

The Foundation Review

Volume 10 | Issue 1

3-30-2018

Family Foundation Development in China: Two Case Studies


Shuang Lu

The University of Hong Kong

Chien-Chung Huang

Rutgers University

Follow this and additional works at: <https://scholarworks.gvsu.edu/tfr>

 Part of the [Nonprofit Administration and Management Commons](#), [Public Administration Commons](#), [Public Affairs Commons](#), and the [Public Policy Commons](#)

Recommended Citation

Lu, S., & Huang, C. (2018). Family Foundation Development in China: Two Case Studies. *The Foundation Review*, 10(1). <https://doi.org/10.9707/1944-5660.1407>

Copyright © 2018 Dorothy A. Johnson Center for Philanthropy at Grand Valley State University. The Foundation Review is reproduced electronically by ScholarWorks@GVSU. <https://scholarworks.gvsu.edu/tfr>

Family Foundation Development in China: Two Case Studies

Shuang Lu, Ph.D., *The University of Hong Kong* and Chien-Chung Huang, Ph.D., *Rutgers University*

Keywords: Philanthropy, family foundation, case study, organizational assessment, China

Introduction

In recent decades, China's private wealth has substantially increased alongside its economic expansion (Cai & Wang, 2010). While accumulating vast wealth, many first-generation entrepreneurs have sought fulfillment outside business. In the past 10 years, China's philanthropic donations have increased, from \$774 million in 2005 to \$16.5 billion in 2014 (based on currency exchange rate in the respective years; Lu, Rios, & Huang, 2016). With this growth in philanthropic involvement, the family foundation has emerged as the primary philanthropic vehicle of the wealthy, an approach that offers donors great autonomy and flexibility (Boris, De Vita, & Gaddy, 2015).

Family philanthropy in China emerged long ago. During the Song dynasty, Fan Zhongyan initiated the Fan-clan Charitable Estate in A.D. 1050 as a private charity in his hometown (Liao & Li, 1991). The foundation was funded by Fan and donations from family members, whose income was derived largely from the rental of their substantial farmland holdings. Its mission was to provide poverty relief to clan members in the form of food, clothing, and funds for marriage and funeral expenses, housing loans, education, and imperial exam fees.

The estate had an advanced management system. To avoid conflicts of interest, clan members were not allowed to rent or sell their own farmlands to the estate. Its manager, an elected male clan member, had full autonomy over the estate's business and his compensation was determined by his performance, which was evaluated by clan members. The estate also monitored beneficiaries; those who misrepresented their financial

Key Points

- Amid the accumulation of private wealth in China, family foundations have begun to emerge in recent decades. Little research, however, has explored this nascent phenomenon. This article examines the development of two Chinese family foundations — the Lao Niu Foundation and the Lu Jiexiang Foundation — using document analyses and semi-structured interviews with foundation leaders.
- While detailed data on program effectiveness and efficiency is lacking because of underdeveloped methods of evaluation, it is evident that both foundations have generated positive impacts on social development despite an overall lack of support for the foundation sector from Chinese government policy.
- The case studies indicate that Chinese family foundations are exploring new paths in an increasingly mature philanthropic environment, and suggest several development approaches for family foundations in China and other emerging philanthropic sectors.

status or misused the benefits faced penalties or lost eligibility for further assistance.

By the 1200s the estate had more than 3,000 acres of farmland, and it remained financially independent and effectively managed. Following Fan's path, government officials created similar charitable estates designed to assist families or local residents (Liao & Li, 1991). These efforts, however, focused on short-term, direct assistance rather than long-term capacity building, and their provisions were often limited to local areas.

In the Chinese context, a foundation refers to a nonprofit legal entity that is established for philanthropic purposes and is funded by donations from individuals or organizations. [...] Since the Chinese government enacted regulations for the management of foundations in 2004, the number of foundations rose from 733 in that year to 2,198 in 2010, and to 6,383 in 2018.

In the Chinese context, a foundation refers to a nonprofit legal entity that is established for philanthropic purposes and is funded by donations from individuals or organizations (China Charity Federation, 2014). There are two categories of foundations: public foundations, which receive public donations, and private foundations, which until recently accepted only corporate or family donations (Xu, 2013); a 2016 law allows them to accept public donations upon government approval (National People's Congress of China, 2016). Since the Chinese government enacted regulations for the management of foundations in 2004, the number of foundations rose from 733 in that year to 2,198 in 2010, and to 6,383 in 2018 (China Foundation Center, 2018).

Under those regulations, a national public foundation is required to have minimum initial funding of about \$1.2 million; the requirement is lower for local-level public foundations, at about \$630,000, and for private foundations, at about \$315,000. In all cases, these initial funds must be retained in foundation accounts (China Charity

Federation, 2014). Like other nonprofits in China, foundations are subject to dual oversight by the government, and are under the supervision of both a central or local registration department and a department related to the foundation's mission (Huang, Deng, Wang, & Edwards 2014). Although state control over the nonprofit sector declined in the 2000s and early 2010s, Chinese foundations today remain tightly restricted by formal registration requirements and government oversight (Han, 2016).

