5 (j ₅)	2.34	-0.43	2.34	2.14	10.4	14.1	0.91235	0.933774	0.08764	0.0662
Year6 (j ₆)	1.95	-0.43	1.95	1.76	7.02	9.14	0.87531	0.901380	0.12468	0.0986
Year7 (j ₇)	2.28	-0.43	2.28	2.08	9.73	12.3	0.90680	0.924812	0.09319	0.0751
Year8 (j ₈)	2.79	-0.43	2.79	2.6	16.0	19.58	0.94148	0.951409	0.05851	0.0485
Year9 (j ₉)	1.74	-0.43	1.74	1.57	5.72	6.74	0.85119	0.870801	0.14880	0.1291
Year10 (j ₁₀)	2.2	-0.43	2.2	2.04	9.02	10.43	0.90019	0.912510	0.09980	0.0874
Year11 (j ₁₁)	1.09	-0.43	1.09	0.94	2.98	3.31	0.74874	0.767981	0.25125	0.2320

Note: Hazard rate = odds/(1+odds); survival rate = 1 - hazard rate

The graphic plot of fitted function for *whether established a fund* to the dependent variables is displayed in Figure 3.

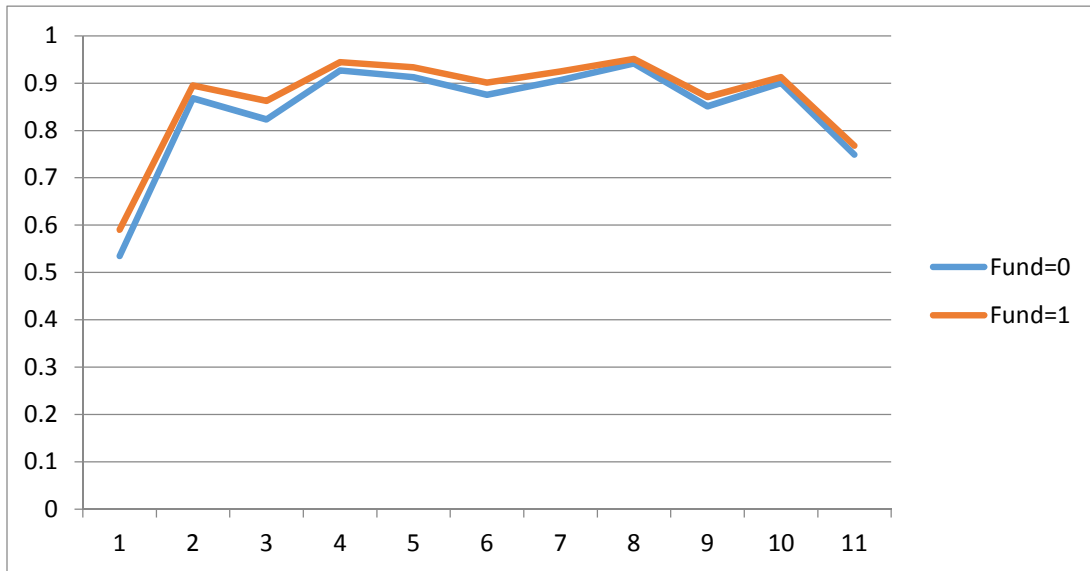


Figure 3. Fitted hazard function from the main effects of FUND.

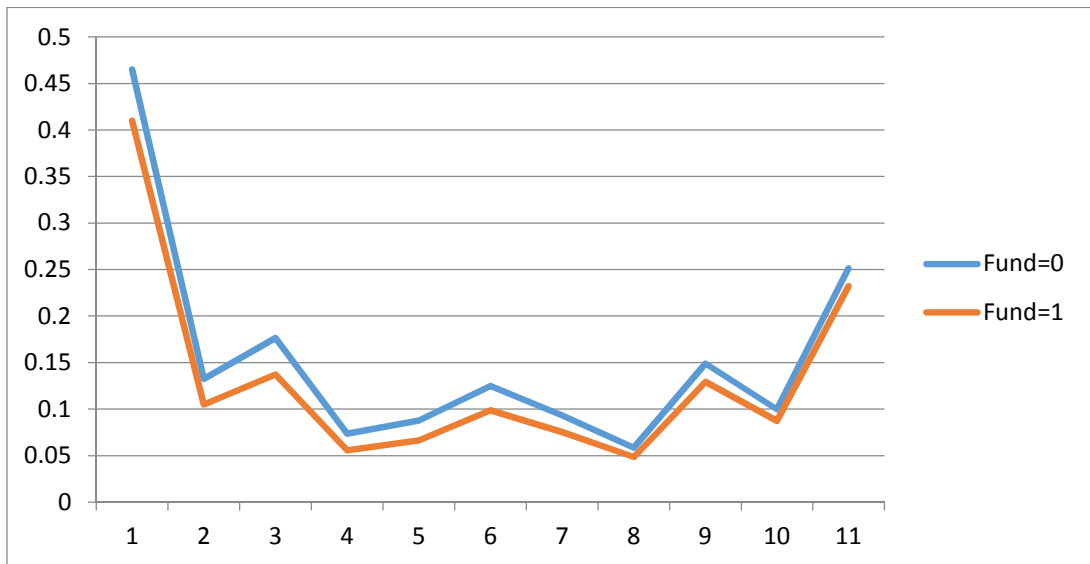


Figure 4. Fitted survival function from the main effects of FUND.

The graph in Figure 4 explicitly depicts the “risk” of establishing a foundation in each time period among entrepreneurs who have constructed their donor-advised funds. As is seen here, the influence is not very obvious. The three different fitted functions are displayed.

