

GOVERNANCE MECHANISM AS DRIVER OF
PERFORMANCE MEDIATED BY REPUTATION –
A STUDY OF CHARITY FOUNDATIONS FOR PEOPLE
WITH DISABILITIES IN MALAYSIA

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MEDIATED BY REPUTATION – A STUDY OF CHARITY
FOUNDATIONS FOR PEOPLE WITH DISABILITIES IN MALAYSIA**

By

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ABSTRACT

GOVERNANCE MECHANISM AS DRIVER OF PERFORMANCE MEDIATED BY REPUTATION – A STUDY OF CHARITY FOUNDATIONS FOR PEOPLE WITH DISABILITIES IN MALAYSIA

Rebecca Yew Ming Yian

Charity foundations (CFs) are philanthropic institutions set up to render welfare programmes for the societal welfare of the public and environment. Generally, stakeholders have an impression that CFs are providing not as much accountability contrasted from the corporate organizations (COs), therefore, governance is taking a significant value of benevolence management since certain CFs have under gone media observation because of scandals and wrongdoings on how they carry out their charitable objectives. This study is carried out with the purpose of examining governance mechanism through the board of trustees (BOT) mediated by reputation on the performance of CFs for people with disabilities in Malaysia. A framework was formed using three major theories – Stakeholders, Resource Dependence and Stewardship which served as the foundation of this study. Primary data was gathered from 252 CFs for people with disabilities (OKU) which were provided by Registry of Society Malaysia (ROS). A total of 73 questionnaire were returned which accounted for 28.97% of total sample size. Partial least square structural equation modeling (PLS-SEM) was employed as main statistical technique in this study. The results from the analysis and tests indicated that out of seven hypotheses developed in this study, four hypotheses were supported with significant relationships. Besides, the findings of the study indicated

that reputation being the mediator had significant mediation effect on the independent constructs (function and accountability) to influence the dependent construct (performance). Therefore, OKU CFs must escalate their current accountability practice and present their foundations in a positive light through reputation since reputation is the cornerstone of OKU CFs differentiation strategy. Moreover, through reputation, donors and external stakeholders can be influenced to voluntarily contribute resources to support the charity to ensure their survival into the future. Despite board function did not have direct significant effect on charity performance, however, through charity reputation the relationship became significant which implies that charity ought to work towards board function to create a good image and reputation for the benefit of the institution overall.

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APPROVAL SHEET

This thesis entitled “**GOVERNANCE MECHANISM AS DRIVER OF PERFORMANCE MEDIATED BY REPUTATION – A STUDY OF CHARITY FOUNDATIONS FOR PEOPLE WITH DISABILITIES IN MALAYSIA**” was prepared by REBECCA YEW MING YIAN and submitted as partial fulfillment of the requirements for the degree of Doctor of Philosophy in Faculty of Accountancy and Management at Universiti Tunku Abdul Rahman.

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I understand that University will upload softcopy of my thesis in pdf format into UTAR Institutional Repository, which may be made accessible to UTAR community and public.

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(*Rebecca Yew*)

DECLARATION

I hereby declare that the dissertation is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UTAR or other institutions.

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LIST OF ABBREVIATIONS

ACNC	Australian Charities and Not-for-Profit Commission
AGM	Annual General Meeting
ATO	Australian Taxation Office
AVE	Average Variance Extracted
AvgCOHR	Average Change of Overhead Ratio
AvgCTC	Average Change of Total Contribution
BOT	Board of Trustees
CAS	Charity Accounting Standards
CCEW	Charity Commission for England and Wales
CCM	Companies Commission of Malaysia
CCNI	Charity Commission for Northern Ireland
CCP	Canadian Centre for Philanthropy
CF	Charity Foundation
CIO	Charitable Incorporated Organization
CLBG	Companies Limited by Guarantee
CMB	Common Method Bias
CN	Charity navigator
COHR	Change in Overhead Ratio
CRA	Canada Revenue Agency
CO	Corporate Organization
CSO	Civil Society Organization

CSNZ	Charity Services of New Zealand
CTC	Change in Total Contribution
DOS	Department of Statistic
DOSW	Department of Social Welfare
HTMT	Heterotrait Monotrait Ratio
ICS	Internal Control System
IPC	Institutions of a Public Character
IRBM	Inland Revenue Board Malaysia
IRS	Internal Revenue Service
ITA	Income Tax Act
NetC	Net Contribution
NGO	Non-governmental Organization
NIPO	Netherlands Institute for Public Opinion
NPO	Non-profit Organization
OHR	Overhead Ratio
OKU	<i>“Orang Kurang Upaya”</i>
OSCR	Office of the Scottish Charity Regulator
ROC	Registry of Companies
ROS	Registry of Society
SA	Societies Act
SR	Societies Regulation
SCOC	Singapore Commissioner of Charity

USIRC	United States Internal Revenue Code
VAF	Variance Accounted For
VIF	Variance Inflation Factor

PUBLICATIONS

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CHAPTER 1

INTRODUCTION

1.1 Background – Global and Local Perspectives on Charity Foundations

Charity foundations (CFs) are philanthropic institutions which are established to render practical help or doing good for the social welfare of people and environment in general. The regulatory framework (e.g. laws and tax treatment) that governs CFs varies from one country to another. The objective (mission) of CFs, rooted essentially in noble causes, and not limited to the following examples, also varies from one CF to another: offering help to the needy, promoting education and religion, advancing social insurance, saving the animals and the earth. Hence, the main purpose of establishing a CF is to render assistance to the less privileged; and to provide, or promote, beneficial activities that are philanthropic in nature. As CFs encourage altruism and minimize the burden of any government and the recipients, therefore the legislation and guidelines will favour CFs in any country. In most countries, CFs that are registered and have also complied with the country's laws and regulations are exempted from paying income or property taxes as they are nonprofit institutions (Australian Charities and Not-for-Profit Commission [ACNC], 2016; Canadian Centre for Philanthropy [CCP], 2016; Charity Commission for England and Wales [CCEW], 2016; Charities Services of New Zealand [CSNZ], 2016; Hydman & McDonnell, 2009; Internal Revenue Service

United States [IRS], 2016; Inland Revenue Board Malaysia [IRBM], 2016; Moulvi & Nakhid, 2016; The Registry of Society Malaysia [ROS], 2016; Vinten, 1997; Yetman & Yetman, 2012).

From a local perspective, CFs are important to Malaysian civil society and the economy in terms of their contributions towards community welfare, social insurance and education besides raising money for an assortment of beneficent causes (Bradley, Jansen & Silverman, 2003; Vinten, 1997); and the Malaysian government, has pledged its commitment to encourage their growth which is evident through its fiscal policies. For example, every year the Inland Revenue Board of Malaysia (IRBM), which is the government department authorized for collecting income tax, is responsible for providing a list of entities, which includes CFs that are exempted from paying tax. These CFs are exempted from paying tax and any donations made to them are tax deductible. To ensure that the donations made to these institutions are deducted from tax, the list of these CFs is released and sent to all branches of the taxation department in July every year (IRBM, 2016; ROS, 2016; Societies Act [SA], 1966).

In Malaysia, individuals who are interested to form a CF can apply for enlistment with Registry of Societies Malaysia (ROS) that is under the authority of Ministry of Home Affairs. Once registered, the CF will be subjected to ROS' monitoring and control, within the framework of Societies Act 1966 (SA 1966), Societies Regulation 1984 (SR 1984) and the CF's own registered rules and

policies. This is applicable for CF with receipts (income) of less than RM1 million. For CF with receipts of more than RM1 million, the foundation is to register as Companies Limited by Guarantee (CLBG). This registration comes under Companies Commission of Malaysia (CCM) and is regulated by Companies Act 1965 (Arshad, Abu Bakar, Yusoff Thani & Omar, 2013; Companies Commission of Malaysia [CCM]; Othman, Ali, Omar, & Abdul Rahman, 2012).

Following the regulation in Malaysia, all registered CFs (both parent and branches) with receipts (income) of less than RM1 million are required to submit a set of annual report to ROS after their Annual General Meeting (AGM). However, if no AGM is held, the CFs must not take more than 60 days to submit their yearly report from the closing of their calendar year. The yearly report given by the central CF must be approved by two central office-bearers of the CF. On account of a regional CF, the submission forms must be countersigned by a main office-bearer of the central CF (Atan, Zainon & Yap, 2013; Nasir, Othman, Said, & Ghani, 2009; ROS, 2016; Zainon, Atan, Yap, & Raja Ahmad, 2012).

1.1.1 Classification of Charity Foundations

Being nonprofit institutions and providing public benefit, CFs can be categorized according to the types of scheme or movements they offer. Despite the fact that the categorization of CFs differs from one country to another country, the basic categorization depends on the principle objective or mission of the CF. Thus, a CF may be categorized according to any of these broad categories: CF for

conservation of animals and wildlife, CF for preservation of arts, culture and humanities, CF for community development, CF for education programmes, CF for environment conservation, CF for health services and medical research, CF for human advocacy, CF for human welfare assistance, CF for worldwide relief, CF for research and public policy, and CF for promoting religious activity (Charity Navigator [CN], 2016; Meehan & Silverman, 2001; Othman, Ali, Omar & Rahman, 2012). Within each broad category, CFs are further sub-categorized according to the focused charitable work they render. Table 1.1 displays the eleven broad categories of CFs and their respective sub-categories.

Table 1.1 Categories and Sub-categories of Charity Foundation

Category of CF	Sub-Division/Focus of CF
1. Animals	Animal Rights, Welfare and Services Wildlife Conservation Zoos and Aquariums
2. Arts, Culture and Humanities	Libraries, Historical Societies and Landmark Museums Performing Arts Public Broadcasting and Media
3. Community Development	Community Foundations Housing and Neighbourhood Development
4. Education	Early Childhood Programmes and Services Youth Education Programmes and Services Adult Education Programmes and Services Special Education Education Policy and Reform Scholarship and Financial Support
5. Environment	Environment Protection and Conservation Botanical Gardens, Parks and Nature Centers
6. Health	Diseases, Disorders and Disciplines Patient and Family Support Treatment and Prevention Services Medical Research
7. Human and Civil Rights	Advocacy and Education
8. Human Services	Children and Family Services Youth Development, Shelter and Crisis Services Food Banks, Food Pantries and Food Distribution Multipurpose Human Service Organizations Homeless Services Social Services
9. International	Development and Relief Services International Peace, Security and Affairs Humanitarian Relief and Supplies
10. Research and Public Policy	Non-Medical Science and Technology Research Social and Public Policy Research
11. Religion	Religious Activities Religious Media and Broadcasting

Source: www.charitynavigator.org

1.1.2 Differences between Charity Foundation and Corporate Organization

A CF's primary mission has a social focus which is to undertake activities or programmes whose goal is not for profit but to provide society's need. This distinguishes it from a corporate organization (CO), a term that in this thesis refers to a corporation, with a focus on making profits. Unlike a CO, given the absence of a shareholding structure in a CF, there is no person owning shares of a CF, and there is no distribution of income of the CF to any owner (shareholder); but any funds in the CF is returned to the institution and being utilized for the expansion of its movements and schemes. In addition to that fundamental difference, other differences between a CF and a CO are outlined in Table 1.2. Cumulatively, these six differences make governance, or proper direction and control, a bigger challenge in CFs than in COs (Chelliah, Boersma & Klettner, 2016; Dellaportas, Langton & West, 2012; Reddy, Locke & Fauzi, 2013). These challenges inherent in the governance mechanisms of CFs i.e. board of trustees' (BOT) composition, BOT function, and BOT accountability and performance measurement of CFs are addressed in the paragraph below.

Firstly, a CF's mission is focused on meeting and serving the public's need that is neither fully addressed by government nor by businesses, if at all. Therefore, a CF's board tends to be larger and diverse, because varied viewpoints need to be heard at the governing table, to ensure that the decisions made are sensitive and responsive to the needs of those who are being served. Secondly, the CF's board has a unique duty - namely, the duty of fundraising - that does not fall to the CO's

board, since CFs have access to a limited financial and human resources. Thirdly, in terms of accountability, a CF is accountable to a wider range of stakeholders unlike a CO, who is primarily accountable to the shareholders. Fourthly, the performance in a CF given its primary social focus is measured by non-financial metrics rather than by financial ratios alone; attributable to the success of a CF being dependent upon meeting the needs of beneficiaries, while the success of a CO is dependent upon making sizeable profit for its shareholders.