Despite the strict oversight, public and private foundations are playing increasingly important roles in Chinese philanthropy. According to the 2014 Giving China Report, foundations have become the country's largest fundraisers among all types of charitable organizations (China Charity Information Center, 2015). Private foundations, in particular, have grown substantially, surpassing public foundations in both number and assets. By the end of 2016, private foundations accounted for 72 percent of all registered foundations in China, with net assets of \$10.4 billion in 2015, while public foundations' net assets totaled \$7.8 billion. Total spending by private foundations (\$1.9 billion) was less than public foundations (\$3.3 billion) in 2015, yet spending by private foundations had increased by 6.7 percent from the previous year. Spending by public foundations decreased by 2.8 percent over the same period (Cheng & Guo, 2017).

Among private foundations, 35 are family foundations, with \$254 million in total assets and \$51 million in philanthropic spending. Some (n = 24) were established by entrepreneurs in mainland China, with the majority from Fujian, Guangdong, Shanghai, and Zhejiang; others were founded by Chinese entrepreneurs overseas. The majority of the founding families are in manufacturing (n = 13) and real estate (n = 9); the remaining are in service industries (n = 4), finance (n = 3), mining (n = 3), transportation (n = 2), and retail (n = 1). These family foundations allocate resources to diverse program areas, including education (25 percent), public services (18 percent), environment (17 percent), poverty (9 percent), employment (7 percent), arts and culture (6 percent), medical assistance (5 percent),

philanthropic organization capacity building (5 percent), and disaster relief (4 percent) (China Foundation Center, 2014).

Although the term “family foundation” is widely used, it has no standard definition and is not a legal classification in China. The term typically refers to a private foundation whose funds are derived from members of one family that is actively involved in the operation of the foundation (Council on Foundations, n.d.). Family foundations are generally those that are funded by a family while they provide services for public benefit (China Foundation Center, 2014). After they are established, they may continue to raise funds from family members. The feature that separates a family foundation from other nonprofits is the family’s involvement in its establishment and governance. Throughout the foundation’s life, at least one family member must maintain a significant role in its governance (Boris et al., 2015).

Today, increased private wealth and philanthropic giving have become promising tools for tackling large-scale, global problems (Acs, 2013; Barchi, Deng, Huang, Isles, & Vikse, 2015) such as income inequality and the well-being of vulnerable populations (Saez & Zucman, 2016; Xie & Zhou, 2014). Yet research on family foundations, particularly in China, remains sparse. One report has examined basic information such as numbers, assets, and program areas (China Foundation Center, 2014), but no national data set systematically synthesizes detailed information on family foundations, including their organizational objectives, programs, and outcomes. Despite the growing efforts of Chinese family foundations to address social issues and to disclose organizational information, their development has yet to be examined and few studies have used theoretical frameworks to analyze this information.

Using the organizational assessment framework modeled by Lusthaus, Adrien, Anderson, Carden, and Montalván (2002) and a case study approach, this article explores the development of two family foundations in China. The findings present implications for philanthropists using

private wealth to address social issues in China and other incipient philanthropic sectors.

Theoretical Framework

Originating from organization and management theories, the organizational assessment framework captures three forces that drive organizational performance: organizational motivation, capacity, and external environment (Lusthaus et al., 2002). Each force comprises various components (See Table 1):

- Organizational motivation represents the underlying culture of an organization that drives its members to act. It involves the organization’s mission, development history, and a vision for broader contribution.
- Capacity is an organization’s ability to use its resources, and evolves through strategic leadership, organizational structure, and management of external relationships. It pertains to how organizations allocate staff members, plan and manage programs, and connect with other organizations.
- The external environment is relevant because organizations operate in interrelated social systems; political, economic, and sociocultural contexts determine an organization’s potential resources and challenges. These external factors may include regulatory policies, government attitude toward civil society, and local economic conditions.

Driven by these three forces, organizational performance can be defined by effectiveness, efficiency, and relevance. Effectiveness and efficiency indicate how successfully organizations carry out their mission. Relevance denotes to what extent they adjust to and survive in changing environments. Because organizational performance is constrained by available resources, a well-performing organization must balance effectiveness, efficiency, and relevance while sustaining itself financially (Lusthaus et al., 2002).

The framework examines organizations’ behaviors within complex internal and external environments. Literature suggests that the

TABLE 1 Theoretical Framework

Dimension	Significance	Components	Examples
Organizational motivation	Represents the underlying organizational culture; drives members to perform	History	Story of organizational inception, milestones
		Mission, vision	Organizational goals; hopes of broader contribution to society
		Culture	Values, beliefs
		Incentives	Autonomy, prestige, peer recognition
Organizational capacity	Indicates organization's ability to use its resources to perform	Organizational structure	Operational structure
		Human resources	Staffing, appraising
		Strategic leadership	Strategic planning
		Financial management	Financial planning
		Program management	Program planning, implementation, monitoring
		Process management	Decision-making
		Infrastructure	Facility, technology
		External relationship management	Networks, partnerships
External environment	Determines organization's potential resources for, challenges to carrying out activities	Administrative	Legal framework
		Political	Government attitude toward civil society
		Economic	Economic rules
		Sociocultural	Public attitudes
		Technological	Access to technology
		Ecological	Geographic location
		Stakeholder	Labor market

Source: Lusthaus, C., Adrien, M-H., Anderson, G., Carden, F., & Montalván, G. P. (2002).

assessment can be done through qualitative interviews with organizational leaders, participant observation, and surveys. Possible sampling methods include purposeful and stratified sampling. Case study, comparative analysis, and survey analysis can be used to analyze data (Jackson, 2013).