The estimated log odds for *involvement of civil nonprofit* is 0.399 with corresponding odds ratio of 1.687 (exp [0.399]), controlling for *number of businesses intersecting with the public welfare* and selected baseline control variables. The estimated log odds for the *number of businesses intersecting with the public welfare* is 0.997 with corresponding odds ratio of 1.49 (exp [0.997]). In Model 5, the estimated log odds for *institutional logic* is -0.017 with corresponding odds ratio of 0.984 (exp [0.984]), controlling for baseline control variables. In Model 6, the parameter β_8 is the log odds of hazard profile for *power₂: whether a political echelon member* (CPC or CPPCC) (political = 1) keeping the value of the *power₁: political status level* constant. The estimated log odds for the *power₁: political status level* is 0.0998 with corresponding odds ratio of 1.105 (exp [0.0998]) when controlling for *power₂: whether a political echelon member*. The estimated log odds for *power₂: whether a political echelon member* is 1.817 with corresponding odds ratio of 6.149 (exp [1.817]) when controlling for the political levels. Model 7 is a full model, which contains all parameters involved in other models. The estimate of all parameters is interpreted in similar fashion for each predictor variable controlling for other variables.

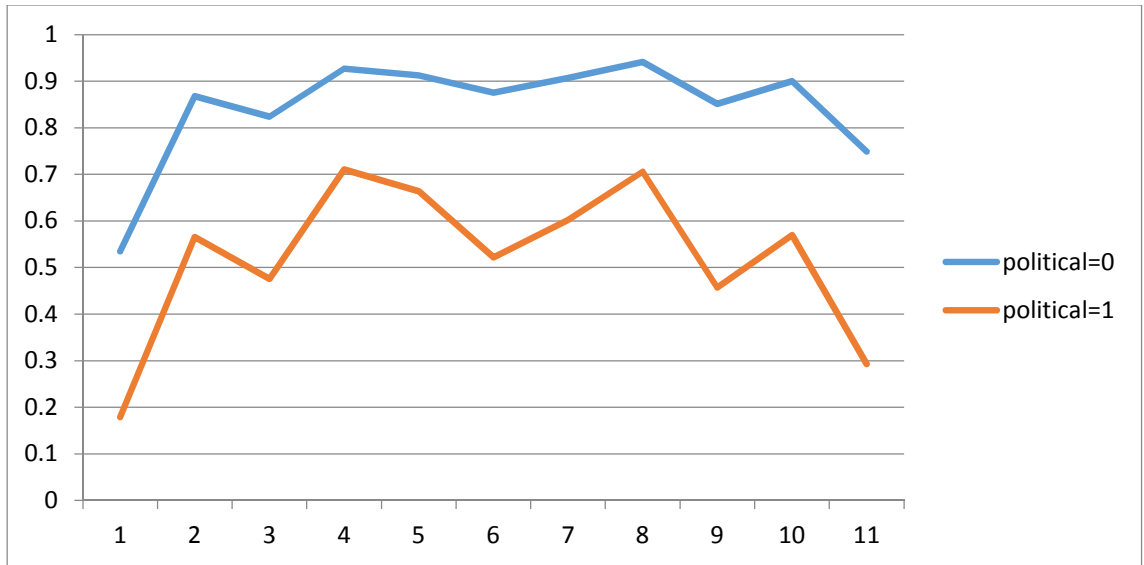


Figure 5. Fitted hazard function for the time at establishing from main effects of “whether in political echelon.”

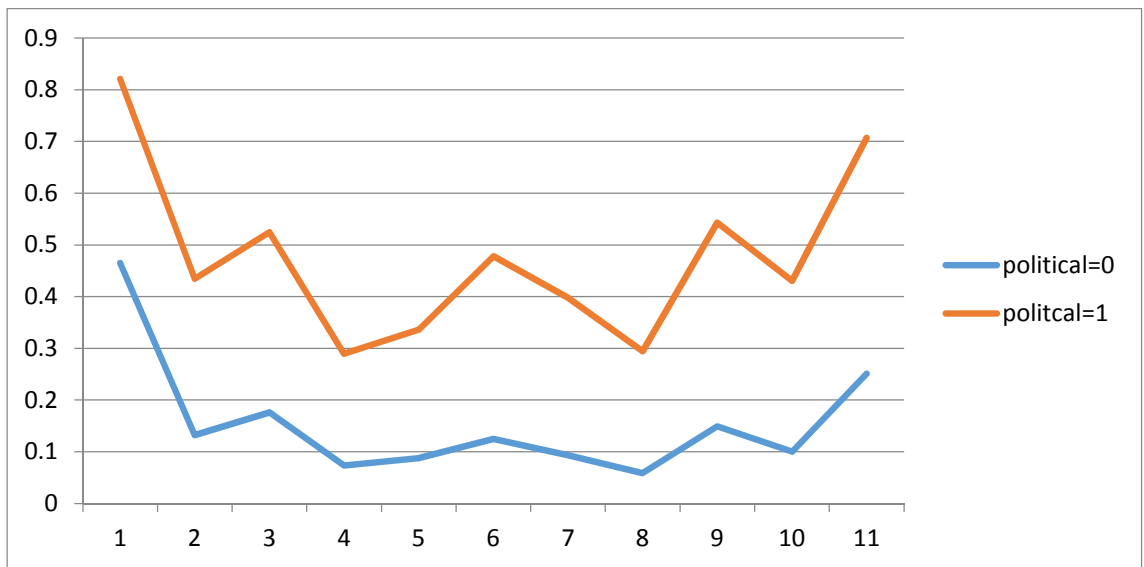


Figure 6. Fitted survival functions for the time at establishing from main effects of “whether in political echelon.”

As discussed in the data analysis section, a likelihood ratio test (LRT) is used to test the significance of effects of covariates in each of the models. The likelihood ratio test follows this formula: $LRT = 2 * (\ln L_1 - \ln L_2)$. The LRT approximately follows chi-square distribution. In the LRT, degree of freedom (df) is equal to the number of additional parameters in the more complex model. Then, the critical value from the Chi-square

distribution table can be found. The bottom row of Table 6 shows the deviance statistics (-2LL) for the seven models that I use for the current study. I start by comparing model 2 with model 3, since model 3 is where the independent variables begin. Model 2 is nested in all other models except in Model 1 (the baseline time variables). The difference between deviance statistic for Model 2 and Model 3 is 2.14 ($=2*(154.3828 - 153.264)$). The value is smaller than chi-square value for $df = 2$ at 5% level ($\chi^2 = 5.99$). Thus, model 3 is not statistically better than model 2, and the two covariates (*number of consumer-related industry* and *whether established a fund*) has no effect on log odds of event occurrence. Hypothesis 1a and 1b are not supported. In addition, the researcher recognized that hypothesis 1a was based on the assumption of the 2008 earthquake and the Red Cross Scandal on the behavior of Chinese entrepreneurs, but the data covered both pre-earthquake (scandal) and post-earthquake (scandal) years. The inconsistency might be the reason why H1a is not supported. Therefore, the researcher conducted a further comparative analysis comparing the effect of consumer-related industry on the likelihood of foundation establishment before and after 2008. There is still no significance found in the study.