Table 1.2 Differences between Charity Foundation and Corporate Organization

	Charity Foundation	Corporate Organization
Board composition	Larger and mostly volunteers	Smaller and usually paid
Authority and control	Highly decentralized – individual institution has discretionary power	Centralized – decision made by head office
Resources	Limited and under constraint, rely on donations	Sales and operations
Accountability	Wide range of stakeholders	Generally shareholders
Performance measurement	No fixed/single measure – financial and non-financial metrics (innovative metrics)	Financial ratios
Communication	Internal and external – volunteers and stakeholders	Internal - among management team and staff

Source: Epstein and McFarlan (2011) and Taliento and Silverman (2005)

1.1.3 The Importance of Measuring the Performance of Charity Foundation

Contrary to a CO that is fitted towards making profits, the accomplishment of a CF's goals and missions to meet beneficiaries' requirements defines its success, leading inadvertently to the six types of differences between both the CO and CF, noted in Table 1.2 in the previous page; whereby in this section the focus is on one out of the six differences: a CF's performance measurement. Hence, how should a CF's performance be conceptualized and how should it be measured are discussed below.

Over the last five years, measuring the performance of CFs still seemed, by all accounts, to be a theme of enthusiasm among researchers. However, Fischer (1973a, 1973b), prior to four decades, in his seminal work describing the achievement of CFs had shown concern by expressing whether social casework had been effective. His argument was about not having enough solid evidentiary support for service given. That is to say, the success in assisting clients failed to be clearly revealed. By applying Fischer's study to this present one, the clients could be considered as the recipients attended or provided for and the stakeholders whom CFs were answerable to with regards to charity. It is crucial for any CF or its BOT who steered the CF, to demonstrate that they are successful in delivering the philanthropic activities as CFs are engaged with giving voluntary activities to the community benefits of people in common. As BOT is a vital asset for each CF, measuring the capability of the CF's BOT by utilizing performance measurement can accomplish this purpose. It was found that BOT which were capable were

related with CFs which generally performed better in both financial performance and perceived performance (Brown, 2005; Herman & Renz, 1997; Jackson & Holland, 1998).

Financial and perceived performance can both be utilized to measure performance of CF. The conceptualization of CF's performance are of essential significance as put forth by researchers in this field for the following three reasons: improving achievement of CF's objective or mission, enhancing both the credibility of CF and building trust with their external stakeholders, and advancing research among scholars in the area of CF.

Firstly, by measuring the financial and perceived performance of CF will enable them to think deeply and carefully about whether they have been successful in carrying out their programmes or activities. Through this reflection, the CF will know if their capabilities need to be improved or some adjustments are required to be made which will lead to favourable outcome of work quality (Glassman & Spahn, 2012; Moxham, 2009; Stein, 2015; Woerrlein & Scheck, 2016).

Secondly, by measuring the financial and perceived performance the effectiveness and efficiency of CF can be evaluated. Regulators and contributors of funds, both current and future, had been showing concern in this matter. They wanted to be fairly convinced that resources contributed to CF were not wasted resulting from inefficiencies, poor management and corruption (Dawson, 2010;

Glassman & Spahn, 2012; Greenlee, Fischer, Gordon & Keating, 2007; Reddy et al., 2013; William & Moxham, 2009).

Thirdly, the conceptualization of CFs' performance as agreed among researchers would allow scholars and experts to further investigate and examine this field of interest which ultimately will lead to expansion of knowledge in this area (Benjamin & Campbell, 2015; Charles & Kim, 2016; Cordery & Sinclair, 2013; Kirk & Nolan, 2010; Ritchie & Kolodinsky, 2003; Prentice, 2015; Willems, Boenigk & Jegers, 2014; Woerrlein & Scheck, 2016)

Following the above, past researchers have measured the performance of CFs in terms of their effectiveness and efficiency in varied ways: based on financial measures (Callen, Klein & Tinkelman, 2003; Kirk & Nolan, 2010; Prentice, 2015; Ritchie & Kolodinsky, 2003); based on perceived performance measures (Benjamin & Campbell, 2015; Charles & Kim, 2016; Lee & Nowell, 2015, Liket & Maas, 2015) and based on both financial and perceived performance measures (Bagnoli & Megali, 2011; Cordery & Sinclair, 2013; Glassman & Spahn, 2012).

To illustrate measuring performance of CFs using financial measures, Callen et al., (2003) used three monetary measurements: "the ratio of administrative expenses to total expenses, the ratio of fundraising expenses to total expenses, and the ratio of program expenses to total expenses." It was found that with major donors on board, the above mentioned three expense ratios tend to decline as donors

seemed to monitor CFs in the similar way to the checking of CO by huge investors which lead to efficiency. Meanwhile Ritchie and Kolodinsky (2003) who used 16 financial ratios based on the data from IRS of the United States to measure the financial performance of 122 university foundations. They discovered that six financial ratios constituting the three dimensions of performance in terms of finance – the efficiency of fundraising, public support, and fiscal performance were distinct in judging the financial performance of the foundations. In a more recent research which empirically examined the use of financial (accounting) measures to measure performance in CFs, Prentice (2015) concluded that liquidity, solvency, margin and profitability are complex constructs and by using single indicator to represent each construct will undermined construct validity and also presents a partial picture of the multi-dimensionality of the construct. In addition, he concurred that nonprofit researchers should test similar construct in order to contribute to cumulative research.

As described, past research indicated that financial measures such as overhead ratios (Callen et al., 2003; Kirk & Nolan, 2010, Ritchie & Eastwood, 2006) can be utilized to gauge success or performance of CFs. Moreover, financial measures are more objectives and convenient to use though they may not be definitive measure to judge the performance of CFs (Ritchie & Kolodinsky, 2003). For constructs which are complex, they should have more than one indicator to represent them to enhance the validity of the constructs (Prentice, 2015) when measuring the performance of CFs.

Alternatively, using perceived performance measures, Benjamin and Campbell (2015) used outcome measurement model to measure performance of CFs in term of counter staff work in collaboration with customers to achieved desired results. Using content analysis, the frontline work was categorized into social work, change work, co-assurance work and connecting work. They recommended more research to be completed on whether and how CFs can join co-assurance work into the current program result measurement models. While Lee and Nowell (2015) conceptualized seven varied dimensions to measure the performance of CFs from 18 distinct CFs performance evaluation frameworks that they reviewed. The seven dimensions were: inputs, institution limit, yields, results (conduct and ecological changes), results (consumer loyalty), public value achievement and network/institutional legitimacy. Through their integrated framework of nonprofit performance, it was highlighted that there is more than one real approach to conceptualize performance. Two years later, Charles and Kim (2016), examined the relationship between programmes outcome to determine success and the capacity to attract donation. It was found that CFs that had better performance outcomes create the image of success thus receive less donation as they look less needy.

This suggests that measuring performance of CFs were not confined only to financial measures (Callen et al., 2003; Kirk & Nolan, 2010; Prentice, 2015; Ritchie & Eastwood, 2006; Ritchie & Kolodinsky, 2003) but also perceived performance measures because most CFs are dealing with (human) services (Benjamin &

Campbell, 2015; Charles & Kim, 2016; Lee & Nowell, 2015, Liket & Maas, 2015). Moreover, according to Lee and Nowell, (2015) CFs' performance can be measured through more than one valid way.

While some past researchers employed financial measures to measure performance of CFs and others used perceived performance measures, there were some other past researchers who measured performance of CFs by using both financial and perceived performance measures concurrently. Bagnoli and Megali (2011) used (i) profits and value-added concept to measure financial performance, (ii) inputs (human capital, buying arrangement, work environments and governance model), outputs (activities, products/facilities obtained), outcomes (positive result to intended recipients) and impacts (long term effects on the extensive community) to measure social effectiveness (perceived performance) and (iii) institutional coherence (mission and constitution) and legal regimes (compliance with laws) to measure institutional legitimacy (perceived performance). They emphasized that to measure success CFs must implement multidimensional management control system.

Likewise, Cordery and Sinclair (2013) used both financial and perceived performance measures to measure performance of CFs by grouping the performance measurement into four approaches – efficiency of finance, programme theories, strategy and involvement. Financial efficiency include cost-benefit analysis in terms of result rating scale, single result agreements, social audit, social

accounting and audit while social return on investment to measure efficiency. Programme theories were related to outputs, results and effects. Strategic approaches relied on balanced scorecard which measured both financial and non-financial performance. Participatory approaches used outcome mapping and involve the most important change method. Through their research, it was found that both financial and perceived performance measures have its advantages and disadvantages. The distinctive aspects of performance measurement will likewise hold importance with providers of funds, contributors, and those who seek accountability. They recommended CFs to utilize proper ways to deal with measuring and overseeing performance so as to release accountability.

Not only Glassman and Spahn (2012) stressed the importance of measuring performance of CF though it is difficult, but they also highlighted that noble intentions should be checked regularly against results. The authors argued that using outputs and outcomes were easier to measure performance of CFs than using impact to measure performance of CFs as it was more complicated and costly due to gathering the relevant data which involved a span of time and energy with regards to providing health services. They contended that in the absence of clear indicators for perceived performance measure to measure performance, overhead expense can be used.

Correspondingly, Willems, Boenigk and Jegers (2014) also used both financial and perceived performance measures as mechanism to gauge the

performance of CF. They conceptualized the performance of CFs into four varied dimensions: the performance in terms of finance, stakeholder, market and mission. They also argued that the effectiveness of CFs is a broader concept that encompassed performance which focuses on balanced input and output. Therefore, it encapsulates processes, projects and programmes implemented by the CF to reach its predefined goals. The authors highlighted seven trade-offs for researchers and practitioners to consider before using effectiveness to measure performance. The seven trade-offs are multidimensional verses unidimensional, reflective versus formative, group verses individual, external verses internal, lagging versus leading, overlapping versus distinct and multiplicative versus additive.

In the same way, Liket and Maas (2015) found that financial ratios may not be the main indicators of CF effectiveness (performance) but some management best practices for example transparency, organization and program might lead to improvement in CF effectiveness. It was also argued that there is no one set of best practice for a particular CF to ensure performance or effectiveness. The following Table 1.3 shows the different dimension of measuring performance of CFs.

To summarize the above discussion on the past research done, the performance measurement for CFs is not limited to financial measure nor perceived performance measure only (Benjamin & Campbell, 2015; Glassman & Spahn, 2012; Herman & Renz, 2008; Moxham, 2009). The conceptualization of performance in CF is more than one accepted measures although both financial and

perceived measures can be utilized (Lee & Nowell, 2015). Nevertheless, it was argued that in the context of competing for donors, particularly during challenging economic situations, CFs are expected to be aware and update the execution and performance of their programs in order that necessary changes can be made by the internal management of CF's whenever required. This will prevent stakeholders (mainly donors) from having the wrong perception of CFs wasting resources through poor management, lack of efficiency and fraudulent conduct. Consequently, the credibility of CFs would be sacrificed and this will lead to an absence of public trust. Likewise, by measuring performance will reveal whether CFs have accomplished their mission and goal. Through the performance indicators, CFs can improve themselves further when they encountered poor results.

Table 1.3 Conceptualizations of Performance Measurements in Charity Foundation from 2011 to 2016.