Method

Based on this framework and the exploratory nature of this article, we adopted a case study approach by interviewing Chinese family foundations' leaders, an approach that allowed us to analyze specific cases in depth and identify emerging concepts (Strauss & Corbin, 1998;

Thomas, 2011). Using purposeful sampling, we selected two foundations that were available for interviews: the Lao Niu Foundation, a relatively older foundation with significant assets, and the Lu Jiexiang Foundation, a recently established foundation with fewer assets. By comparing these two cases, we explored the similarities and differences in motivation, capacity, external environment, and performance, which involve relevance, effectiveness, efficiency, and financial sustainability.

We conducted semi-structured interviews with the secretary-generals of each foundation between December 2015 and February 2016. Our interviews explored the motivations for establishing the foundations and their missions, objectives, programs, implementation processes, external environments, and program outcomes. Two bilingual researchers conducted, transcribed, and analyzed the interviews. After initial coding and analysis, the researchers discussed preliminary results with the interviewees for further insights. Online archives, including web pages, annual reports, and media coverage, were also consulted to gather background and program information in 2015 and 2016. Our analysis involved the three key dimensions of the framework, but might not cover every component of each dimension.

The Lu Jiexiang Foundation

Organizational Motivation

The Lu Jiexiang Foundation, established in October 2014, was founded by Lu Jiexiang's children after Lu passed away earlier that year. Registered as a local private foundation in Yiyang City, Hunan Province, the foundation's mission is to support the development of the Yiyang area, Lu's hometown, with a focus on poverty relief and rural health care. The foundation's philosophy is "collective sharing" — resource sharing between the wealthy and the poor (Lu, 2018). Its vision is to help local families in need in Yiyang and surrounding areas, while passing Lu's philanthropic spirit to the next generations of his family.

The predecessor of the Lu Jiexiang Foundation was an informal family fund established by Lu.

Born in rural Hunan Province in the 1920s, he attended only one year of school, held various positions in the county government during the 1940s through the 1960s, worked as a member of the Communist Party Committee and as a deputy secretary of the party, and retired when he was in his 60s. Lu and his wife experienced hardships during the first two decades of raising their nine biological children, especially during China's Great Leap Forward, from 1958 through 1962. Despite their struggles, the couple shared their spare food and clothing with neighbors.

After economic reform in China, Lu's family conditions had greatly improved. His two sons became private entrepreneurs, and Lu and his wife developed assets with their children's support. During the 1990s, the couple provided surrounding villages with millions of dollars to construct over 30 country roads, bridges, and canals. This new infrastructure enhanced the local villagers' well-being and connected them to the outside world. In 1996, Lu and his family invested several hundred thousand dollars to establish a poverty relief fund in their own village. During holidays, Lu's family used this fund to donate clothes and food to local low-income families. Year-round, the fund provided money to older adults and people with disabilities in their own village, and to elderly residents in other villages. During the first years of the fund, Lu personally visited every family in need to distribute donations. After Lu became unable to walk, his youngest son, Lu Jianzhi (the foundation's current board director), made these visits on his behalf. In the two decades before the establishment of the foundation, Lu and his family personally donated approximately \$3 million to their local communities.

Organizational Capacity

The Lu Jiexiang Foundation was initiated with an endowment of about \$310,000, partially bequeathed by Lu and with contributions from his children. Since the foundation's establishment, the Lu family has donated to it annually in amounts based on project requirements for that year. The foundation currently has four full board members and one supervisory member.

Registered at the local level, the foundation is endorsed by local governments of Yiyang City. The foundation's program areas — rural education, services for left-behind children, and health care — are the major social issues that Chinese governments, both central and local, seek to tackle. Therefore, the foundation's work is strongly encouraged by the local governments.

It operates two programs in the Yiyang area: orphan support and rural health care.

The foundation provides cash assistance to local orphans as well as support for educational activities, such as outstanding-student awards and summer camps, to improve educational outcomes and motivate the students. The foundation has contributed over \$778,000 to orphan support since its inception, and envisions another \$4.7 million in donations from Lu family members over the next five years.

To improve rural health care, the foundation has contributed \$1.6 million in the last two years to build a new inpatient and outpatient care facility and provide better access to health care for local villagers, particularly older adults. Over the next two years, the foundation envisions raising an additional \$3 million from the Lu family to improve health care for local villagers, particularly low-income and older adults.

External Environment

The Lu Jiexiang Foundation has a good reputation in the local communities of Yiyang. Local

government media has spoken highly of a series of its projects (Liu & Liu, 2015; Liu & Cai, 2015). Its collaborates with partners in the public sector, such as Taojiang District Education Bureau; the private sector, such as Taohuajiang Nuclear Power Co.; and the nonprofit sector, including the Yiyang Red Cross and Yiyang Association for Science and Technology.