The difference of deviance statistic between Model 2 and Model 4 is 2.1894 ($=2*(155.4534-153.264)$). This value is still smaller than chi-square value at 5% ($\chi^2 = 5.99$). Thus, Model 4 is no better than Model 2; such variables as *civil involvement in nonprofit* and *number of businesses intersecting with public welfare* do not add any effect on the log of event occurrence. However, it turns out the covariate, *the number of businesses intersecting with public welfare*, indeed has an effect after controlling all other

independent variables as presented in Model 7 (odds ratio is 1.804), where the p value of this variable is at $p < 0.05$. Thus, Hypothesis 2 is rejected and Hypothesis 3 is supported.

When comparing Model 5 and Model 2, we get the difference of deviance statistic of 1.35 ($= 2 * (155.4534 - 154.8009)$). The value is much smaller than chi-square value for $df = 2$ at 5% level ($\chi^2 = 5.99$). Thus, the variable, *institutional logic*, does not contribute to the log odds of the event occurrence. Hypothesis 4 is rejected.

The comparison of Model 6 and Model 2 yield a difference of deviance statistic of 16.211 ($= 2 * (155.4534 - 147.348)$). The value is larger than the chi-square value for $df = 2$ at 5% level ($\chi^2 = 5.99$). Thus, we reject the reduced model (Model 2) and conclude that Model 6 gives a better fit of the data in such a way that one of the covariates involved in the model (*power₁: political status level* and *power₂: whether a political echelon member*) have significant effects on the log odds of event occurrence. From Table 6, we can tell the p value of *power₂: whether a political echelon member* is $p < 0.01$, and the level of political echelon does not show statistical significance. Thus, we reject Hypothesis 5a and support Hypothesis 5b.

We further compare Model 7 and Model 2 to see the goodness-of-fit. The difference of deviance statistics is 24.56 ($= 2 * (155.4534 - 143.1788)$). This value is larger than chi-square value at $df = 6$ (six more covariates than Model 2) ($\chi^2 = 12.59$). Model 7 is better fit than Model 2. The researcher further compared Model 6 and Model 7. The p value of the model difference is $p = 0.0155$, indicating Model 7 is statistically significantly better than Model 6.

Discussion

This study is motivated by the key question of how to explain entrepreneurs' heterogeneous responses to conditions of creation of a foundation.

Hypothesis 1 posits that conflicts existing within the established institution prompt the agent to change. The conflicts are measured by two variables: the number of service industries that an entrepreneur's business involves and whether the entrepreneur has ever established a donor-advised fund during the period 2003–2014. Between the two variables, *whether established a fund* (a time-vary variable) is closer to reach a statistical significance ($p = 0.16$). Although not statistically significant, the odds of establishing a foundation is 1.75 times higher for entrepreneurs who had established a fund earlier, and subsequent times compared to those who remain without the experience of establishing a fund controlling for the effect of other covariates in the model. Based on the period under study, the higher number of service industry does not motivate an entrepreneur to establish a foundation. Thus, the assumed conflict embedded in the previous institutions is not the factor that brings the agent for a change in this study. The explanations for this finding can be viewed through the flowing three lenses: first, the Red Cross scandal in China may have only damped the interests of Chinese entrepreneurs to donate to the Red Cross, but the community-based Charity Federations and other many quasi-governmental charitable organizations still gain the upper hand in accessing the charitable resources from Chinese entrepreneurs through their established donor services. The functional inefficiency is not salient at this moment, thus causing little change. Second, the motivations of Chinese entrepreneurs' charitable giving are chiefly of prosocial nature, either politically driven (Estes, 1998), or occasion-oriented (such as giving on children's

wedding day, disasters, alma mater's big anniversaries) (Hurun Research institute, 2014). Such an unsystematic, spontaneous way of giving hardly generates any deep commitment to philanthropy, i.e. institutionalized philanthropy, and expectation of impactful philanthropy. Thus, even if their giving conflicts with their functional inefficiency, entrepreneurs may still conform to the old way of charitable practices. Third, Chinese entrepreneurs simply abandon charitable giving and civic engagement when there is a "conflict" or failure of donation effectiveness (such as brand enhancement) resulting from government charity scandals, and when other civil nonprofit organizations are not available (X. Liu, 2012; Pang & Yan, 2008). This finding is inconsistent with previous research on institutional entrepreneurship theory, which suggests "conflict" is a source for change. It seems that the "conflict" will not bring change if the practice is prosocial and not perceived to be directly linked to organizational survival, nor to apparently advanced business performances efficiencies.

Hypothesis 2 predicts that the heterogeneity resulting from the civil network will contribute to the Chinese entrepreneurs' creation of foundations, but this hypothesis is not supported by the statistical results. The reason for the limited influence of the involvement of civil organization in prompting autonomy and independence through creation of foundations might be for the reasons below. First, the civil organizations that entrepreneurs are involved with have satisfied their philanthropic interest. As described previously, the entrepreneurs' civil involvement is measured by their leadership role in the organization, and the leadership position may give the entrepreneurs control and understanding of their philanthropic resources. Thus, the need for establishing an independent philanthropic institution can be diluted. Second, entrepreneurs are exposed

to heterogeneous social networks, but not all the networks exert the same influence on the entrepreneur. Some types of networks wield stronger influence than other types of networks. If the civil network's influence is weak and the people that they are interacting with have little exposure to the concept of creating foundations, the heterogeneity, as a source of change, is nullified. Third, entrepreneurs don't trust nonprofit organizations (Freifelder, 2014; Pang & Yan, 2008). Nonprofit organizations' low recognition by government, lack of professional management (Guo, 2009), and limited or no tax incentive for charitable deduction to nonprofit organizations (Kong & Deng, 2013) all can help explain civil organization's limited affect on Chinese entrepreneurs' creation of foundations.