Year	Author	Performance Dimensions of CF	
2011	Bagnoli and Megali	Both financial and perceived performance	Profits and valued added concept
2012	Glassman and Spahn	Both financial and perceived performance	Overhead expenses, outputs, outcomes and impacts
2013	Cordery and Sinclair	Both financial and perceived performance	Economic (financial) approach, program theory approach, strategic approach and participatory approach
2014	Willems, Boenigk and Jegers	Both financial and perceived performance	Highlighted the tradeoffs of using different dimensions to measure performance in nonprofit
2015	Benjamin and Campbell	Perceived performance	Co-determination Work
2015	Lee and Nowell	Both financial and perceived performance	Inputs (increase in revenue, financial reserves), Organizational capacity (employee satisfaction/ motivation)
2015	Liket and Maas	Perceived performance	Transparency - reporting, accessibility, online participation Organization – focus, strategy, board Programs – design, ownership, evaluation
2015	Prentice	Financial (accounting)	Liquidity, solvency, margin and profitability
2016	Charles and Kim	Perceived performance	Programs outcome

1.2 Challenges of Charity Foundation: Causes and Consequences

Over the years and from time to time, the media had intensely scrutinized CFs with regards to how they carried their altruistic purpose as a result of publicized scandals and episodes of alleged wrongdoings. It had been reported in the media that some charity funds have been abused and enormous amounts of public gifts end up in the pockets of individuals who least need assistance. Some of the highly publicized, recent global examples, were the church scandal in Singapore (“Inside Singapore City Harvest Mega Church Scandal,” 2015), the cancer fraud scandal in the United States (“Four Cancer Charities Are Accused Of Fraud,” 2015), the veteran army scandal in the United Kingdom (“Veterans Charity Scandal,” 2016) and the charity fraud in Australia to name but a few (“ACNC Reveals Charity Fraud,” 2014; Greenlee, Fischer, Gordon & Keating, 2007; Webb & Abzug, 2016). Being under the media’s microscope implies that CFs ought to function more satisfactorily and supply information about the work carried out to the benefactors (Iwaarden & Wiele, 2009), beneficiaries or members, public and government as these endeavours will instill confidence in their stakeholders, showing that they had been using resources in the desirable and appropriate ways to promote their worthy causes (Moxham, 2009; Yates, 2004). This is vital in today’s challenging economic times and clearly there is a need for CFs to demonstrate that they are ethical in managing the funds and resources at their disposal (Glassman & Spahn, 2012; Helmig, Jegers, Lapsley & Panozzo, 2009; Hyndman & McDonnell, 2009).

In return for supporting CFs, the more discerning donors whether individual or corporate donors, seek some kind of assurance, for example, accountability and transparency from these institutions (Hodges, 2009). As a result, governance of CFs which involves giving critical leadership as far as setting the direction, formulating policy and key choices, administering and checking institution performance and guaranteeing in overall accountability (Costa, Ramus & Andreus, 2011; Radbourne, 2003; Renz, 2007; Stone & Ostrower, 2007) keeps on pulling attention from the public, policy formulators and researchers. Specifically, intellectuals have highlighted the functions of the BOT as primary issue in terms of their responsibilities (Hydman & McDonell, 2009; Ostrower & Stone, 2010). It was noted that staff in CFs were rarely satisfied with the performance of their BOT (Harris, 1999; Middleton, 1987). BOT were either blamed for encroaching in the undertakings of management or on the other hand they were not sufficiently involved. An array of governance breakdown though editorial and anecdotal, for example, “Nonprofit Best Practices Hold the Key to Board Governance Issues,” (2017), “For Effective Governance,” (2015), and “Top Ten Issues,” (2014), they have gotten a number of media surveillance and therefore raised worries among people in general, stakeholders and controllers about the viability of CF governance (Gilbelman & Gelman, 2000; O’Neill, 2009).

1.2.1 Challenges of Charity Foundation: Global Perspective

To begin with, in United States, charity sector is larger, more complex and has a longer historical presence than other countries in the world. Past studies done

in the U.S. to find out the causes and consequences of wrongdoing in CFs had revealed that the fundamental issues point to the absence of suitable oversight and the inability to implement or keep up an accountability mechanism in CFs which lead to scandals. The aftermath of the scandals in any CF had affected contributions and compromised public trust which had resulted in long-term implications on the Americans as the respective CFs had difficulties in raising funds, lost some of its board members who wanted to preserve their reputation and went through organization turmoil (Gibelman & Gelman, 2001; Greenlee et al., 2007; O'Neill, 2009).

With the revelations of CFs wrongdoing in other developed nations like Australia, Canada, New Zealand, Singapore and United Kingdom, there have been increasing calls for the implementation of heightened accountability procedures for CFs (Gibelman & Gelman, 2001; Fischer, 2012). Thus, these countries including the United States had responded with tighter government regulations, imposed greater expectation and requests upon the governing boards and strengthened laws and the governing body regulating CFs (Australian Taxation Office [ATO], 2016; Canada Revenue Agency [CRA] 2016; CCEW, 2016; CSNZ, 2016; Singapore Commissioner of Charity [SCOC], 2016; U.S. Internal Revenue Code [USIRC], 2016). CFs regulation in these countries has undergone major reform in the early millennium and late 90s where the controllers of most CFs are required by legislation to file more comprehensive yearly returns with the national regulator. In nearly all occasions, the information is made publicly available. Regulators have

even gone to the extent of ensuring that financial information compiled are following accounting standards with detailed instructions so that the financial reports are comparable. The yearly reports required by regulators include both financial information and narrative clarifications of the conduct of CFs. For example, in Europe, it is a mandate by the regulators for CFs to regularly lodge both yearly account and report about the activities of CFs. (Connolly & Hyndman, 2004; Cordery & Baskerville, 2007; Flack, 2007; Lampkin & Boris, 2002). Table 1.4 provided some recent issues faced by CFs in five developed countries i.e. Australia, New Zealand, U.S., U.K, and Singapore over the last five years (2012-2016).

Table 1.4 Recent Issues Concerning Charity Foundation in Five Developed Countries

Country	Research Title	Author	Year
United States	The Effect of Nonprofit Governance on donations: evidence from the Revised Form 990	Harris, Petrovits and Yetman	2015
United Kingdom	Nonprofit Governance and Accountability: Broadening the Theoretical Perspective	Coule	2015
	Nonprofit Organizational Effectiveness: Analysis of Best Practices	Liket and Maas	2015
Australia	Governance and Accountability in Australian Charitable Organizations: Perceptions from CFOs	Dellaportas, Langton and West	2012
	Governance Challenges for Not-for-Profit Organizations	Chelliah, Boersma and Klettner	2016
New Zealand	Relevance of Corporate Governance Practices in Charitable Organizations	Reddy, Locked and Fauzi	2013
		Moulvi and Nakhid	2016
	Understanding the Community and Voluntary sector in New Zealand: Exploring the Information Potential in the New Zealand Charities Register Data		
Singapore	Practical challenges in managing NPOs: Tales from two neighbouring countries	Othman, Ali, Omar and Abdul Rahman	2012
	The perception of donor's on existing regulations and code of governance in Singapore on charities and non-profit organizations	Chokkalingam and Ramachandran	2015

In Harris, Petrovits and Yetman (2015), data was extracted from Form 990 IRS U.S. to examine whether CFs that provide better governance will obtain better donation and consistent evidence was found that factors that capture good governance contributed to donations and government grants. However, Coule (2015) in her comparative case study based in U.K. on four different type of CFs argued that there is no prescription on “how to” govern CFs as there are diverse viewpoints to examine CFs.

On the other hand, Liket and Maas (2015) contended that financial ratios may not be the main indicators on CF effectiveness (performance) but other management best practices for e.g. transparency, organization and program might lead to improvement in CF effectiveness.

Meanwhile, Dellaportas et al. (2012) who examined the view of senior accounting executives on accountability issues, governance and performance in CFs found from their survey that the CFs ought to provide high quality financial information to the public as this will benefit CFs in terms of public impression, expanding awareness of CF’s activities and help CFs in keeping up their status.

According to Chelliah, Boersma and Klettner (2016), the academic research on governance for CFs in Australia still remain inadequate and ambiguous since nonprofits still face governance challenges. They contended that the success of governance system was influenced by both the external and internal eventualities,

for example, variations in BOT' functions, stakeholder and membership requests, sponsorship arrangements, BOT enrolment processes, experience and expertise of BOT, and resources for coaching and advancement. Thus, there is no need to pursue the generic best practice governance standards for CF but instead model CF's governance to contingency approach since this sector should not follow broadly defined standards.

In another study, Reddy, Locked and Fauzi (2013) who examined whether registered CFs in New Zealand adopted governance practices similar to those adopted by COs, also investigated the change on financial performance resulting from governance practices of the CFs. The authors found that governance mechanisms have potential to reduce agency costs in CFs though not all registered CFs in New Zealand adopt governance practices similar to COs as it is not mandatory to do so.

Meanwhile, Moulvi and Nakhid (2016) who analyzed the secondary data obtained from New Zealand Charities Register Data to explore 1) factors contributing to CFs' establishment, growth and changes, 2) funding sources and 3) government financing commitment and executing government goals discovered that CFs that were set up to execute government blueprint received regular and a sizeable percentage of government financial support.

In another study by Chokkalingam and Ramachandran (2015) conceptual study found that though the Singapore government has continuously upgraded the code of governance and executed different guidelines and laws to govern CFs, however the donor's perception of governance principles being an effective package to govern Singapore CFs has not been tackled. As donors are the contributors of funds to CFs, they ought to have a say in the regulation of CFs. Thus, it was suggested that a research must be carried out to collect donor's view on the current governance code and regulations for Singapore's CFs.

Othman et al. (2012) made a comparison between Malaysia and our developed neighbouring country, Singapore. The author collected data through focus group interview using structured questions which were tape-recorded and transcribed. It was found that lack of resources and accountability had contributed to instances of fraud, misappropriation and abuse committed by CF's own managers and staff. The study noted a significant lesson that when CFs planned and developed their own Code of Governance, their operation improved remarkably. In addition, the Singaporean government's initiatives in facilitating CFs in implementing self-check governance rather than punishing CFs for not complying to regulation have paid off.

1.2.2 Challenges of Charity Foundations: The Situation in Malaysia

Having discussed the challenges of CFs from a global perspective, the current researcher proceeded to look at the situation of CFs in Malaysia. Compared

to developed countries, the embezzlement and misappropriation of funds in CFs in Malaysia have not received extensive media coverage. This might be attributed to the current legal framework governing CFs in Malaysia. CFs in this country are registered with ROS or CCM. All registered CFs in Malaysia are required by SA 1966 to file a set of annual reports, namely Form 9 (financial statement such as balance sheet, official written records of general meetings and audited accounts) to the ROS after the report has been approved at the institutions' Annual General Meeting (AGM). However, if no AGM is held, CFs must file the annual reports with ROS within 60 days following the completion of each year of the CFs. Despite this legal requirement, some CFs did not comply with this regulation in this country. In the year 2014, less than 50% of the 13,654 registered CFs in the category of *welfare* submitted their annual reports to ROS. CFs which failed to comply with the legal requirement to submit the annual reports were given warnings of deregistration. However, some CFs that should be deregistered still exist due to the registry inefficiency in its supervision and monitoring of CFs as well as its lack of enforcement of the law. Basically, the ROS relies mainly on the information provided by the public, media and the police to investigate alleged misuse of funds in CFs (Nasir, Othman, Said & Ghani, 2009; Othman & Ali 2014; Othman et al., 2012; ROS, 2016; Vinten, 1997).

When a CF is registered as Company Limited by Guarantee (CLBG) housed in CCM it needs to comply with the requirement of having a RM1 million fund and file annual returns with CCM using the prescribed form (Commission of Malaysia

[CCM]; Othman & Ali, 2014; The Registry of Society Malaysia [ROS]). In addition, based on Section 167 of Companies Act 1965, CLBGs are required to keep data about the foundation's financial position and transactions over a period of 7 years in case being required to clarify matter. However, there is no such requirement in the instance of CFs officially recorded with ROS. Regardless of whether a CF is a registered society or a registered company, there is no requirement that the CFs annual returns when filed, be in compliance with any standard accounting practices. Thus, the current framework within which both types of CFs operate could not support the objective of governance in charity sector.

Until today, the public could not freely access the detail information of these CFs in most if not all aspects. For instance, it is impossible for any person, including the present researcher to access any CF's information through a centralized system or the ROS or through the Department of Statistics (DOS), Malaysia (Atan, Zainon & Yap, 2012; Zainon, Atan & Yap, 2012; Zainon, Atan, Yap & Raja Ahmad, 2012).

The information that can be extracted from the ROS are the institution's name, address, the contact person and telephone contact number for each CF. More detail information pertaining to the annual returns is only provided for members, who have some membership affiliation, can obtained information pertaining to a particular CF through some payments. This hurdle can be problematic because as noted by the CCEW (2016), "easy access to accurate and relevant information about

charities is essential for real accountability and for trust and confidence in charities.”

With regards to the DOS, the information that can be obtained relating to CFs are the cumulative number of registered institutions and persons with disabilities by state, age group and category of disabilities.

As a matter of fact, to date, the accountability of CFs in Malaysia still remains a thorny issue, and the government has provided little response to manage this issue in spite of voices for a legislative mandate to compel CFs to declare their collection and usage of funds for charitable purposes (Reddy et al., 2013; Othman & Ali, 2014; Othman et al., 2012; ROS, 2014; Vinten, 1997).