Registered at the local level, the foundation is endorsed by local governments of Yiyang City. The foundation's program areas — rural education, services for left-behind children, and health care — are the major social issues that Chinese governments, both central and local, seek to tackle. Therefore, the foundation's work is strongly encouraged by the local governments (Lu Jianzhi, personal communication, December 16, 2015). The foundation recently acquired tax-deduction status, under which corporate donations of up to 12 percent of annual profits and individual donations of up to 30 percent of personal income are tax-deductible (Lu Jiexiang Foundation, 2016). This policy support is likely to strengthen the foundation's financial sustainability, which in turn will enhance its performance.

Overall Assessment

The Lu Jiexiang Foundation's programs are highly relevant to its local rural communities, where basic health care and child care are inadequate. To date, the foundation has supported hundreds of children in need, including those whose parents have passed away and those who have lost their only capable parent, with the other parent unavailable or unable to raise the child. Although some of these children, along with their families, receive certain government assistance, they nevertheless usually live in impoverished conditions.

The foundation targets specific recipients whose needs are closely related to its mission. In May 2015, it collaborated with 70 local elementary and middle schools and identified 120 eligible students from 15 towns of Yiyang's Taojiang District. All recipients were referred by their schools based on their family situation, verified

by the County Education Bureau's student financial assistance management center.

This collaborative referral and screening process helped the foundation identify both legally defined and de facto orphans. It also ensured that funding was distributed to children from the most vulnerable families. In Taojiang, for example, the foundation provides each of these students about \$300 a year — a sum that amounts to about 85 percent of the base poverty level. This cash provision covers basic living costs for these children, most of whom live with their grandparents or other relatives. In November 2015, the foundation contributed to the living expenses of another 200 orphans in the Anhua District for their period of compulsory education (first through ninth grade); in 2016, another 332 students received this financial support. Through 2021, the foundation expects to support 5,000 more orphans inside and outside Hunan Province while they complete their basic education.

In addition, Jiexiang Hospital, an inpatient and outpatient care facility supported by the foundation, was opened in January 2017. With about 200 beds, it is one of the largest health care facilities in the region.

Because the foundation lacks evaluation measures, the efficiency and long-term effectiveness of its programs, which are in their early stages, remain unknown. And, while currently viable, the foundation needs to accrue more assets. With funding coming from the Lu family, the foundation is now allocating the majority of its annual donations (\$1.2 million) to its projects — leaving assets at a mere \$500,000 at the end of 2015.

The Lao Niu Foundation

Organizational Motivation

Established in 2004, the Lao Niu Foundation is one of the oldest and largest family foundations in China. It focuses on two program areas — environmental protection and education — and fosters capacity building among Chinese philanthropic organizations by facilitating professional

Because the foundation lacks evaluation measures, the efficiency and long-term effectiveness of its programs, which are in their early stages, remain unknown. And, while currently viable, the foundation needs to accrue more assets. With funding coming from the Lu family, the foundation is now allocating the majority of its annual donations (\$1.2 million) to its projects — leaving assets at a mere \$500,000 at the end of 2015.

nonprofit training while advocating for laws and policies favorable to charitable efforts.

Born in 1958 to an impoverished family, founder Niu Gensheng was adopted by another family one month after his birth; as Niu describes it, his birth parents “sold me for 50 yuan to have a meal.” Niu lived with his adoptive family for 14 years and, in 1978, took his first job as a dairy farm worker at Yi Li Corp., a major dairy business. He ultimately rose to become vice president of operations for the corporation, and from 1987 to 1997 helped to make Yi Li one of the most popular ice cream brands in China.

In 1999, Niu founded Meng Niu Dairy Corp., which at an annual growth rate of 158 percent was by 2003 one of the largest milk producers in China. In that year, China Central Television rated Niu the country's top economic leader: “Mr. Niu is a cow, but has the speed of a rocket.” (The Chinese word for “cow” is also pronounced “niu.”)

The Lao Niu Foundation has collaborated with local and provincial governments to support education, provide poverty relief, and improve services for people with disabilities.

In 2004, Niu established the Lao Niu Foundation as a private family foundation and donated the majority of his family assets, including all Meng Niu corporate stock, to the foundation. In 2006, he resigned as president and chairman of Meng Niu and, as honorary chairman of the foundation, became a full-time philanthropist. His wife and children are also actively involved in foundation operations.

The Lao Niu Foundation is motivated by Niu's personal philanthropic values. He has said that there is little satisfaction in "creating everything from nothing," and that true satisfaction is achieved by distributing personal wealth for the public good. Niu's philanthropic vision is reflected in several mottos: "A small win comes from wisdom; a large win comes from good virtues." "The more wealth you own, the more responsibilities you are carrying." "Cultivate yourself first, and then help others for the rest of your life" (Niu Gensheng, personal communication, December 18, 2015).

Organizational Capacity

The Lao Niu Foundation has endowed assets totaling approximately \$623 million, which are partially managed by a charitable trust in Hong Kong, whose annual proceeds are transferred to the foundation. Since establishment, the foundation has donated \$156 million for philanthropic purposes to date. From 2005 to 2016, its annual grantmaking grew from \$1 million to \$30 million. The bulk of its grantmaking goes to environmental protection (36 percent, 18

projects), followed by education (35 percent, 58 projects), disaster and poverty relief (19 percent, 64 projects), and philanthropic organizational capacity building (10 percent, 31 projects). The foundation has collaborated with 156 organizations and set up 198 programs across China and in North America, France, Nepal, and Africa (Lao Niu Foundation, 2016a).