Hypothesis 3 proposes that the heterogeneity due to strategic orientation prompts an entrepreneur to be more likely to establish a foundation. The result has supported the influence of the heterogeneous cross-sectional industry on the odds ratio of establishing a foundation. More specifically, the estimated odds of establishing a foundation is 80.4% higher for entrepreneurs who have one unit more on their business intersection with public good provision than others. The influence of business intersection between "private business" and "public good" on the establishment of a foundation may be achieved via two mechanisms as follows. First, the intersection with public welfare areas, such as education, health, children, farmers, and environmental affairs, creates opportunities for Chinese entrepreneurs to gain deeper understanding of China's social issues. This scenario is consistent with the philanthropic studies literature regarding altruistic giving (Radley & Kennedy, 1992; Smith & McSweeney, 2007). Second, such strategic intersection gives a company competitive advantage, as well as more

motivations, for deeper philanthropic engagement by the entrepreneur. The result is a confluence of private and public benefits. This finding not only confirms the role of heterogeneity as a condition for change, but also accords with literature on the impure altruistic model of wealthy individuals (Andreoni, 1990). Also, the finding is consistent with Zhao, Bai, & Zhao (2014)'s statement on the importance of alignment of economic and social goals in motivating Chinese entrepreneurs' charitable giving.

Hypothesis 4 predicts that institutional logic, the alignment of an encouraging environment for charitable giving, and the demand for deeper philanthropic engagement may influence differently the magnitude of the response. The findings, however, do not support the proposition. A possible reason for this finding is that the institutional logic emphasizes more on giving rather than creation of foundation. The encouraging environment does provide an opportunity for the entrepreneur to seek a "change," but the ultimate change won't happen unless the agent sees the opportunity and turns the opportunity into actual "innovation." As any other entrepreneurial activity, institutional entrepreneurship requires the agent to take initiatives to realize the "new idea" presented by a new opportunity (Thompson, 2000; Hisrich 1990).

Hypothesis 5a argues that the higher level of political echelon attained by an entrepreneur, the more likely the entrepreneur will be to establish a foundation. This hypothesis is not supported in the above discussion. One explanation could be that high political echelon provides opportunities for the entrepreneur to seek for change, but entrepreneurs who are at the higher echelon are more likely to be co-opted by government, and their giving is more likely to go to government and quasi-government agencies. Also, entrepreneurs may continue to use charitable donations to government in

exchange for reinforcing their “political power,” as was the case in the late 1990s (Estes, 1998). Similar to the institutional logic, which provides opportunities for change, the higher political echelon alone does not help generate the practice of foundation creation.

However, Hypothesis 5b is supported, which assumes that entrepreneurs with membership in a political echelon are more likely to establish a foundation sooner than those who do not join the CPC or CPPCC political echelons. The odds of establishing a foundation is 6.15 times higher for entrepreneurs who had joined the CPC or CPPCC earlier and subsequent times compared to those who remain without the experience of joining the political echelons controlling for the political levels. Model 7 confirms the influence of this variable; controlling for the effect of all the six independent variables and all selected control variables, the odds of establishing a foundation is 5.18 times higher for entrepreneurs who have never joined the CPC or CPPCC. The aforementioned finding implies that the CPC and CPPCC membership does help the entrepreneurs facilitate their philanthropic institutionalization. The mechanisms behind the finding can be explained as follows. First, the political echelon members gained the trust of government for their “risky” innovative behaviors; second, members of CPC and CPPCC are usually outstanding individuals and the elite status not only gives them resources to make changes, but also positions them to be the change-makers through deeper philanthropic and civic engagement. Moreover, the public’s and government’s pressure on entrepreneurs and political elites in taking social responsibility may also explain their creation of foundations (Li, 2012, Zhang et al., 2012; Chen & Tourve, 2012).

Chapter 7: Conclusions

The goal of this research is to discover Chinese entrepreneurs' heterogeneous responses to conditions of the creation of foundations. It argues that the establishment of their own foundation is an important measure of Chinese entrepreneurs' deeper commitment to exercise social responsibility and civic leadership. By exploring contextual factors that are conducive to Chinese entrepreneurs' creation of foundations, a number of practical implications for the policy-makers, NGO leaders, and philanthropy advisers can be identified. As a new phenomenon, establishment of foundations in China is an emerging trend embraced by only a few. Who are the trailblazers? And what are the antecedents of the behavioral shift from direct giving to the creation of foundations?

The institutional entrepreneurship theoretical framework was used to understand the “change” embedded in the old institutions. According to the institutional entrepreneurship theory, four major factors could lead the agent to break from old institutions and seek change: the conflicts between the current situation and adapted practices, heterogeneous social network and strategic intersection with other sectors, supportive institutional logic, and power. The researcher sampled 209 wealthy entrepreneurs from the 2003–2014 Top 100 Philanthropists list produced by the Hurun Research Institute and examined the influence of the aforementioned four factors on the likelihood of establishing a foundation. The event history analysis method was used to conduct the data analysis in this study. Among the four factors, only the heterogeneity resulting from strategic industry intersection and entrepreneurs' power are antecedents of Chinese entrepreneurs' creation of foundations. Other factors, such as conflict, the heterogeneity resulted from the civil network, and institutional logic, were not statistically relevant in this study.

These results suggest that Chinese entrepreneurs who benefit from their improved political and social standing and increased capital are also making endeavors to take initiatives to contribute to the social and economic well-being in the social areas intersecting with the entrepreneurs' industry. This finding is contrary to Ma & Parish (2006)'s research conclusion, which states that Chinese entrepreneurs donate for political gain. Entrepreneurs are inherently enterprising and social-economy growth -oriented in the mobilization of their diverse sources of capital, including their political capital. Although establishing a foundation is a new way of participating in social economic development, the contemporary Chinese entrepreneurs do not deviate from the historical path that follows a Corporatism model. The Corporatism model views the interaction of state and society as an organic whole and emphasizes the alignment of interests of both parties (Gu, 2004).