From the governance perspective in Malaysia, the status members of the governing body, being the BOT and the size of a CF might affect its effectiveness and efficiency. This is attributable to the BOT being comprised of persons who are neither employees nor paid members of the CFs. Furthermore, in small CFs, the BOT may simply comprise volunteers who help run the organizations. In larger CFs, the daily operations and administration of the CFs would normally be designated by the BOT to paid staff who are accountable to the BOT for their action (Arshad, Abu Bakar, Sakri & Omar, 2013; Othman et al., 2012).

1.2.3 Past Research on Malaysian Charity Foundations

Table 1.5 on page 30, displayed studies done by researchers relating to CFs in Malaysia from 2012 to 2016. Based on the ten studies carried out, there was a variety of the topics researched i.e. from governance issue, internal control, board composition, disclosure and accountability to donors.

Based on the ten studies done, two studies (Atan, Zainon & Yap, 2011; Zainon, Atan, & Yap, 2012) indicated that disclosure of information is truly important to drive greater contribution of funds and other resources to CFs without which CFs will be unable to cater to the growing demand for services and also achieving long-term financial sustainability (Schatterman & Waymire, 2017). The disclosure of financial and other information pertaining to CFs will also boost accountability and enhance public trust (Zhuang, Saxton & Wu, 2014) and ultimately this will result in greater funds generated or increase in donation.

The changing perceptions of how CFs should be run in this 21st century mean BOT can't oversee a sloppy operation any more (Othman et al., 2012; Saat, Mohammad, Omar, Zakaria, Daud, Ayub & Masrek , 2013 & Othman & Ali, 2014). CFs need to move toward increased professionalism and not take-for-granted aspect of change across the charity sector. Irregular practice in the operational and management of CFs will affect public trust in the charity sector which may ultimately lead to a downward trend in support if not handled appropriately.

Table 1.5 Past Studies Relating to Charity Foundations in Malaysia

Year	Authors	Title of Research	Purpose and Population of the Study	Findings of the Study
2011	Atan, Zainon and Yap, Quantitative study	Quality information by charity organizations and its relationship with donations	Information quality and the disclosure level of CFs. 101 CFs	Significant association between total gifts and the extent of disclosure of information. CFs with higher donations tend to disclose more information.
2012	Zainon, Atan and Yap Qualitative study	Bridging the expectation gap of the institutional donors and charity management	To examine the institutional donors' expectation and the charities' information – for better charity reporting in the future. 5 institutional donors and 5 CFs representatives	Financial and non-financial information were important to institutional donors but overlooked by the management of CFs.
2012	Othman, Ali, Omar and Abdul Rahman Qualitative study	Practical challenges in managing NPOs: Tales from two neighbouring countries	The internal functioning problems of NPOs. 17 CFs	CFs found various internal functioning issues e.g. personnel, governance, accounting and financial practices, funding and regulatory system
2012	Zainon, Atan, Yap and Raja Ahmad Quantitative study	Information disclosure by charity organizations	Information disclosure level by CFs in Malaysia. 65 CFs	External governance mechanism (institutional donors and external auditor) contributed to disclosure and transparency of CFs.

2013	Arshad, Abu Bakar, Sakri and Omar Quantitative study	Organizational characteristics and disclosure practices of NPOs in Malaysia	The effect of organization attributes on the level of disclosures in the annual reports of CFs in Malaysia. 213 CFs registered with ROS.	Low and selective financial disclosures; significant positive relationship between size of CF and disclosure; significant positive relationship between amounts of funds generated (donations and activities) and disclosure
2013	Arshad, Abu Bakar, Yusoff Thani and Omar Quantitative study	Board composition and accountability of NPO.	The effect of BOT composition on accountability level of CFs in Malaysia. 234 CFs registered with ROS	Level of accountability was low; an optimum mix of board members was important to ensure efficient resource strategy and strengthen accountability.
2013	Atan, Zainon and Yap Quantitative study	Empirical evidence of governance and disclosure in charity organizations	The effects between governance attributes and the disclosures of charity organizations. 101 CFs registered with ROS	External governance mechanism had significant and positive relation to the extent of disclosure; internal governance attributes were insignificant.
2013	Saat, Mohammad, Omar, Zakaria, Daud, Ayub and Masrek Conceptual paper	Empirical evidence on factors determining level of internal controls implementation among NPO in Malaysia	To investigate variables that lead to be factors that influenced the level of internal controls implementation among NPOs in Malaysia”.	Contribute to improve the effectiveness and efficiency of internal control implementation hence promotes accountability and transparency, and therefore will attract more donors.

2014	Othman and Ali Quantitative study	NPOs, internal controls, and supervision mechanisms in a developing country	The Internal Control System (ICS) of charities – a case for better monitoring of NPOs in Malaysia. 60 CFs in the state of Kelantan were studied.	ICS practices were not uniform; submission of sound financial data is not mandatory; regulator was inefficient in performing follow-ups.
2016	Omar, Arshad, Samad and Ismail	Effectiveness, accountability and understanding board characteristics of nonprofit organisations in Malaysia	To examine selected board characteristics of Malaysian NPOs 219 NPOs registered with CCM	Board members of Malaysian NPOs can potentially add value to organisational effectiveness and in turn contribute relevant social impact to the beneficiaries.

As CFs are nonprofit making institutions and dependent on external funds and resources, it is extremely vital that CFs portray themselves as being a trustworthy institutions and the BOT must be aware of its responsibility to act only in the CF's best interests. This means CFs ought to provide disclosure and be accountable to their recipients, members as well as their donors (Arshad, Abu Bakar, Sakri & Omar, 2013; Arshad, Abu Bakar, Yusoff Thani & Omar, 2013) in order to gain the support from their members and donors or even from the market place. Simultaneously, the regulator must be efficient to follow-up with the CFs whose financial statements which were not submitted, thus providing a case for better monitoring of this sector. These issues were found in both Othman et al. (2012) and Othman and Ali (2014) where the submission of financial data was not enforced on CFs coupled with inefficient follow-ups by the regulator.

It was also observed that, CFs which have institutional donors and engaged external auditors to audit their financial statements tend to provide more disclosure and be more transparent. The presence of the institutional donors and external auditors helped a nonprofit to improve its performance and better aligned its operations with the needs and desires of stakeholders (Atan, Zainon & Yap, 2012, 2013; Zainon, Atan, Yap & Raja Ahmad, 2012; Zainon, Atan, Yap and Yeow, 2011).

Relying on the local former research done, the environment of CFs in Malaysia has much to work on. The internal control system within the CFs need to

be standardized to enable effectiveness and efficiency of operation. Simultaneously, this will minimize operational problem and leads to better achievement of mission or goal. In addition, internal control can safeguard resources and prevent errors, wastage or misappropriation of resources. By implementing appropriate internal control will improve accountability and ultimately transparency.

The BOT in a CF bears the utmost authority and duty for initiating and maintaining a successful and reliable internal control structure within a CF since their role is to govern and support the CF. This key responsibility is to make certain that a CF is accountable for its programs and finances to providers of funds or resources, partners or beneficiaries, regulators and other stakeholders. This responsibility is imperative with regards to the financial health and overall viability of the CF and can be carried out by questioning and monitoring the activities of the CF. The BOT is adding value to CF through the implementation of sound internal control and discharging their primary responsibility. By ensuring the CF adheres to their mission and goals, complies with all applicable laws and protects the rights of members or beneficiaries and other stakeholders, and concurrently be accountable to relevant stakeholders, the BOT is establishing accountability and practicing internal governance of the CF.

Being dependent on contributed funds and resources from supporters and grants from governments, manifests that disclosure of information pertaining to

finance in the financial statements is extremely vital since it can impact a prospective donor's decision to donate. Hence, all CFs ought to disclose their financial information to attract more donation and be seen as transparent.

1.3 Problem Statement

Malaysia has a population of about 31,633,500 people and out of this figure 409,269 persons (1.29%) are disabled and had registered with Department of Social Welfare Malaysia (DOSW) as of 2016 (The Department of Social Welfare Malaysia [DOSW], 2016; The Department of Statistic Malaysia [DOS], 2016). Malaysia needs to help and reach out to this group of the population by striving to bring them back into the society; so that this group of less fortunate people will learn to live independently (if possible), and won't be seen as a burden to anyone including their own families. This can be beneficial in increasing the human resource pool in Malaysia other than achieving the mission and purpose of such CF in Malaysia.

Unlike developed countries, most public amenities (e.g. parks and recreation, restrooms) buildings or institutions (e.g. schools, university, religious buildings) and varied means of transportation (bus, taxi, train, plane) in this country are not as user-friendly to disabled persons compared to developed country. This has been highlighted in our local media ("Public Areas Can Do More With Facilities For The Physically Challenged," 2017) as well as from my personal observation through travels and during my younger days of study i.e. my first

degree in Australia. In addition, it is not easy for a disabled person to secure a job in Malaysia (“Wan Azizah: Government Committed to Welfare of OKU Community,” 2019). Given this reality, it is pertinent for our society and the government not to overlook the needs and welfare of these people, more so if Malaysia wants to project an image of a society that cares. Another justification to focus on this sub-category of CFs for this study is the rising trend of people with disabilities registered with DOSW, Malaysia over the years from the years 2011-2018, excluding the period from 2014-2015, which showed a decline (DOS, 2016; DOSW, 2016; ROS, 2016). The following Table 1.7 displays the number of disabled persons registered with DOSW from the years 2011-2018.

Table 1.6 Registration of Persons with Disabilities

Year	Total Number of Disabled Persons
2011	359,203
2012	445,006
2013	494,074
2014	531,962
2015	365,377
2016	409,269
2017	453, 258
2018	513,519

With the increasing trend of the registered number of individual with disabilities, there are thousands of CFs in Malaysia which frequently seek the public and businesses for donations towards their noble principles. The donations are scouted through various ways: face-to-face meetings at coffee shops or in the public areas, personal mails, websites, etc. As CFs are generally assumed to seek their

beneficial aims benevolently, effectively and efficiently, gifts or donations to such institutions are assumed to be utilized appropriately, without the requirement for further affirmation. However, this general impression of “selfless giving” which characterizes the CFs is given to much doubt, with the commentators and media portraying the sector as being characterized by poorer governance and lesser accountability, in comparison with CO, despite the sector's social and economic importance (“Competing For Sympathy and Money,” 2007; Dellaportas et al., 2012; Gibelman & Gelman, 2001; Iwaarden et al., 2009; Mueller, Williams, Higgins & Tou, 2005; “The Ugly Side Of Charity,” 2007). This doubt is evident in the rise of public expectations for further information regarding the activities or projects carried out by these institutions. These demands expressed the need for a greater level of accountability and transparency, resulting from an array of highly publicized cases involving managerial wrong doing, theft, self-dealing, and doubtful practices which led to public argument about the moral conduct of CF (Cordery & Baskerville, 2007; Dhanani & Connolly, 2012; Flack, 2007; Reddy et al. 2013; McCambridge, 2004; Unerman & O’Dwyer, 2006).

In addition, much studies have been done in the developed economies focusing on governance mechanisms and its relationship with performance of CFs (Andres-Alonso, Azofra-Palenzuela & Romero-Merino, 2010; Bruni-Bossio, 2016; Miller-Millesen, 2003; Ostrower & Stone, 2006; Radbourne, 2003; Smith, 1994; Stone & Ostrower, 2007) but there is still very limited research being done here in this country as far as to the researcher’s knowledge.

Herman and Renz (2004) demonstrated that the BOT can remarkably affect CF performance, simultaneously having direct impact on the conduct of managers and staff in these institutions. In addition, Herman and Renz (2000) found that the effectiveness of BOT was related to the CF effectiveness. Meanwhile, “Callen, Klein and Tinkelman (2010)” also found that the effect of BOT’s attributes on CF performance is relevant. Their study also supported Miller-Millesen’s (2003) study which contended that due to the heterogeneity and more complex environment of CF, there was no one specific theory that can describe all characteristics of board on CF performance.