The foundation's board has nine members, including Niu's son, and one supervisory member; there are 29 full-time and part-time staff as well as volunteers. A CEO oversees the project and finance departments, and a secretariat oversees administration, human resources, information management, and legal affairs (Lao Niu Foundation, 2016b).

External Environment

As a provincial-level organization, the Lao Niu Foundation is registered with the Inner Mongolia Department of Civil Affairs and is directly supervised by the financial office of the Inner Mongolia provincial government. Over the years it has received accolades from the Chinese central government, local governments, media, and the nonprofit sector; it was ranked the top donor among Chinese private foundations in 2014 and the most transparent Chinese foundation in 2015.

The Lao Niu Foundation has collaborated with local and provincial governments to support education, provide poverty relief, and improve services for people with disabilities. The foundation also works with various organizations in China, Hong Kong, the U.S., Canada, and the U.K., including such academic institutions as Tsinghua University, Inner Mongolia Normal University, and the University of Toronto; such nonprofit agencies as the China Charity Alliance; and such private foundations as the Prince's Charities and the Rockefeller and Li Ka Shing foundations.

Overall Assessment

The Lao Niu Foundation has worked with various organizations on projects relevant to its stated mission and vision. Its programs have generated positive impacts on education,

environment, philanthropic sector development, and disaster and poverty relief. The foundation has invested millions of dollars in ecological restoration and protection projects and in partnerships with the China Green Carbon Foundation, the Nature Conservancy, and the Inner Mongolia Bureau of Forestry. Among those projects is the restoration of over 6,500 acres at He Lin Ge'er, also known as International Ecological Demonstration Park at Sheng Le, Inner Mongolia. The foundation also initiated the China Wetland Conservation project in 11 provinces of east China. The Lao Niu Biodiversity Preservation Project in Sichuan Province protects biodiversity by maintaining wildlife preserves and other environmental protections. A current project, Building Ecological Community at the Region of Mount Everest, promotes conservation and enrichment in Tibet.

In support of education, the foundation's programs include the Lao Niu Children's Exploration Museum; the Sheng Le Experimental School at Inner Mongolia Normal University, which provides children with creative education and psychological counseling services; support for higher education institutions; and construction of 14 schools in impoverished regions and disaster areas.

To build Chinese philanthropic organizational capacity, the foundation in 2014 established the Lao Niu Institute, where it plans to train 1,000 nonprofit professionals within five years. In 2015, Niu co-founded the Shenzhen International Philanthropy Institute with four other philanthropists. The foundation also supports such domestic and international conferences as the East-West Philanthropy Summit and the China Philanthropic Forum.

In terms of poverty and disaster relief, the Lao Niu Foundation has initiated and co-sponsored over 70 programs in multiple Chinese provinces and overseas — among them, donating almost \$1 million to build bridges in remote villages in multiple provinces to improve local transportation and access to schools. The foundation has also given millions of dollars to disaster relief,

To build Chinese philanthropic organizational capacity, the foundation in 2014 established the Lao Niu Institute, where it plans to train 1,000 nonprofit professionals within five years. In 2015, Niu co-founded the Shenzhen International Philanthropy Institute with four other philanthropists. The foundation also supports such domestic and international conferences as the East-West Philanthropy Summit and the China Philanthropic Forum.

including providing psychological intervention for Wenchuan earthquake survivors, reconstructing infrastructure in the Ya'an earthquake area, and providing services to children after the April 2015 earthquake in Nepal (Lao Niu Foundation, 2016c). In addition, the foundation provides assistance to low-income cataract patients and to low-income children with hearing impairments, and prosthetic limbs for people with disabilities.

The foundation's cumulative giving in the past decade represents nearly one fourth of its total assets. Annual giving from 2014 through 2016 totaled between \$26 million and \$29 million (Lao Niu Foundation, 2016d). Its financial sustainability rests on the performance of its charitable trust in Hong Kong and on its strategic financial planning. It operates various programs, yet lacks systematic evaluation for effectiveness and efficiency.

Summary of Findings

The emergence of family foundations is a nascent phenomenon in China. First-generation entrepreneurs who became wealthy as a result of China's economic reform are now exploring ways to contribute to society. Those who choose the family foundation path create a legacy through philanthropy by involving family members in foundation governance and allocating foundation resources based on family values.

Both the Lao Niu and Lu Jiexiang foundations were established by entrepreneurs who were born into impoverished families. Each foundation is committed to contributing private wealth to the public good, and each is driven by its founder's philanthropic spirit and sense of social responsibility. With the involvement of founders' family members and descendants, these values are passed down through succeeding generations.

While both are committed to the public good, the foundations' capacities diverge. Established only three years ago, the Lu Jiexiang Foundation's programs are in their initial phases. With less funding to allocate, the foundation largely operates targeted programs such as direct cash assistance to rural orphans, along with small-scale human capital-building activities such as summer camps. These programs are operated directly by the foundation and supported by the local public, private, and nonprofit sectors.