The findings from this study provide a number of theoretical implications. First, the finding that heterogeneity resulted from strategic intersection, thereby prompting change, contributes to the lacuna concerning the motivations of the agent in the institutional entrepreneurship literature. Understanding the motivations of institutional entrepreneurs is highly limited (Garud, Hardy, & Maguire, 2007). The strategic intersection provides the agent with both private and public benefits to seek change. This finding confirms the motivation and inherent propensity for the "enlightened" self-interest of entrepreneurial philanthropy actors. In addition, the significant effect of power on the institutional entrepreneurial behavior indicates another possibility of an agent's motivation for change: to maintain the power status quo in a new way by conforming to the institutional environment's expectation. Second, the study shows that the social network heterogeneity

alone does not always account for the agency. The entrepreneur is embedded in different networks, and these networks differ in their importance. If the civil network is not influential or important to the agent, the effect of a civil network on the agency is limited. In addition, change also hinges on the popularity of new practices and purposeful promotion among and within the networks. The civil network could provide “inspiration” and “source” for change if the current civil network is actively engaging the entrepreneur to seek a new practice/change. Third, the research reveals that a nurturing environment is not always conducive to the change. When the forces from the environment are salient, a transformation from more charitable giving to establishment of a foundation is more likely to happen. Otherwise, a latent environment may not be conducive enough to anticipate the change. Fourth, the effect of conflict in inducing change is not universal. In the case of a prosocial activity, which is not usually considered essential to organizational performance, conflict may not be a sufficient factor for change. Instead, organizations allow or ignore the failing practices in their less crucial areas. Lastly, the study confirms the importance of the embedded agent’s power and resource-mobilizing ability in driving a change in an institutional field.

The theoretical contribution of this paper lies in its addressing the research gaps for testing, validating, and identifying more variables that account for agency. It also contributes to the expansion of methodological and practical use of institutional entrepreneurship. The resulting contributions to philanthropic studies and practices include the following: 1) additional theories that explain philanthropic innovation; 2) increased understanding of the behavioral shift from individual giving to creation of a foundation; 3) increased understanding of philanthropic giving in a nonwestern culture; 4)

provision of findings on high-net-worth individual's giving behavior; and 5) provision of theory and a road map to encourage leadership.

Moreover, the findings of this study provide practical implications for the policy-makers, civic leaders, and philanthropy advisors. First, government and civic leaders should take measures to strengthen capacity and accountability to gain the entrepreneur's trust and confidence in large-scale donations or to create foundations in the long run. Second, creating an encouraging environment for foundation establishment rather than mere charitable donations is a salient factor contributing to practical outcomes. Government, civic leaders, and philanthropy advisers need to articulate the need and importance of creating foundations. Third, we need to mobilize entrepreneurs to establish a foundation from a strategic perspective that benefits both the entrepreneurs' business and wider society. This finding has implications for both government and philanthropy advisers as follows: First, to encourage and give Chinese entrepreneurs autonomy to participate in philanthropy through a strategic CSR perspective instead of coercive mandatory giving to achieve government goals only (Ge & Wang, 2010). The mandatory giving expectations of government may only heighten entrepreneurs' sense of insecurity about their private property, eventually leading to reluctant civic engagement. Critics observe that Chinese entrepreneurs' philanthropy includes characteristics associated with "face" and "image" projection (Hu, 2010); however, the motivation to improve ones' image will not ultimately solve Chinese social problems in the long run. Second, teams of philanthropic advisers are essential to support the entrepreneurial philanthropists on their strategic philanthropy. Moreover, nonprofit leaders and government should help develop an open and tolerant environment that recognizes entrepreneurs in terms of their strategic

motivation to engage in philanthropy. Past and present representation of philanthropy as a “moral menace” (Zhang, 2010) needs reevaluation. Lastly, given the current Chinese social-political environment, more attention should be directed to the study of entrepreneurs who have gained the trust of government through the CPC or CPPCC; such insight can contribute to China’s goal of encouraging social innovation and change. Such insights are important, because social resource mobilizing power of entrepreneurs is stronger than those who are not formally part of the establishment, and public expectation for them is higher.

Some limitations of this research do emerge. For instance, the phenomenon this study examines is very new, and less than half of the sample has experienced the event occurrence. The period of observation for such a rare event should be extended in the future to increase the uncensored sample and the study’s validity. Second, the study mainly collects quantitative data through various resources, and some qualitative data could be collected to improve, confirm, and further interpret the findings. Future research will focus on *interviewing* entrepreneurs on their moral and value perspectives of creating a foundation.

There are other research topics that can be explored as a result of this study. Some topics that are worthy of exploration could include the following:

- What are the factors that determine an entrepreneur’s choice of establishing a family foundation rather than a corporate foundation, or no foundation, or vice versa?
- What are the most important factors that contribute to an entrepreneur’s transition from an entrepreneur to a philanthropist?

- How does the entrepreneurial philanthropist choose the executive director of his or her corporate and family foundations?
- How is the foundation governed when the founder is on the board, compared to those foundations whose founder is not on the board?
- Is there a governance difference over time for the same foundation? How effectively are foundations governed when established by entrepreneurs as compared to other types of foundations?
- How do the entrepreneurs understand and measure the effectiveness of their charitable foundations?

From a theoretical perspective, the study primarily examines the antecedents of change from contextual factors, but the above analysis and discussion partially reveals the inadequacy of contextual factors. The following areas are worthy of being further explored to deepen study of intuitional entrepreneurship. First, more research on the institutional entrepreneurs themselves is called for, for example, the entrepreneurial orientation of institutional entrepreneurship, values, and self-positioning of institutional entrepreneurs. Second, research on how a heterogeneous network contributes to change can be further explored. When the potential agent is embedded in multiple networks, which networks and what kinds of network are most influential? Third, how does the evolving institutional logic (with a difference measure) influence the agency?