The present researcher had the following opinion: Indeed there is not a single theory that can fully explain and apply to the characteristics of BOT in CF. The differences of CF and corporate organization which was presented in Table 1.2 on page 7 and explained earlier, clearly portrayed this. Firstly, CFs have a distinct purpose as they are advocating a social undertaking or championing for a specific standpoint (Stewardship Theory). For e.g., CFs are service motive which means these institutions have a motive to provide service to its members or a specific group of individual or to the general public. Secondly, CFs are operating based on volunteerism instead of paid employees. The human resource of a CF can be wholly different than that of a CO. Unlike a CO which are made up of paid workforce, a CF generally depends mostly on volunteers (Stewardship Theory). Thirdly, CFs are dependent on external contributions or donations by seeking out private sponsorships in terms of funds and resources, corporate patronage, and

government endowment, among others (Resource Dependence Theory). With the above reasons, it is of utmost importance that BOT of CFs ought to have strong character traits such as honesty, integrity and unyielding ethics as they are accountable to different stakeholders (Stakeholder Theory). Overall, CF's BOT has responsibility to achieve the institution's social mission and ensuring the institution is viable through accountability which translate to good governance.

Moreover, good governance and reputation of organization are inextricably link (Carman, 2011; Lathen, 2008; Radbourne, 2003), this had inspired the present researcher to conduct a study on governance mechanisms through the BOT mediated by reputation on the performance of CFs in Malaysia. This area still needs much to be researched on in Malaysia as to the understanding of the present researcher. Therefore, the objective of the present study is to examine what drives performance of CFs. Insufficiency of such examination had been distinguished as a research gap that should be addressed and enlarged to accumulate to the body of knowledge in the field of governance for CFs. In this regard, the present study makes a contribution by providing relevant and useful insights into the current governance mechanism through the BOT in terms of accountability, composition and function mediated by reputation on the performance of CFs in Malaysia.

With the issue of non-compliance of CFs in submitting annual reports to declare their collections and uses of funds, coupled with the public expectations for accountability and transparency among these CFs in Malaysia, it is the objective of

this paper to investigate how governance is relevant in these CFs towards its performance since good governance is linked significantly to good performance (Dellarportas, Langton & West, 2012; McCambridge, 2004; Mueller et. al. 2005; Solomon, 2007; Unerman & O'Dwyer, 2006).

Following the review of past literature (Table 1.4 and Table1.5), and to the best knowledge and view of the present researcher, there is no specific study which has sought to determine a relationship between governance mechanism - through the board of trustees in terms of its accountability, composition and function – mediated by reputation on the performance of CFs in Malaysia.

1.4 Research Questions and Objectives

From the problem identified above, the objective of this study is to investigate the performance of CFs for disabled persons or “*orang kurang upaya*” (OKU) in Malaysian language and the drivers of such performance. Through an empirical investigation, using a research framework that was explained in Chapter 2 of this thesis, two main research questions were developed as below:

1. How does each BOT configuration (composition, function and accountability) have significant positive association with the performance of OKU CFs in Malaysia?

2. How charity reputation does mediates the association between each independent construct (composition, function and accountability) and the dependent construct (performance) of OKU CFs in Malaysia?

The above research questions were further developed into seven specific research questions as follows:

1. How does BOT composition have significant positive association with performance of OKU CFs?
2. How does BOT function have significant positive association with performance of OKU CFs?
3. How does BOT accountability have significant positive association with performance of OKU CFs?
4. How charity reputation does mediates the association between BOT composition and performance of OKU CFs?
5. How charity reputation does mediates the association between BOT function and performance of OKU CFs?
6. How charity reputation does mediates the association between BOT accountability and performance of OKU CFs?
7. How does charity reputation have significant positive association with performance of OKU CFs?

Therefore, the two main research objectives of this study were written as follows:

1. To investigate the association between each BOT configuration (composition, function and accountability) and the performance of OKU CFs in Malaysia.
2. To determine the mediating effect of charity reputation on the association between each independent construct (composition, function and accountability) and the dependent construct (performance) of OKU CFs in Malaysia.

The above two main objectives were further developed into seven specific research objectives as follows:

1. To investigate the association between BOT's composition and performance of OKU CFs.
2. To investigate the association between BOT's function and performance of OKU CFs.
3. To investigate the association between BOT's accountability and performance of OKU CFs.
4. To determine the mediating effect of charity reputation on the association between BOT's composition and performance of OKU CFs.
5. To determine the mediating effect of charity reputation on the association between BOT's function and performance of OKU CFs.

6. To determine the mediating effect of charity reputation on the association between BOT's accountability and performance of OKU CFs.
7. To assess the association between charity reputation and performance of OKU CFs.

1.5 Significance of Study

From the problem statement laid down, it had been identified that this group of disabled people (OKU) needs help due to their disability and with proper training they can contribute to the human capital in this country, the findings of this study furnished beneficial and practical details on how CFs could help them to progress.

In addition, it was also mentioned that CFs displayed poorer governance, less accountable and some CFs had misappropriated donation, this study which looked into governance mechanisms are intended to provide greater monitoring to local CFs and thus improve the accountability and transparency. This in turn will help to preserve and enhance the confidence of public and stakeholders in the integrity of CFs in Malaysia. Therefore, this study enabled the BOT being the internal governance mechanism in CF to have a better understanding of how they can influence the performance of their foundation.

Moreover, the results of this study provided useful information to the regulatory body i.e. ROS in their continuous efforts to facilitate CFs in Malaysia to improve their performance by giving training and consultation, as well as providing support with the development of suitable governance systems as a way forward.

With a modified governance mechanism framework proposed in this study by integrating three major theories (Stakeholder Theory, Stewardship Theory and Resource Dependence Theory), the present researcher as well as the academia were able to see the mediating influence on performance through the effect of reputation of OKU CFs.

1.6 Scope of the Study: Charity Foundations Specific to Disabled Persons in Malaysia

In Malaysia, the CFs are classified by the ROS into ten categories based upon their objectives or missions: religious, welfare, social, recreation, mutual benefit, culture and arts, trade, profession, rights and security. Each broad category is further sub-categorized as shown in Table 1.7. In the category of welfare institutions, the CFs are sub-categorized into the following seven groups: member's welfare, disabled persons, children, caring center, single mother, senior citizen and community's welfare. This study looked into the sub-category of disabled persons called OKU.

Table 1.7 Statistics of Registered CFs as of October 2014

Category	Sub-Category	Number of Institutions
Religious	Society of Follower	9057
	Management Committee	1714
Welfare	Member's Welfare	10368
	Disabled Persons	375
	Children	346
	Caring Center	317
	Single Mother	218
	Senior citizen	298
	Community's Welfare	1732
Social	Resident	5043
	Alumni	2086
	Ancestry	1758
	Vocation	1700
	Education	1488
Recreation	General Recreation	4807
	Hobby	1234
	Physical Exercise	572
Mutual Benefit	Public	135
	Funeral Expenses	1423
Culture and Arts	Dancing/Singing/Music	992
	Drama/Theatre	152
	Traditional Game	170
	Self Defense Art	633
	Art	82
	Hand Craft	33
	Literature	235
Trade	Hall of Commerce	543
	Small Medium Industry	508
	Manufacturing Industry	278
	Services	1088
	Small business and hawker	999
Profession	General Profession	780
Rights	Environmental	163
	Human	249
	Consumer	122
Security	Crime Prevention	157
	Voluntary Fire Man	363
Total		52218

Source: The Registry of Society Malaysia

According to the ROS, the CFs themselves determine into which category they belong to upon filling up the application form when the foundations register to be a society under the Societies Act 1966. Subsequently, the ROS will re-categorize the CF into the appropriate category, based on the objectives set by the foundation, if the ROS finds the foundation to be wrongly classified. Since the classification was initially done by the CFs themselves, about 30% of the CFs have been inappropriately classified as explained by the interviewed personnel from the ROS.

An interview with the Assistant Registrar of ROS in October 2014, disclosed that a total of 52,218 CFs were registered with ROS, out of which 13,654 CFs were registered under the category of *Welfare* foundations with several sub-categories as per Table 1.7 on the previous page. This study focused on 375 CFs which were established to care for the *Disabled Persons* (ROS, 2014; George, 2001).

1.7 Definition of Important Concepts

Charity Foundations – “*nonprofit organizations that exist to provide a public benefit*” (Hyndman & McDonnell, 2009, p.1).

Governance – “*controlling, directing and regulating*” (Oxford Advanced Learner’s Dictionary, 2005).

Board of Trustees – “*group of people entrusted with and accountable for the leadership and governance of the nonprofit corporation*” (Renz, 2007, p.2).

Accountability - “*The process of holding actors responsible for actions*” (Fox & Brown, 1998, p.12).

Composition of Board of Trustees – “*the size (total number of directors) and the type of board membership (inside versus outside). Inside means current members of the top management team while outside means independent (non-affiliated) director*” (Pearce & Zahra, 1992, p.1-2).

Functions of Board of Trustees – “*overseeing and evaluating the operations of the organization*” (Baskies & Freedman, 2015. p.1).

Reputation – “*the perceptions of external stakeholders towards an organization’s actions and behaviours over a period of time*” (Kong & Farrell, 2010, p.2).

Financial Performance – “*evaluated through liquidity, solvency, margin and profitability*” (Prentice, 2015, p.1)

Perceived Performance – “*the assessment of nonprofit organizational performance is achieved by developing a reasonable set of criteria and having*

various knowledgeable individuals provide their perceptions on an organization's accomplishments" (Brown, 2005, p.2).

1.8 Outline of Thesis

Chapter 1 established the background of the study in terms of asserting the importance of studying the performance of CFs - namely, CFs for disabled persons in Malaysia. Consequently, the research purpose that led to the formulation of two main research questions and seven specific research objectives was stated; and the significance of this study presented.

Chapter 2 is a review and discussion of past research that assisted in the development of the research model used in this study and the formulation of testable hypotheses used for achieving the seven specific research objectives of this study. The major areas amongst others reviewed were: performance of CFs, board configurations and CF reputation.

Chapter 3 presents the research design that incorporated a quantitative approach. The derived research model and the accompanying hypotheses developed for the purpose of achieving the seven research objectives were discussed. This chapter also elaborated on the instruments used for data collection, sampling method and data analysis methods.

Chapter 4 reported the findings of the quantitative analyses. The quantitative analysis presented the findings of the descriptive statistic and inferential statistic through hypothesis testing to answer each of the seven research questions.

Chapter 5 discussed the findings and implications of this study that enabled the formulation of recommendations that can be advocated to the CFs or those who intends to set up the foundation. The limitations of this study and recommendations for future research were also stated in the said chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 Chapter Outline

This chapter reviews literature on governance in general that embraces both the external and internal aspects of governance; followed by the governance of charities in particular, that inevitably involves the regulatory frameworks for charities in both developed and developing countries. Subsequently, three major theories underpinning the present research were discussed after which literature relating to charities' performance and the drivers of such performance was reviewed which incorporates a review of past research. Consequently, the research framework for the present study was provided with the development of seven hypotheses - with three hypotheses examining the direct relationships between the independent constructs and the charities' performance and another four hypotheses determined the mediating effect of a construct on the aforesaid relationships. This chapter ended with a summary of seven hypotheses and also a summary of variables/constructs identified over the recent five years.

2.2 Charity Foundations: Definition and Features

CFs, civil society organizations (CSOs), nonprofit organizations, non-governmental organizations (NGOs) or voluntary organizations are terms that generally refer to the same group of agencies or institutions. Global researchers and

scholars allude to this grouping of associations as the third sector or civil society (Katz, 1999). According to Kramer (1998), this third sector composes of a variety category of associations that extend from big, official, professional institutions with huge contribution and expenditure to small, non-formal, society-based groups working with small-scale financing.

In foreign nations, a CF can fall under one of the following categories: - registered foundations, community groups, social institutions and mutual associations. In Malaysia, a CF include registered clubs, society or institutions established for the purposes of promoting religion, well-being, social, recreation, mutual advantage, culture and art, trade, professional, human right and security. Despite the difference in establishment, CFs, as a whole, share a few same features, for example, governing themselves and possessing certain level of volunteerism, and additionally significant, not generating profit unlike CO and functioning precisely towards the improvement of community (Bagnoli & Megali, 2011; Cordery & Sinclair, 2013; Vinten, 1997).

As stated by the Oxford Advanced Learner's Dictionary (2005), and the Charities Act 2006 England and Wales, a charity is a society or non-profit organization that has been established for helping the needy or providing a public benefit. In other words, charities are organized to conduct benevolent activities and act as intermediaries between the providers of funds or volunteers and the final recipients or beneficiaries.