The Lao Niu Foundation, established for over 10 years, has greater resources and operates more projects within a wider scope. Collaborating with multiple national and international partners, the foundation provides both direct services (e.g., support for educational institutions, medical assistance to low-income individuals) and capacity-building assistance for environmental preservation, education, and various nonprofits.

In terms of external environment, both foundations design programs aimed at regional needs. The Lu Jiexiang Foundation focuses on vulnerable populations in rural Yiyang, particularly children and older adults without financial

support. The Lao Niu Foundation works on education and environmental protection, two fundamental elements of sustainable social development in the less-developed and ecologically diverse region of Inner Mongolia. Both foundations have some level of legal and social legitimacy: both are endorsed by either municipal or provincial governments and have good reputations in the communities they serve.

Because it operates programs in one municipality, the Lu Jiexiang Foundation's reach is limited to its local communities; while well-known in the Yiyang area, it is lesser known in other regions. Its programs, largely concerned with direct relief, respond to the urgent financial needs of individuals and families. In contrast, the Lao Niu Foundation's programs have national and global impact, thus giving it wider recognition and broader social impact. With its support for both direct relief and capacity building, the Lao Niu Foundation is more likely to generate long-term outcomes. The programs of both foundations, which are detailed in their annual reports, are relevant to their stated missions and visions.

While the foundations are presently operating within their fiscal capacity, both need to produce more detailed public data on program effectiveness and efficiency. The Lao Niu Foundation started with millions of dollars in assets and is exploring the Western practice of managing assets through a charitable trust, which could enhance its financial sustainability. The Lu Jiexiang Foundation was established with significantly fewer assets, and relies on continuous donations from family members.

Implications

The case studies of the Lao Niu and Lu Jiexiang foundations suggest several approaches to developing family foundations in China and nascent philanthropic sectors elsewhere, involving the key practice implications of strategic planning, collaboration, outcome evaluation, involvement of the next generation, and building a supportive external environment.

Strategic Planning

In order to achieve far-reaching ambitions, it is important for family foundations to design feasible work plans and adopt strategies based on their capacities. The activities of both family foundations correspond to mission, vision, and financial capacity. The Lu Jiexiang Foundation has met its current goal of providing relief to vulnerable families in the local community; as an emerging organization, its programs await expansion. Aiming to promote sustainable social development, the Lao Niu Foundation has been operating global programs on diverse issues.

As a prerequisite to strategic giving, however, early-stage foundations should identify a long-term goal. The Lu Jiexiang Foundation, for instance, might look beyond cash assistance and provide local orphans with counseling, school social work services, and paired peer groups. While financial support may temporarily relieve economic hardships, emotional support will benefit child development over time. For relatively mature organizations such as the Lao Niu Foundation, capacity building should be prioritized. For example, it might systematically monitor its program performance to evaluate whether its projects are achieving their expected goals.

Collaboration

These two Chinese family foundations primarily conduct programs independently. Western family foundations, however, regularly partner with other grantmakers. For example, an American coalition of both family and nonfamily foundations, public-sector organizations, and service agencies launched A New Way Home America (2017), an initiative to address youth homelessness. New family foundations may achieve greater impact through similar collaboration with the public, private, and nonprofit sectors. In 2010, for instance, after identifying a lack of transparency among foundations sectorwide, 35 foundations initiated the China Foundation Center to address this and other issues. The center built an information collection system and online disclosure platform that

The political environment may also determine how foundations collaborate. Chinese private foundations have limited independence while under government oversight, for example, and many foundations collaborate with local governments to fill gaps in public services.

significantly improved government and public trust of foundations (Han, 2016).

Collaboration may also empower foundations to influence government actions. For example, the Chinese government requires all registered foundations to submit annual reports, but does not as a rule disclose these reports to the public. Since the China Foundation Center has advocated for information sharing in 2010, some central and local governments have begun to release data to the center (Han, 2016).

Nevertheless, collaborations may not always be effective. Nonprofits' dependence on funders, for example, may diminish their autonomy and influence. The political environment may also determine how foundations collaborate. Chinese private foundations have limited independence while under government oversight, for example, and many foundations collaborate with local governments to fill gaps in public services (Han, 2016). In such cases, a discussion about how to achieve equal deliberation in collaborations must take place between family foundations and governments.

There is great potential, on the other hand, in cross-border exchanges, workshops, and global conferences with philanthropists in the U.S. and Europe. Collaborative training of foundation

Currently, the Chinese government claims to embrace family philanthropy, but does not demonstrate policy support. Strict registration rules and government oversight may limit the options for family foundation strategic planning and development. For instance, restrictions on foundation spending for staff wages and overhead to no more than 10 percent of total expenditure can inhibit hiring of professional staff and limit program expansion.

personnel and board members is essential given the overall lack of professional philanthropic training among the leadership of Chinese family foundations. In November 2015, for example, the Bill & Melinda Gates Foundation and the Beijing Dalio Public Welfare, Lao Niu, Beijing Qiaonyu, and Zhejiang Dunhe foundations founded the China Global Philanthropy Institute (n.d.), China's first collaborative philanthropist training initiative. In the future, more experienced philanthropists can build partnerships with nascent nonprofit sectors to facilitate global philanthropy. Meanwhile, large foundations can establish more supportive programs, such as the Lao Niu Foundation's nonprofit capacity-building projects, to facilitate the growth of younger, smaller foundations.