Research on entrepreneurship and philanthropy is expected to bloom and shift from a topic of some significance to a major public policy issue (Acs, 2013). The philanthropy engagement of entrepreneurs concerns the healthy development and future of capitalism as well as the Chinese characteristic of socialism. It also concerns the development of

civil society. In a country like China, where wealth accumulation and concentration is very high and societal political problems are abundant, philanthropy, the “creative destruction” of wealth, carries the hope of social innovation, humanity, social mobility, “true strength of civil society,” and democracy. In the United States, foundations have served as institution-builders for many organizations, such as research institutes, universities, hospitals, museums, and libraries. These nonprofit organizations have been tied closely with daily life in the United States for many generations. Chinese economy and society shows promise as entrepreneurs start to distribute their wealth and reinvest in the country by exercising their moral imaginations. Although we must not lose sight that such philanthropic activity will face a variety of challenges in China, these foundations have potential to do “good” and do a good deal.

Appendix A

Table A. *Definition, Sources, and Coding*

Types of Variables	Variable	Definition	Data sources	Coding
Dependent variables	Whether and year of establishing their own foundation	<p>1) A nonprofit legal entity established in accordance with these regulations that employs assets donated by actual persons, legal entities, or other organizations for the purpose of engaging in some public benefit enterprise.</p> <p>2) The study examines private foundations only, meaning foundations that raise money from the public.</p> <p>3) Initiated and primarily funded by a business entrepreneur.</p>	China Foundation Center Foundation Directory, company website, website search (e.g., baidu.com)	Yes = 1; No = 0
Independent variables	Number of customer-related industries	The service industry embraces a wide range of activities, such as wholesale, transportation, hotel, dining, information technology service, finance, insurance, real estate, etc. It refers to China National Statistical Bureau's industry taxonomy.	Company website	Actual number of service industries
	Whether established a fund (time-vary)	The donor-advised fund is also a philanthropic vehicle at a public foundation, usually at local Charity Federations.	Company website, Internet site (e.g. baidu.com), news release, interview articles	Yes = 1; No = 0
	Involvement of civil nonprofits	His/her membership in civil nonprofits, especially leadership roles in the organization. A <i>civil nonprofit organization</i> is a social organization usually originated by nongovernment agency, such as entrepreneur clubs, industry associations, and grassroots nonprofit organizations.	Company website, Baidu Wikipedia, nonprofit organizations website, Sina Finance website	Yes = 1; No = 0
	Number of businesses intersecting with public welfare	Industry that provides public goods through private excludable markets. Such industries include art, private education, health, culture, environmental sustainability, and nursing, or industries that mainly serve the disadvantaged populations (e.g., farmers and agricultural workers), children, elders, and women.	Company website	Actual number

Types of Variables	Variable	Definition	Data sources	Coding
	Institutional logic	A pre-existing knowledge and belief shared by members of a society. In this study, it means the environment's overall attitude and actions toward charitable giving. A total of 32 indicators are identified through Philanthropy Development Index of China.	City philanthropy development index of China by Ministry of Civil Affairs of China	Three-year average
	Involvement of civil nonprofit	His/her membership in civil nonprofits, especially leadership roles in the organization. A <i>civil nonprofit organization</i> is a social organization usually originated by nongovernment agency, such as entrepreneur clubs, industry associations, and grassroots nonprofit organizations.	Company website, Baidu Wikipedia, nonprofit organizations website, Sina Finance website	Yes = 1; No = 0
	Number of businesses intersecting with public welfare	Industry that provides public goods through private excludable markets. Such industries include art, private education, health, culture, environmental sustainability, and nursing, or industries that mainly serve the disadvantaged populations (e.g., farmers and agricultural workers), children, elders, and women.	Company website	Actual number
	Institutional logic	A pre-existing knowledge and belief shared by members of a society. In this study, it means the environment's overall attitude and actions toward charitable giving. A total of 32 indicators are identified through Philanthropy Development Index of China.	City philanthropy development index of China by Ministry of Civil Affairs of China	Three-year average
	Power1: political status level	Member of China's People's Congress (CPC), and/or People's Political Consultative Conference (CPPCC) at different administrative levels (i.e. county, city, provincial, national).	Baidu Wikipedia, company website, CPC and or CPPCC website	National CPC and/or CPPCC = 4; Provincial CPC and/or CPPCC = 3; Municipal CPC and/or CPPCC = 2; County CPC/ CPPCC = 1; none = 0
	Power2: whether a political echelon member (time-varying)	Whether a member of CPC or CPPCC, and if yes, when he/she joined	Baidu Wikipedia, company website, CPC and or CPPCC website	Yes = 1; No = 0

Types of Variables	Variable	Definition	Data sources	Coding
Control variables	Personal wealth stability	<i>Personal wealth</i> refers to the entrepreneurs' wealth in the recent three years prior to foundation establishment (if there is one), or in recent 3 years as of 2014. If the wealth increases steadily or keeps the same level, then it is regarded as stable; if wealth fluctuates between any two years or drops continuously, then it is regarded as not stable.	Forbes China Wealth List 2003–2014, Hurun Wealth List 2003–2014, China New Wealth List	Yes = 1; No = 0
	Age of entrepreneur	<i>Age</i> refers to the age of entrepreneur at time of the foundation establishment (if there is one), or age as of 2014 (if no foundation is established).	Baidu Wikipedia, company website, Hurun Wealth List 2003–2014, Forbes China Wealth List 2003–2014	2014 (or year of foundation) to year of birth
	Number of children	Number of children of entrepreneurs.	Forbes China Wealth List, Baidu web search, interview articles	Actual number
	Education level	Educational degree the entrepreneur has received.	Baidu Wikipedia, company website, magazine or newspaper articles	Overseas education = 4; MBA = 3, graduate or tertiary degree = 2, k–12 = 1
	Public-listed	A corporation whose ownership is dispersed among the general public in many shares of stock that are freely traded on a stock exchange or in over-the-counter markets.	Company website, website search, Sina Finance, CNINF (China Public-listed company data center)	Yes = 1; No = 0
	Age of company	The age of company at the time of foundation establishment (if there is one), or age as of 2014 (if no foundation is established).	Company website, website search	2014 (or year of foundation) to year of the company establishment
	Ownership concentration	The percentage of the entrepreneur's shareholding in the company.	Top 3,000 Chinese family companies 2011–2014, corporate annual report, CNINF, media report, company website	> = 0.5 ownership = 1; <0.5 = 0
	Family-controlled	Whether the company is family-controlled, which is indicated whether entrepreneur has two or more family members in executive management team, and whether their family are major shareholders.	Top 3,000 Chinese family companies 2011–2014, corporate annual reports, CNINF, media report, company website	Yes = 1; No = 0
	Number of employees	Number of employees that are reported by the company in recent years.	Company website, corporate annual reports, media report, Industry Yellow Book	1–999 = 1; 1,000–4,999 = 2; 5,000–9,999 = 3; 10,000–29,000 = 4;