In Malaysia, a registered CF falls under the purview of the SA 1966 as well as Income Tax Act (ITA) 1967. Under SA 1966, Section 2 provides that a “society includes any club, company, partnership, or association of seven or more persons whatever its nature or object, whether temporary or permanent, but does not include any company...” Under the ITA 1967, section 44(6), an approved organization or institution, that includes a public or benevolent institution, is exempted from paying tax (Arshad et al., 2013; Saunah et al., 2012; SA, 1966).

2.3 Definition of Governance in the Context of Organizations

All types of organizations - whether public or private, for profit or nonprofit - and their governing bodies have reasons to improve governance practices. During the last two decades, both scholars and policy creators have acknowledged the importance of governance. Thus, the academic research on governance has been wide-ranging and it is also not confined to any particular sector of the economy in a country (Low, 2006).

The Latin word ‘gubenare’ which denotes to navigate, guide or regulate had led to the creation of the English word ‘governance’. In Greek, governance is termed as ‘kybernan’ which means to pilot or steer a ship. Based on these definitions, governance can be described as a process of directing or steering a ship to reach its destination. In this case, one can think of the ship as being the organization. Thus, governance includes determining the objectives of the organization, directing and implementing its policies and operations in certain

ways; and regulating the relationships among all the different parties, involved with the organization, to promote shared values or interests. All these may make up part of the present-day understanding of ‘governance’ (Broadbent, Jacobs & Laughlin, 2001; Hyndman & McDonell, 2009; Osborne & Gaebler, 1992; Renz, 2007).

Based on the Oxford Advanced Learner’s Dictionary 2005, the definition of ‘governance’ is explained as controlling, directing and regulating. In the academic world, Cornforth (2003, p. 17) introduced governance as “the systems by which organizations are directed, controlled and accountable”. He contended the techniques by which institutions were accountable might be an especially essential piece of governance in the not-for-profit segment. In Connolly and Hyndman (2003), accountability is an idea that may have more than one definition. In any case, the idea of accountability requires information to be transferred which stipulates that one has to be answerable or liable to another person. Implicitly, this means that the party who is owed accountability has the capacity to constrain the foundation to alter its conduct based on the provided information. The information required to be transferred possibly involved strategic material or operational material.

The empirical view on how past studies define governance in the context of CF was that in order to sustain public trust, appropriate and best practices must be implemented. The internal and external eventualities such as membership and stakeholder demands, variations in board functions, board member recruitment

processes, funding arrangements, resources for training and development and skills of board members, will influence the effectiveness of governance systems in CF (Chelliah, Boersma & Klettner, 2016; Blodgett & Melconian, 2012).

Within the CF arena, the governance mechanism tends to fall on the BOT, based on the bulk of past research. However, the BOT - an internal governance mechanism - is not the only protagonist of the governance of CFs. Other triggers of governance - namely, external governance mechanisms - rest in the government, private donors, capital structures and financial disclosures of a CF or transparency arrangements of a CF (Jung, Phillips & Harrow, 2016; Romero-Merino & Garcia-Rodriguez, 2016). For the present study, the focus is emphasized on the internal governance mechanism that is the BOT of a CF.

Governance mechanisms are important for both CFs as well as corporate organizations (COs) for varied reasons. Firstly, governance mechanisms enable the avoidance of scandals or fraud. Strong governance implies that internal controls are set up to ensure the protection of the association. Appropriate internal controls greatly lessen the opportunity of any type of deception or misappropriation within the organization. CFs, more than any type of organization, must continue to exist blameless in the eyes of the society. This is because people and corporations can be made more averse in funding the CF by the bad press that associated it with a scandal, even after the issues have been dealt with (Blodgett & Melconian, 2012; Coles, McWilliam & Sen, 2001; Gibelman & Gelman, 2001; Othman & Ali, 2014).

Secondly, governance mechanisms can encourage growth or expansion. Proper governance mechanisms enhance the overall quality of the institution in addition to ensuring that the CFs meet lawful and ethical standards. An attention on rules and procedures expands efficiency in the working environment. When new potential undertakings or obstacles emerge, a responsive BOT and appropriate procedures guarantee that the CF has the correct structure to achieve the desired result and expand (Bruni-Bossio, Story & Garcea, 2016; Nobbie & Brudney, 2003; Reddy et al., 2013).

Thirdly, governance mechanisms can increase donations and boost reputation. Moreover, potential donors are becoming progressively shrewd and making good judgement with respect to a CF and its management. Numerous donors, particularly key donors, know how to scrutinize all available information and public documents before offering cash to an institution. This is especially true in the developed country like the U.S. Any donor can view the tax return with the click of a button since the beginning of internet and websites that easily provide users with documents of CFs. The IRS form 990 summaries of CFs' programs and how they are using their money. Good governance implies the tax returns will mirror the institution in the most ideal light (Alexander & Weiner, 1998; Gibelman & Gelman, 2001; Radbourne, 2003).

Finally, governance mechanisms can expedite auditing and tax procedures. For example in a developed country like the U.S., there are many aspects of

corporate governance which are examined during the external audits. In addition, the CF's tax return form 990 now emphasizes on the importance of transparency and includes a governance section in its reporting. If the CF attempts to file a tax return without observing proper procedures or engages an external auditor, the process will cost the CF more and takes longer. Hence, proper governance and organization will enable the CF to have all the necessary documentation which will allow the audits and tax filings process to be executed efficiently (Reddy et al., 2013).

2.4 Governance Mechanisms in Charity Foundations

There are several differences between a CF and a CO that have been described in Table 1.3, Chapter 1, but the main difference lies in their goals. The primary goal of a CF - that does not have owners - is to meet society's needs, whereas the primary goal of a CO is to maximize earnings, and distribute these earnings to the CO's shareholders or investors. CFs are required to be accountable to the funding sources by showing evidence of how the institutions are using the contribution to fulfill their mission since they are considered as public benefit institutions that receive their contribution (revenue) from a combination of resources (e.g. donations, gifts or grant income, donated amenities and equipment, in addition to having low paid or volunteer staffs

Based on the differences between CFs and COs presented in Table 1.2 Chapter 1, the meaning of the term governance mechanisms in the context of a CF

would include the following three elements: (a) control by the BOT (b) accountability on the part of the BOT (c) exercise of responsibility and accountability by relevant stakeholders. Given the concerns about the governance of CFs, the first element of governance mechanisms, which is control by the BOT, has led to an increasing prominence on the designation of trustees who are ethical, skillful and capable; the need for the establishment of a BOT who have proper supervision; and the appropriate engagement of non-executive trustees who can understand and contribute to the CFs. In addition, these institutions are not protected from the international financial crisis; hence, it is important and timely to strengthen their governance, although failures of the magnitude reported in the corporate sector have not occurred in the charity sector (Cordery & Baskerville, 2007)

Since CFs are not self-sufficient and need to rely on external funding or donations and resources, then they must adjust to the contemporary situation of increased accountability and governance. Moreover, arising from the unfavourable publicity of charitable funding scandals, it is essential for CFs to show that they are not just applying the best yardstick to the resources available to them but they can be clearly observed to be conducting properly (Gibelman & Gelman, 2001; Helmig et. al., 2009; Vinten, 1997).

Thus, as far as the second element of the governance mechanisms which is accountability on the part of BOT, John Carver (1997) contended that CFs' BOT

hold the “ultimate accountability” (p. 2) for institutional action. Furthermore, with reference to past literature (Bowen, 1994; Harris, 1989; Houle, 1989; Kramer, 1981; Miller-Millesen, 2003; Widmer, 1993), BOT of CFs have manifold functions to ensure good governance: supervising monetary administration and ensuring sufficient resources are set up; guaranteeing that essential lawful and moral obligations are met; making sure that the programs of the institution support its mission; producing long-term plans and setting up crucial institutional policies; engaging and supervising the chief executive officer; and acting on behalf of the institution to the society in general as well as to main stakeholders.

The third element for governance mechanisms for CFs is broader than that of COs as it emphasizes the involvement and the exercise of rights and responsibilities of the relevant stakeholders. According to Hyndman and McDonnell (2009), governance in CFs did not just show a connection between sharing of privileges and obligations among the different groups of stakeholders, covering the manner by which they ought to be accountable to each other; but also involving setting goals and how to achieve them for the foundation. Thus, governance incorporates interrelationships fasten together among stakeholders to ensure the foundation is successfully managed to achieve its purposes (which means the needs for which a CF was established have been met). Moreover, in conveying good governance for CF, the importance of groups must be acknowledged other than the BOT of CF. However, due to the lack of information

or motivation, donors and beneficiaries would give up or are unable to take part in the activities of governance.

Different from COs, BOT of CFs do not encounter pressures from competition in the market, compensation plans or hostile takeovers. Therefore, CFs are self-governing and private (Brickley, Lawrence & Wedig, 2003). For as much as CFs are usually private and self-governed, BOT of CFs are without doubt at the central of governance activities. BOT governance has turned out to be one of the popular topics in governance for charity for the past few years. Many academic intellectuals have researched into the BOT in terms of the following aspects: the pattern and efficiency or effectiveness of BOT, the key competence of BOT, the strategy planning of BOT, the motivation of BOT, the performance and evaluation of BOT, the relationship between the BOT and staff. (Chait, Holland & Taylor, 1991; Houle, 1989; Ostrower & Stone, 2006; Stone & Ostrower, 2007).

To summarise it can be concluded that the BOT - an internal governance mechanism - is at the core of the CF's governance, which makes strategic decision, fulfills functions of fundraising and distribution, acts as an intermediary between the CF and environment, and monitoring the risks of the CF. Being the major internal governance mechanism in a CF, it is thus important and right to directly strengthen the BOT's governance in the effort of promoting the governance of CFs (Andres Alonso, 2006; Liu, 2010).

2.4.1 Regulatory Frameworks for Charitable Foundations in Developed Countries: United States, United Kingdom and Australia

Regulatory framework in the United States

In a developed country such as the United States, the incorporation and registration of a CF must be done with both the state and the federal authorities. During the incorporation and registration of the CF, officers and clear mission statement must be identified. In addition, it is expected that the CF has a delegated or elected board of directors (also known as trustees) who have general and fiduciary oversight of the institution. Through the Federal Government, the Internal Revenue Code (IRS) and their respective regulations primarily defines a CF, determines the tax regulation of a CF in this country by granting tax-exempt status to eligible charities, and regulates their activities to help ensure that they continue to serve the public good. At the state level, the Attorneys General of each state has oversight over the fundraising activities and other activities performed by CFs within the borders of their respective states. To a certain degree, this example of governance is pursued in other developed countries like the U.K. and Australia as well (Belair-Gagnon, Picard, & Ranchordas, 2016).

Regulatory framework in the United Kingdom

In the United Kingdom, the Charity Commission which is a non-ministerial government department and is accountable to the UK Parliament regulates all the CFs in England and Wales. However, CFs in Scotland are regulated and granted altruistic status by the autonomous Office of the Scottish Charity Regulator

(OSCR) while Charity Commission for Northern Ireland (CCNI) governs CFs operating in the Northern Ireland (Charity Commission for England and Wales [CCEW], 2019; Charity Commission for Northern Ireland [CCNI], 2019; Office of the Scottish Charity Regulator [OSCR], 2019).

All CFs in England and Wales are registered and governed by Charities Act 2011 which came into effect on 14 March 2012. The act consolidated the previous charities laws i.e. Charities Act 2006, Charities Acts 1992 and 1993 into a single act. To qualify as a charity in England and Wales, an institution must meet the definition of a charity in the Charities Act 2011. According to the act, there are four principle types of charity structure: “charitable incorporated organization (CIO); charitable company (limited by guarantee); unincorporated association; and trust” (CCEW, 2019; Towend 2016).

In Scotland, the Charities and Trustee Investment (Scotland) Act 2005 formed the OSCR. Being a non-ministerial department, OSCR is overseen by a strategic board of up to eight non-executives, appointed by Scottish Ministers. The OSCR is accountable directly to the Scottish Parliament rather than to Scottish Ministers. While in the Northern Ireland, the CCNI regulates all the CFs operating in Northern Ireland through the Charities Act (Northern Ireland) 2008 and Charities Act (Northern Ireland) 2013. The commission ensures that charities are fulfilling their legal requirements and they work with charity trustees to address issues correctly if they go wrong (Charity Commission for Northern Ireland [CCNI], 2019; Office of the Scottish Charity Regulator [OSCR], 2019).