Other Practice Implications

- Outcome evaluation: The Lao Niu and Lu Jiaxiang foundations showed little evidence

of program evaluation, which is generally underdeveloped in China. Well-established family foundations in the West increasingly emphasize performance-based funding and measurable outcomes in proposal guidelines and final report requirements. In contrast, Chinese family foundations implement their own programs and focus less on project effectiveness. To improve the likelihood of desired outcomes, these foundations must shift their focus from resource input to documenting and evaluating the process and outcomes of project implementation. The results of those evaluations may then serve as criteria for future grantmaking.

- The next generation: As the trend toward family foundations grows overall, so will their transition to younger generations. In the U.S., 43 percent of family foundations anticipate that more younger-generation family members will be serving on the foundation boards (Boris et al., 2015). Aware of this trend, more philanthropists may engage their children and grandchildren in board governance and fundraising to extend their legacies.
- The external environment: The significance of a supportive external environment to a foundation's success is particularly relevant to China's policy context. According to the organizational assessment framework, the external environment can either facilitate or constrain an organization's performance (Valters, 2014). Currently, the Chinese government claims to embrace family philanthropy, but does not demonstrate policy support. Strict registration rules and government oversight may limit the options for family foundation strategic planning and development. For instance, restrictions on foundation spending for staff wages and overhead to no more than 10 percent of total expenditure can inhibit hiring of professional staff and limit program expansion (Cheng & Guo, 2017). To mobilize private wealth for the public good, the government should lower the asset threshold and other requirements for foundation registration,

open more space for private foundation operation, and offer more tax benefits to family donors.

Conclusion

This article indicates several directions for future research.

- Since empirical data on Chinese family foundations are limited, we designed an exploratory study through purposeful sampling based on organizational size and scope. Future research may use other selection criteria, such as program area, for a more comprehensive understanding of this issue.
- Based on individual interviews and archive searches, our findings are mainly descriptive. Future studies may pursue a more in-depth study through participatory observation and comparative analysis of more cases.
- The lack of a standard definition for and absence of a complete list of Chinese family foundations calls for more policy attention to this burgeoning category, and warrants further study of the emerging phenomenon of family foundations in China.
- Future research might compare family philanthropy in China with that in countries with longer histories of family philanthropy, such as the U.S. and the U.K., which will provide implications for emerging family philanthropic sectors.

In recent decades, family foundations have played increasingly more important roles in Chinese society. This trend reflects growing private wealth and rising awareness of the contribution of wealth to the public good, along with the establishment of family legacies through philanthropy. However, little research has explored the development of family foundations in China.

In this case study of two Chinese family foundations, we used the organizational assessment framework to explore family foundation motivation, capacity, external environment, relevance,

effectiveness, and financial sustainability. Our findings indicate that although motivations, capacities, and external environments vary, both the Lao Niu Foundation and the Lu Jiaxiang Foundation showed relevance, effectiveness, and financial sustainability of a certain level.

The family foundation approach, though still an emerging phenomenon in China, is a promising way to mobilize private wealth for public well-being. In order to improve the state of family foundations in China, strategic planning, collaboration, outcome evaluation, the involvement of second-generation philanthropists, and government policy support are necessary.

References

- ACS, Z. J. (2013). *Why philanthropy matters: How the wealthy give, and what it means for our economic well-being*. Princeton, NJ: Princeton University Press.
- A NEW WAY HOME AMERICA. (2017). *About us*. Retrieved from <http://www.awayhomeamerica.org/about-us>
- BARCHI, F., DENG, G., HUANG, C.-C., ISLES, C., & VIKSE, J. (2015). Private wealth, philanthropy, and social development: Case studies from the United States and China. *China Nonprofit Review*, 8(2), 215–248.
- BORIS, E. T., DE VITA, C. J., & GADDY, M. (2015). *National Center for Family Philanthropy's 2015 trends study: Results of the first national benchmark survey of family foundations*. Washington, DC: National Center for Family Philanthropy.
- CAI, F., & WANG, M. (2010). Growth and structural changes in employment in transition China. *Journal of Comparative Economics*, 38(1), 71–81.
- CHENG, G., & GUO, C. Y. (2017). An overview of foundation development in China (2016). In T. Yang (Ed.), *Blue book of philanthropy: Annual report on China's philanthropy development 2017* (pp. 47–66). Beijing: Social Sciences Academic Press.
- CHINA CHARITY FEDERATION. (2014). Regulations for the management of foundations. Retrieved from <http://www.chinacharityfederation.org/NewsShowNoPart/66/1114.html>
- CHINA CHARITY INFORMATION CENTER. (2015). *Giving China 2014*. Beijing: Chinese Society Press.
- CHINA FOUNDATION CENTER. (2014). *Family foundations in China*. Retrieved from <http://www.foundationcenter.org.cn/guanli/dt/content.aspx?cid=20150121173739>