Types of Variables	Variable	Definition	Data sources	Coding
	Number of branches	Locations, other than the main office, where business is conducted.	Company website, corporate annual reports, media report, Industry Yellow Book	$\geq 30,000 = 5$ 1-29 = 1; 30-100 = 2; >100 = 3
	Coastal areas	Cities that are situated along China's coastal lines, which are also economically developed, include Beijing, Shanghai, Tianjin, Hebei, Liaoning, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, Hongkong, Guangxi, Hainan province.	Company website	Yes = 1; No = 0
	Number of firms with a foundation in an industry group; giving to civil organizations	Total number of foundations established in the entrepreneur's core industry. Whether the entrepreneur has given to civil types of organizations, including civil nonprofit, industry organizations, business associations, and individuals through their own company.	China Foundation Center Company website, Baidu Wikipedia, nonprofit organizations website, media report, CSR report	Actual number Yes = 1; No = 0

Appendix B

Introduction Letter Sample and Survey Questions for Telephone Interview

Letter of Introduction

October 8, 2014

Dear XX President's Office,

My name is Baocheng Jin, the Director of Song Chingling Education Center on Philanthropy at Beijing Normal University Zhuhai. This letter is to introduce you to Lijun He, PhD candidate at Indiana University Lilly Family School of Philanthropy (the leading American university for the study of philanthropy around the world) and adjunct faculty of Song Chingling Education Center on Philanthropy at Beijing Normal University Zhuhai, who is conducting her field work for her dissertation on Chinese entrepreneurs' heterogeneous responses to the conditions of establishing foundations. We seek your support to her research. She has obtained data about your company from widely available sources such as your company website, your annual report, media release, and some financial websites, but there is still some information that she doesn't know where to find or she would like to ensure the data accuracy. None of this information is sensitive. The information you provided will be used only for academic purposes and your company's identity is kept private. We hereby fax her questions for your review and preparation. She will contact you shortly. Thanks again for your cooperation. Should you have any questions regarding her project, please contact the Song Ching Education Center on Philanthropy at (86) 0756-6126767, 6126757 or email me via jbc1110@aliyun.com.

Yours sincerely,

Baocheng Jin,

Director

Song Chingling Education Center on Philanthropy

Beijing Normal University Zhuhai

<http://ecop.bnuz.edu.cn>

Appendix C

Telephone Survey Questions for Data Validation

1. When was your company established?
2. In which city is the company headquartered?
3. Is it a publicly listed company?
4. What are the core business activities of your company?
5. How many full-time employees does your company have?
6. How many branches does your company have?
7. Who owns your company?
8. Are family members of the company's owner working in the company as senior leaders or sitting in the board? How many?
9. What percentage of shares does the owner and his family hold in the company?
10. To whom does the company usually donate money or materials?
11. Has your company or the company's primary owner established a charitable foundation?
12. Does your company or the company's owner have a donor-advised fund? If yes, what is the name of the fund? In which year was it established and where was it established?
13. In what kind of social groups has owner been involved?
14. Is the owner a CPC or CPPCC? If yes, which administrative level is his CPC or CPPCC membership? Which year did he obtain his first CPC or CPPCC membership?

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Curriculum Vitae

Lijun He

EDUCATION

INDIANA UNIVERSITY

Indianapolis, IN

- *Ph.D, Philanthropic Studies* 2015
- *MA, Philanthropic Studies* 2010

SUN YAT-SEN UNIVERSITY

Guangzhou, China

- *Master of Arts, English Literature and Linguistics* 2005-2007

LANZHOU UNIVERSITY

Lanzhou, China

- *Bachelor of Arts, English Literature and Linguistics* 2001-2005

WORK

SCHOOL OF PHILANTHROPY, INDIANA UNIVERSITY

Indianapolis, IN

International Program Associate

2014-2015

- Provide consultancy on the strategy for School's international program in China
- Organize events and conference on Chinese Philanthropy
- Cultivate and facilitate Chinese donors' giving to the School

Ford Foundation and Henry Luce Foundation fellow

2013-2014

- Updated database, organize data, and conduct research on Chinese corporate philanthropy.
- Participated in academic and professional conferences on Chinese philanthropy.
- Researched, assessed and recommended articles, organizations and guest speakers for the first-ever course on Chinese philanthropy in the United States.

THE INTERNATIONAL CENTER

Indianapolis, IN

Project Manager

2011-2012

- Designed logical models and strategies to strengthen collaboration among Burmese refugee service organizations.
- Analyzed service gaps, challenges and opportunities for the Burmese community.
- Organized collaborative workshops convening Burmese service providers, governmental organizations and community leaders.

COUNCIL ON FOUNDATIONS

Arlington, VA

Summer Associate, Global Philanthropy

2011

- Researched and analyzed the Council members' global philanthropy activities.
- Reported on Chinese private philanthropy, focusing on global philanthropy strategy.
- Prepared and submitted proposals for the department's strategic planning.

AMERICAN RED CROSS

Indianapolis, IN

Development Associate

2009-2010

- Conducted prospect research and cultivated potential major donors.
- Utilized fundraising databases to analyze donor behaviors.
- Managed major donors' portfolios for key board members.

NINA MASON PULLIAM CHARITABLE TRUST

Indianapolis, IN

Summer Intern, Grants Program

2009

- Reviewed grantee proposals and conducted grantee site visits and made proposal recommendations to program directors.
- Represented the Trust at professional meetings and community events and researched best practices on the foundation's key funding areas.

CHINA-EUROPA FORUM

Guangzhou, China

Coordinator, Southern China Office

2007-2008

- Worked with a global team on design/coordination for 46 workshops in 23 European cities.
- Conducted outreach to identify and serve nearly 300 potential Chinese participants.
- Assisted with handling media, government, university, participants and donor affairs.
- Assisted and monitored workshops during the Forum in more than 4 European countries.