Regulatory framework in Australia

The tax treatment of CFs in Australia has drawn significant political consideration over the last 15 years. This has eventually prompted the formation of an autonomous national regulatory authority i.e. the Australian Charities and Not-for-profits Commission (ACNC) in 2012 and the passing of the Charities Act 2013. ACNC registers CFs; keeps a free and accessible public register so that anyone can search for information about registered CFs; works with state and territory governments to develop a reporting framework for charities. Being a country comprised of six states and three self-governing territories, CFs in Australia are subjected to a combination of Commonwealth (Federal) and State/Territory laws and regulations that interpreted the status of a charity and its allowance to tax concessions (Australian Charities and Not-for-Profit Commission [ACNC], 2019 Papandrea, 2016).

2.4.2 Regulatory Frameworks for Charitable Foundations in South East Asian Countries: Singapore, Thailand and Malaysia

Regulatory framework in Singapore

Meanwhile, the South East Asia countries, for example, Singapore and Thailand through their Charity Councils have been actively evaluating and refining their non-profits regulatory structure. For instance, the Charity Council of Singapore on the last quarter of 2007 has set out on the Code of Governance for Charities and Institutions of a Public Character (IPC). Four years later, on 24 June, the Charities Accounting Standards (CAS) was issued. The standards set out the

financial reporting system that applies to charities when they prepare their financial statements for financial periods beginning on or after 1 July 2011. This initiative was a noteworthy effort by the Singapore Accounting Standards Council to improve governance and further improve public confidence in the charity sector.

Regulatory framework in Thailand

In the last three decades, Thailand saw a proliferation of CFs in the development works. CFs in this land are registered as a Foundation with the Thai Ministry of Culture. CFs are categorized into Charity Projects for Animals, Organizations for Children and Youths and Community Development Projects. In a study by Dipendra (2016), the author found that the practice of internal governance in CFs was affected by the presence of a clear legislation. In addition, when a CF was more engaged with the government in any kind of lobbying activities, the CF practiced better governance.

Regulatory framework in Malaysia

Unlike the situation in Singapore, CFs in Malaysia are not under specified statutory prerequisite to follow prescribed accounting standards, when setting up their yearly reports that might affect the transparency and internal governance of the CF, in terms of how the funds received by the CF are managed. Hence, proactive action should be taken to make better the circumstances since accountability, transparency and good governance are the keys to further improve the relationships between the CFs, donors and volunteers (Zainon, Atan, Yap & Raja Ahmad, 2012).

Meanwhile, the SA 1966 (Act 335) and the ITA 1967 are the primary statutes governing the establishment and operation of all CFs in Malaysia. Some CFs may also fall under additional legislation such as the Sports Commission Act or the University and University Colleges Act 1971 other than the SA 1966 and ITA 1967. This is due to some organizations are registered as companies limited by guarantee which come under the supervision of the Companies Commission of Malaysia (CCM). In this regard, the Companies Act 1965 will be governing these organizations (Othman & Ali, 2014).

The primary function of the ROS is mainly to ensure CFs throughout Malaysia are registered, controlled and monitored so that these CFs do not harmfully influence the security, welfare or morality, harmony and public order in Malaysia. Each year within 60 days after holding its “Annual General Meeting (AGM)”, the registered CFs are required to submit Form 9 that comprises of a statement of contributions and expenses along with their balance sheet showing to indicate their financial position when accounts are closed. The statement of contributions and expenses plus the balance sheet can be audited internally as well as externally. Overall, CFs in environment of Malaysia reflect a minimum regulatory requirement (ROS; Arshad et al., 2013; Atan et al., 2012 ; Zainon et al., 2012). In the case of CCM, it requires the CF to maintain records to explain the institution’s transaction and financial position for a period of 7 years.

Following the above explanation on the regulatory framework in three developed and three Asian countries, it can be concluded that governance of CFs

in the United States, the United Kingdom and Australia have progressed much with established legislations as compared to Asian countries. Among the three Asian countries, Singapore tops the list in its effort to improve governance in CFs through their regulatory framework as compared to Thailand and Malaysia. Between Malaysia and other countries' regulatory framework, there are some pros and cons when compared. There is no one single Act governing CFs in Malaysia and the regulatory framework relating to CF were described as 'piecemeal' in some mass media ("Revisit Regulatory Regimes Governing Charities," 2017). The advantage of this is one can set up a CF without difficulty as long as the CF is registered with ROS or CCM (RM1 million or more). However, due to the lack of enforcement and monitoring, and different regulatory bodies governing CFs in Malaysia, the operation of CFs were abused and the question of integrity and transparency became an issue and need to be dealt with to avoid mismanagement of public fund, simultaneously removing negative impression among the public and stakeholders about CFs in Malaysia (Ali & Hassan, 2017).

2.5 Main Theories Underpinning the Present Research

Being a nonprofit legal entity, CFs are accountable to a number of stakeholders for example the donors, the beneficiaries (users) and the regulators. Most CFs are dependent on funds and resources generously donated by donors for their day to day operation. Unlike CO, there is no share ownership in CFs and individuals who serve in CFs are voluntary workers and thus they are stewards of the institution. Based on the above explanation, three main theories – Stakeholder

Theory, Resource Dependence Theory and Stewardship Theory which underpinned the present research, and one complementing theory i.e. Agency Theory were put forth and discussed below.

2.5.1. The Stakeholder Theory

Since the publication of Freeman's milestone book in 1984, the Stakeholder Theory has been progressively debated in the literature with an increasing interest shown by nonprofit researchers (Donaldson & Preston, 1995; Hyndman & McDonnell, 2009). The term *stakeholder* refers to "any person or group that is able to make a claim on an organization's attention, resources or output or who may be affected by the organization" (Lewis, 2001, p. 202). This theory argues that the manager of an institution has commitments to a group of stakeholders, and that the advancement of an institution may be affected by the manner through which diverse stakeholder relationships are managed. A proper and appropriate stakeholder management policy might fortifies the well-functioning of an institution (Donaldson & Preston, 1995), which subsequently may lead to a competitive advantage (Bouckaert & Vandenhove, 1998).

Instead of focusing on shareholders, Stakeholder Theory takes into consideration a wider group of constituents. It addresses morals and values in managing an institution. Any group or individual which can influence or is influenced by an institution is a broad definition of a stakeholder. Therefore, suppliers, customers, stockholders, employees, the media, political action groups,

communities and governments are included in this broad concept of stakeholder. However, only employees, suppliers, customers, financial institutions, and local communities where the institution does its operation are included in a narrower view of stakeholder (Liu, 2010; Mallin, 2009; Solomon, 2007).

According to Gray, Bebbington and Collison (2006), institutions need to prioritize stakeholders in order that one stakeholder group is not being satisfied to the detriment of other stakeholder groups. One of the role for governance is to strike an appropriate balance between these interests when directing the institution's activities. This is particularly relevant to CFs as the central element of stakeholder theory is that CFs have responsibilities to stakeholder groups. In this way, governance structures should facilitate dealing with the claims of the stakeholders they serve (Mason, Kirkbride & Bryde, 2007). The BOT can be equated to an interface stakeholder resulting from its linking function between the institution and its environment (Puyvelde, et al. 2012) since stakeholder management focuses not only on internal stakeholders such as managers and employees of the organization but external stakeholders such as customers (beneficiaries), competitors (other CFs) and suppliers (donors) (Savage, Nix, Whitehead, & Blair, 1991), the board of directors (board of trustees) can be seen as an interface stakeholder due to its connecting function between the organization and its environment (Puyvelde, et al. 2012).

The long-term survival and success of a CF is dependent upon the support and approval from their stakeholders. To legitimize their activities to these groups of stakeholders, BOT deploys different accountability mechanisms in order to demonstrate that the values, beliefs and successes of the institution are commensurate with stakeholders' expectations and demands to gain their support and approval (Gray et al., 1995; Roberts, 1991). Thus, the Stakeholder Theory is one of the theories that formed the foundation of charity research in this study.

2.5.2 The Resource Dependence Theory

The theory of Resource Dependence originated in the 1970s since the publication of a book by Jeffrey Pfeffer and Gerard R. Salancik which titled: “The External Control of Organizations – A Resource Dependence Perspective”. How institutional behaviour is influenced by external resources the institution utilises, such as raw materials illustrated this theory. An institution’s ability to collect, alter and make full use of resources faster than their competitors can be fundamental to the success of the institution as pointed out as important by this theory (Hillman, Withers & Collins, 2009; Pfeffer & Salancik, 1978).

Studies on the charity sector have found that CFs are constrained in the pursuit of their goals by their dependence on resource providers. To support their charitable and mission-related work, CFs are reliant on a variety of contributions through private gifts and donations, government support, and activities in raising funds. Attracting charitable donations and gifts from individuals and corporations

for community valued programs is the most common and classic example of conventional fundraising. The quest of grants and contracts from foundations and government sources is another common contribution strategy. Some CFs involve themselves in commercial activities by selling products to clients or charging fees for program services and these have been regarded as a more controversial approach in generating funds for their institution (Barman, 2007; Froelich, 1999; Malatesta & Smith, 2014).

The Resource Dependence Theory holds that the ability to obtain and maintain resources is of utmost important to the survival of an institution. Thus, the BOT plays an important role in facilitating exchanges that reduce interdependencies in the institution's operating environment because no institution controls all of the resources it needs to survive. In order to maintain open access to resources, strategies must be carefully considered and planned. For example, Cordes, Henig, Twombly & Saunders (1999) in their survey, found that most of the nonprofit groups have managed to maintain the level of service they provide, although half of them experienced moderate to large cuts in the amount of funds they received. In an aspect predicted by Resource Dependence Theory, their results indicated that most nonprofit human service organizations adapted to environmental funding changes. In addition, board members who have personal and/or professional contacts bring benefit to the institution because they can access information and reduce uncertainty. This theory highlights the BOT's boundary – spanning responsibility and provides insight into the ways in which power and

influence have the capacity to bias resources allocation decisions (Pfeffer & Salancik, 1978).

From the discussion above, Resource Dependence Theory is another pertinent theory which formed the foundation of charity research in this study.

2.5.3 The Stewardship Theory

A new perspective to understand the existing relationships between ownership and management of the institution is through Stewardship Theory which was developed by Donaldson and Davis (1991). Unlike corporation or for profit organization, a CF is established by a group of individuals which have a common interest to further some charitable objectives. Since this group of people may not be determined by contractual relations, Stewardship Theory is applicable in this context as the individuals who come together for the same charitable objectives regardless of whether they are owners or/and managers have similar interests (Neves, 2012). The goal of governance is to discover the mechanisms and structure that encourage the best coordination between managers and owners or stakeholders in the case of CF since the Stewardship Theory holds that there is no irreconcilable situation between the two groups (Donaldson, 1990).

Likewise, the conduct of the steward is aggregate since the steward tries to achieve the purpose of the institution such as efficiency, growth or performance. By one way or another, this behavior will benefit the contributors (donors) and the

recipients (beneficiaries). The supporters of Stewardship Theory postulate a powerful association in terms of satisfaction between the accomplishments of the institution and the contributors (stakeholders).

Stewardship Theory has been applied greatly in nonprofit environment although the theory has been helpful in understanding corporate organizations as per the explanation by Donaldson and Davis (1991, 1993). This is based on the grounds that those who work in or potentially serve on BOT of such institutions will in general be propelled by a craving to help others (Van Slyka, 2006; Kluvers & Tippet, 2011), and to adjust their interests to those of the institution (Holcombe, 1995; Bouillon et al., 2006). Such qualities introduction was given by Miller (2002) as the key motivation behind why Stewardship Theory gives more robust clarifications of conduct in nonprofit institutions contrasted with Agency Theory. It is, as Miller (2002, p. 447) notes, since Agency Theory is built upon the presumption of objective clash between parties in a legally binding circumstance that it, "paints an inadequate picture" of philanthropic institutions.

Conversely, Stewardship Theory (Davis, Schoorman & Donaldson, 1997) gives a progressively powerful methodological reason for the examination of governance practices in CFs, for example, the present investigation, since it recognizes co-task. Thus, this study cannot omit Stewardship Theory based on the above discussion.