- CHINA FOUNDATION CENTER. (2018). *Development of foundations in China*. Retrieved from <http://data.foundationcenter.org.cn/data/sjzl.shtml>
- CHINA GLOBAL PHILANTHROPY INSTITUTE. (n.d.). *About CGPI*. Retrieved from <http://www.cgpi.org.cn/auto/index.html>
- COUNCIL ON FOUNDATIONS. (n.d.). *Family foundations*. Retrieved from <http://www.cof.org/foundation-type/family-foundations>
- HAN, J. (2016). The emergence of social corporatism in China: Nonprofit organizations, private foundations, and the state. *The China Review*, 16(2), 27–53.
- HUANG, C.-C., DENG, G., WANG, Z., & EDWARDS, R. L. (Eds.). (2014). *China's nonprofit sector: Progress and challenges*. Piscataway, N.J.: Transaction.
- JACKSON, E. T. (2013). Interrogating the theory of change: Evaluating impact investing where it matters most. *Journal of Sustainable Finance & Investment*, 3(2), 95–110.
- LAO NIU FOUNDATION. (2016a). *About us*. Retrieved from <http://www.lfund.org/index.php?s=/Index/about/cid/164.html>
- LAO NIU FOUNDATION. (2016b). *Organizational structure*. Retrieved from <http://www.lfund.org/index.php?s=/Index/outfit/cid/168.html>
- LAO NIU FOUNDATION. (2016c). *Program areas*. Retrieved from <http://www.lfund.org/index.php?s=/Index/public1/cid/169.html>
- LAO NIU FOUNDATION. (2016d). *Annual auditing report*. Retrieved from <http://www.lfund.org/index.php?s=/Index/open/cid/177.html>
- LIAO, Z., & LI, M. (1991). Fan Zhongyan and his Fan-clan Charitable Estate. *Academic Monthly Journal*, 10, 71–75.
- LIU, P., & LIU, Y. (2015, May 20). Lu Jiexiang Foundation donated CNY1.2 million to support 120 Taojiang low-income orphans' education. *Taojiang Government News*. Retrieved from <http://www.taojiang.gov.cn/c12/20170920/i81783.html>
- LIU, Y., & CAI, L. (2015, December 2). The 2015 fall Taojiang donation ceremony of Lu Jiexiang Foundation. *Yiyang Government News*. Retrieved from http://www.yiyang.gov.cn/yiyang/2/82/content_136710.html
- LU, D. (2018) *Capital and capital sharing: The theme of coordinated development*. Beijing, China: New Star Press.
- LU JIAXIANG FOUNDATION. (2016). Lu Jiexiang Foundation is now eligible for pre-tax charitable deduction. *Foundation news*. Retrieved from http://www.ljxjjh.org/info_Show.asp?InfoId=218&ClassId=58&Topid=0
- LU, S., RIOS, J., & HUANG, C.-C. (2016). Mindfully sharing capital in modern China. *China Nonprofit Review*, 8, 52–65.
- LUSTHAUS, C., ADRIEN, M.-H., ANDERSON, G., CARDEN, F., & MONTALVÁN, G. P. (2002). *Organizational assessment: A framework for improving performance*. Washington, DC: Inter-American Development Bank.
- NATIONAL PEOPLE'S CONGRESS OF CHINA. (March 2016). *Charity Law of PRC*. Retrieved from http://www.npc.gov.cn/npc/dbdhhhy/12_4/2016-03/21/content_1985714.htm
- SAEZ, E., & ZUCMAN, G. (2016). Wealth inequality in the United States since 1913: Evidence from capitalized income tax data. *Quarterly Journal of Economics*, 131(2), 519–578.
- STRAUSS, A., & CORBIN, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory* (2nd ed.). Thousand Oaks, CA: Sage.
- THOMAS, G. (2011). *How to do your case study: A guide for students & researchers*. Thousand Oaks, CA: Sage.
- VALTERS, C. (2014). *Theories of change in international development: Communication, learning, or accountability?* Justice and Security Research Programme Paper No. 17. Retrieved from <http://www.lse.ac.uk/internationalDevelopment/research/JSRP/downloads/JSRP17.Valters.pdf>
- XIE, Y., & ZHOU, X. (2014). Income inequality in today's China. *Proceedings of the National Academy of Sciences*, 111(19), 6928–6933.
- XU, Y. G. (2013). The transformation of public foundations in China. In C.-C. Huang, G. Deng, Z. Wang, & R. L. Edwards (Eds.), *China's nonprofit sector: Progress and challenges* (pp. 163–177). Piscataway, N.J.: Transaction.

Shuang Lu, Ph.D. is an assistant professor at The University of Hong Kong, Department of Social Work and Social Administration. Dr. Lu's research focuses on nonprofit capacity building, family migration and child development, and community-based intervention for at-risk youth. Correspondence address: The University of Hong Kong, Centennial Campus, Pokfulam Road, Hong Kong. Email: shuanglu@hku.hk

Chien-Chung Huang, Ph.D. is a professor and the director of Huamin Research Center in the School of Social Work, Rutgers University. Dr. Huang's research interests include nonprofit management, philanthropy, social welfare policy, and international social work.