SELECTED ACADEMIC AND PROFESSIONAL PUBLICATIONS

- He, L.J. and Cleveland. W. (2015). Cross-cultural impacts of a distance learning course about U.S. philanthropy taught to Chinese students. *Journal of Nonprofit Management and Education*, 5(2), 68-88.
- He, L.J. (2014). Book review of “Global Fundraising: How the world is changing the rules of philanthropy.” *China Nonprofit Review*. Tsinghua University NGO Research Center: Beijing.
- He, L. J. and Burlingame. D. (2014)). On the history and status quo of philanthropic studies and nonprofit management education. *Journal of Philanthropic Studies*, China Philanthropy Research Institute at Sun Yat-sen University. Guangzhou, China.
- He, L.J. (2013). To partner or not? Two nonprofits = one for-profit social enterprise? Cases and Simulations Portal for Public and Nonprofit Sectors at Rutgers. New Jersey.

- He, L.J. (2013). Establishing philanthropic studies and nonprofit management education as undergraduate major: A policy recommendation. The invited and winning research grant, Ministry of Civil Affairs of China. Beijing.
- He, L.J. (2013). Opening the window to philanthropy in China starts with transparency. *Asian Philanthropy Forum*.
- He, L.J. (2013). The art and wisdom of giving by American billionaires. Special Edition on China's Most Generous Rich List, *Hurun Wealth Magazine*.
- He, L. J. (2012). Trends and development of US Philanthropy 2011. *China Philanthropy Development Bluebook 2011*, edited by China Social Academy, Beijing.
- He, L.J. & Bielefeld, W. (2012). Social enterprise in China and its governance. In Yu, J.X. and Guo, S.J. (Eds), *Civil Society and Governance*. Hampshire, UK: Palgrave Macmillan.
- He, L.J. (2011). Birth of American modern private foundations and their funders' philosophy on philanthropy in the early 20th century- A comparative study of John Rockefeller, Andrew Carnegie and Julius Rosenwald. *Nonprofit Review*, Tsing Hua University NGO Research Center: Beijing
- He, L.J. (2011). Giving circle that changes community. *China Fortune Magazine*.
- He, L.J. (2011). Philanthropy effectiveness matters all. *China Fortune Magazine*.
- He, L.J. (2010). The Gates-Buffett visit to China: What it means for philanthropy. *The Chronicle of Philanthropy*.
- He, L. J. (2009). What is philanthropy: Book review for *Understanding Philanthropy?* *Open Times Journal*, Vol.4.

TEACHING EXPERIENCE

- Introduction to Voluntary and Nonprofit Sector, undergraduate student course in China , instructor, top-ranked
- Ethics of Philanthropy, undergraduate student course in China, instructor, top-ranked
- China in Transition, graduate and undergraduate student course, teaching assistant, Beijing University
- Philanthropy in China, graduate and undergraduate student course, associate instructor

SELECTED ACADEMIC AND PROFESSIONAL PRESENTATIONS

- “Does board governance matter? Examining board configuration and transparency in Chinese private foundations”, ARNOVA, Nov.20-22, 2014, Denver, Co, USA
- “The ethics, arts, and trends of global fundraising”, presentation at China Red Cross Foundation, Beijing, China, June 26, 2014.
- “Beyond isomorphism: The birth and development of China’s first community foundation”, ARNOVA, Nov. 21-24, 2013, Hartford, Connecticut, USA.
- “Introducing philanthropic studies to Communism State: Theories and realities” (Co-presented with Dr. Wolfgang Bielefeld), ARNOVA, Nov.21-24, 2013. Hartford, Connecticut, USA.
- “Evaluating Chinese philanthropy: Status quo, problems, and improvement,” American Evaluation Association, Oct. 19, 2013, Washington DC, USA.
- “Cross-cultural impacts of a distance learning course about U.S. philanthropy taught to Chinese students”(co-presented with Bill Cleveland). The Nonprofit Academic Centers Council, July 10-12, 2013, Chicago

- “Developing approaches to microfinance in China” (Co-presented with Dr. Wolfgang Bielefeld), ARNOVA, Nov. 15-17, Indianapolis, Indiana, USA.
- “Who and why support the Burmese refugees: Examining the Indianapolis community”, International Society for Third Sector Research, July 10-14, 2012 Siena, Italy. Invited paper presenter.
- “Corporate Strategic Philanthropy and Cause-Related Marketing,” training for small and medium businessmen, 2012, Guangzhou, China.
- “The Growth of Private Philanthropy in China” with Peter Geithner, Center on Philanthropy, Indiana University, Oct.3, 2011; Moderator.

SELECTED PROFESSIONAL SERVICES

- Ambassador and advisor, Nexus China, Beijing, 2012.
- Independent philanthropy consultant, Yuexiu Enterprise Holdings, Guangdong, 2013.
- Associate director & adjunct faculty, Beijing Normal University Zhuhai, China, 2013.
- Co-founder and President, Chinese Philanthropy Leadership Initiative, 2011-2012.
- Column writer on philanthropy, China Fortune and Southern China Daily, 2010-2012.

RELEVANT HONORS AND AWARDS

- Elite 50, Indiana University- Purdue University- Indianapolis, 2015
- ARNOVA Emerging Scholars Award, 2014
- ARNOVA Diversity Scholars Award, 2013
- Randall L. Tobias Center for Leadership Excellence Fellowship, 2013-2014.
- Doctoral Fellow, Center on Philanthropy, Sun Yat-Sen University, 2012-2013.
- The Center on Philanthropy's Alumni Scholarship Award, 2009-2010.

- Outstanding Graduate, Indiana University-Purdue University-Indianapolis, 2010-2011.
- The Best Graduate (top three graduates in school), Lanzhou University, 2005.

SKILLS AND INTERESTS

- **Certifications:** Fundraiser Certificate, 2009.
- **Languages:** Mandarin Chinese (mother tongue), English (proficient), German (intermediate).
- **Technical Skills:** MS Word, MS Excel, MS Powerpoint, MS Outlook, Raiser's Edge, SPSS, Nvivo, GIFTS.
- **Interests:** Translation, yoga, exercise, travel, volunteering, writing and teaching.