In summary, being accountable to a broader group of stakeholders who can lay demand on the CF as well as support the CF, a CF is dependent on donated resources for its survival since it is established for charitable purpose and not for profit-making. Individuals who served in a CF are voluntary and not based on contract. Arising from these explanation and arguments, these three theories (Stakeholder Theory, Resource Dependent Theory and Stewardship Theory) must be used to support the research model as each theory can only capture part of the model and none of the theory can completely support the entire research model.

2.5.4 The Agency Theory

According to Agency Theory, there is a conflict of goal between the principal and the agent. The agent may not fulfilled the principal's interest at all times as each of them is also interested in maximizing their own benefits (Jensen & Meckling, 1976). As such, some costs will arise in controlling the agent through monitoring, bonding and residual loss. Monitoring costs are expenditures incurred by the principal to control an agent's behavior which include the cost of audits, writing executive compensation contracts and ultimately the cost of firing managers. The cost of establishing and adhering to the structure and systems to convince the principal are known as bonding costs. While residual loss refers to a situation when the interest of the principal differs from the agent despite monitoring and bonding activities. This is the welfare loss of the principal when utility is not completely aligned.

Agency Theory is commonly used in corporate governance context but it cannot be solely applied in the CF context. This is because a CF is answerable to a number of multiple principals (for example, board members, donors, and clients) who are not shareholders (owners) but stakeholders of the CF (Jegers, 2008; Puyvelde, Caers, Bois & Jegers, 2012). Thus, to certain extend Agency Theory complements (Puyvelde, Caers, Bois & Jegers, 2012; Steinberg, 2010) the above three theories i.e. the Stakeholder Theory, the Resource Dependence Theory and the Stewardship Theory to form the foundation in this research. As stakeholders in a CF are not shareholders, they do not demand monetary returns like dividend but they do expect that their contribution would bring some form of benefits to the recipients (beneficiaries) or towards some worthy causes which make the contribution worthwhile and lead to fulfillment in stakeholders. Given the monitoring function by the principals is important under the Agency Theory, a CF's board members generally tend to monitor the staff (agent) based on their individual expertise or abilities as opposed to focusing on measures that would show progress toward mission related objectives and activities since there is not a standard measure of performance in CFs (Miller, 2003). Moreover, CFs are philanthropic institutions which are set up to provide assistance and support to the welfare of society and community. CFs are not set up to generate profit but to meet society's need and they possess certain level of volunteerism (Aboramadan, 2019; Bagnoli & Megali, 2011; Cordery & Sinclair, 2013). Based on the preceding explanation and reasoning, Agency Theory could only complements the three major theories which underpinned the present research.

2.6 Charities and External Stakeholders: External Aspects of Governance

Having discussed the three main theories which underpinned the present research, this section explained the relationship between CFs and the external stakeholders, in other words, the external aspects of governance in CFs.

CFs are accountable to a variety of stakeholders which include donors, beneficiaries (users) and regulators. As a legal entity, CFs' nexus with stakeholders can be an important factor guaranteeing the success of the institution.

2.6.1 Charities and Donors

Based on previous studies, for any CF, groups of donor maybe the most significant external stakeholder. For instance, in Connolly and Hyndman (2013), contributors are seen by every respondent group (such as auditors, philanthropy authorities and benefactors themselves) as the key partner to whom a CF ought to be answerable. There is a difference between donation and other transactions of economic. Donations given to CFs are meant to be utilized for the welfare of some other people, groups of people or the environment. Contributors give not in exchange for some advantages to themselves but rather for the benefit of the recipient. What's more, numerous external stakeholders are little benefactors who are not engaged with the administration of the CF and usually need to depend on official communications from the CF to meet their information requirements. The supply of information which meets the desires of the stakeholders is required to preserve and construct trust in the charity sector as a reason for advancing both

altruistic giving and philanthropic exercises. Based on the theory of “warm-glow giving”, the givers get more fulfillment from their endowments when there is a decent ideological match between their favored belief system and that of the CF they support. In other words, donors want to know whether funds donated are actually utilized for their intended purposes and this will induce them to donate in the future. (Brown & Caughlin, 2009; Connolly & Hyndman, 2013; Hyndman & McDonnell, 2009; Ruhaya et. al. 2012; Zainon et. al, 2012).

Information asymmetry is a distinctive attribute which exist in the association between CFs and contributors. At the point when contributors gives funds to a CF, they won't have as much information compare to the individuals within the CF in terms of its aims with respect to the utilization of the gift, and in addition to the real use of the cash following the gift. Accordingly, while this circumstance continues, contributors will be probably not going to give as much as they would in the event that they had as much information about the utilization of their contribution as the CF, since they will know about the likelihood of exploitation with respect to the CF's staff (as, for instance, preoccupation of given contributions from the proposed recipients to themselves). Therefore, if asymmetry information and the likelihood for exploitation can be decreased, this scenario will lead to a rise in the degree of philanthropy gift as contributors will turn out to be additionally sure that their gift is moving towards its expected cause (Connolly & Hyndman, 2013; Hyndman & McDonnell, 2009).

2.6.2 Charities and Beneficiaries

The degree to which recipients are included, or ought to be included is an important issue with regards to beneficiaries (recipients). The individuals who work inside a CF might be worried about augmenting the advantage gave to the intended beneficiaries. In this situation, feedback and facts provided from recipients may, practically speaking, be critical (despite the fact that in certain CFs, for instance, creature welfare or restorative research CFs, it might be hard to promptly distinguish the recipients). Locke et al. (2003, p. 57) express that “user involvement has been taken during the past three decades as almost necessarily right and good for voluntary organizations, rhetorically at least”.

Various changes in the environment of CF have pushed toward the involvement of user. For instance, in order to decrease the size of facility supply by local councils, UK Conservative government which was in power during 1979 to 1997, pursued to expand the inclusion of users in the decision making procedures of public facility suppliers as consumers in light of its free market belief system (Locke et al., 2003). Also, campaigns were in progress within the charity sector toward the strengthening of users in, for instance, the handicap drive (Campbell and Oliver, 1996; Oliver, 1996). In addition, despite of the challenges that emerge in the trust law if recipients are members of the CF's BOT, the Charity Commission, London (2000) has acknowledged that it might be suitable for certain foundations to have a greater part of users on their governing board, although it is proposed that an extent of 33% or less ought to be the standard.

2.6.3 Charities and Regulators

According to Hyndman & McDonnell (2009), the key purpose of regulating the charity sector is mainly concerned with achieving good governance. Nevertheless, it is equally important to query the contention which underlie the regulation and government supervision in order to determine the extent and type of proper guideline relating to the charity sector.

Unlike corporate organizations, CFs do not have shareholders, and due to the non-distribution requirement in the tax law, CFs need not distribute their earnings to a group of residual claimants as in the corporate setting. Therefore, CF's BOT must embody the mission of the CF, protecting the range of constituents or stakeholders, including donors, recipients or beneficiaries and the regulator. The board is typically seen as the “monitor” when volunteers or staff are not acting in the beneficiary or stakeholders interest (O'Regan & Oster, 2005).

2.7 Charities and Internal Stakeholders: Internal Aspects of Governance

After explaining the external aspects of governance, this section elaborated on the internal aspects of governance. There are three principal groups of internal stakeholders in a CF i.e. the BOT, paid staff and volunteers. In this study, the researcher focuses primarily on one out of the three groups of internal stakeholders in CFs, namely, the BOT. The rationale for focusing on the BOT is that it is basically responsible for the overall well-being of the CF. As the board is generally the decision maker in a CF, the researcher would like to examine whether the board

is merely a symbol and rubberstamping the programmes and activities in a CF and what characteristics of the board lead to improved governance and thus performance of the CF. Moreover, formal regulations alone may not be the defining factor in improving governance (Lacker, Meehan III, Donatiello & Tayan, 2015; Maharaj, 2008; Miller-Millesen, 2003).

2.7.1 The Boards of Trustees Governance Role

There are a number of management and practitioner-oriented prescriptive papers and books on how CF's BOT ought to work. In any case, the empirical literature relating to the real effect of CF's BOT is extremely restricted, exploratory, and diffused (Callen et. al, 2003). As the board's success (or lack thereof) influences its effect on the institution's governance structure, the role and authority of the CF's BOT merit some thought (Jegers, 2009). For instance, Steane and Christie (2001) examined the style of governance on CF's BOT in Australia. The results showed that while there were a few resemblance between governance of corporations and governance of CFs, there were different parts where nonprofit governance is rather different compare to the practices in the corporate sector. The investigation additionally discovered that CFs' BOT have more diversity than corporate board of directors.

2.7.2 The Composition of the Board of Trustees in Charity Foundations

The composition of a BOT in a CF is typically laid down in the charity's governing report and/or attaching rules or by-laws. The composition of the BOT

may include the magnitude of the board, how trustees are chosen or selected and their functions plus their 'term of office'. The guidelines differs from a CF to another CF. Some CF's guidelines are long and complicated while others are straightforward. The following paragraphs explain the composition and size of a BOT in a CF from the perspective of amount of funds managed, if the trustees are paid or volunteered, whether they have industry experience and if they are usually the founder(s) as well as donor(s) of the CF.

In terms of size, BOT in a CF tend to be larger and their composition more heterogeneous than the CO's board of directors. There are two factors that drive the BOT's size: the board's development role and the need to have appropriate committee representatives (Epstein & McFarlan, 2011; Steane & Christie, 2001). In a survey of English and Welsh charities, Cornforth and Simpson (2002) and Kirkland and Sargent (1995) found that as the funds (in terms of their annual income/contribution received) managed by the CF increased, the mean number members on the BOT also increased.

A relevant point at this juncture may be to work out the right size of a CF's BOT. There is no 'right' or 'wrong' size of a CF's BOT. The scholastic writing does not propose a 'one size fits all' solution to the issue of ideal size of BOT in the charity sector (Robinson, 2001; Stone, 2005). The BOT ought to be sufficiently huge to guarantee that there are sufficient individuals with the scope of aptitudes expected to complete the board's work. Yet, in addition, little enough to guarantee

that trustees can cooperate as a group with each other completely taking an interest in decision-making (Osterloh & Rota, 2002).

This is reflected in the charity sector in the United Kingdom. For example, the Charity Commission of National Council for Voluntary Organization (NCVO) London suggested that a BOT involving somewhere in the range of three and nine trustees is commonly sufficient, for the reason that when a BOT is too big making decision may be cumbersome, while smaller BOT may be challenging in light of the potential more than necessary work task on their board members. In light of the Stakeholder Theory contention, they expressed that some CFs may require a bigger BOT so as to identify stakeholder or client intrigue. The NCVO trusts that a CF's BOT ought to be 'sufficiently big to obtain a scope of expertise and backgrounds and viewpoint of stakeholders and apportion the duty of the board', while being little enough to “be effective at discussion and decision making, involve all trustees and work as a team”. Combining them, these understanding recommend that ideal board number is a matter that relies on a scope of relevant components, for example, the size, age and scope of activity of the CF (Andres Alonso, et. al. 2006; Callen et. al., 2003; Hyndman & McDonnell, 2009).

From the stakeholder perspective, whenever CFs need to include more concerned stakeholders, the size of the BOT of any CF will grow (Abzug, DiMaggio, Bradford, Kang, & Useem, 1994; Pfeffer, 1973). Therefore, bigger fund acquired from various private contribution would result in bigger size of BOT in

comparison to other CF. On the other hand, the larger the percentage of the capital budget acquired from a special contributor, this would result in smaller BOT size for the CF (Pfeffer, 1973).

Moving on to another point of discussion on the composition of CF's BOT that relates to becoming a member of the CF, an individual can be elected or appointed to be on the CF's BOT. There had been many surveys done in the past trying to understand what the reason behind was for individuals serving on a CF's BOT. By and large, these surveys discovered massive proof, in view of self-reports, that individuals served on BOT as volunteers since they had confidence in the institutional mission and believed their involvement will support that mission (Moyers & Enright, 1997). This means that many members of a CF's BOT were not paid but they provided their service on a voluntary basis. In a past New York survey, it was found that, the respondents, namely, 90% of members of CFs' BOT, provided mission satisfaction or program advancement as the main purpose behind serving. In this way, without pay for serving, an enthusiasm for serving is by all accounts a sensible presumption about trustees' inclinations (O'Regan & Oster, 2005).

The heterogeneity of the CF's BOT is not just influenced by the size of the institution but also by the complexity of the CF's activity in terms of the types and number of activities that a CF provides. The governance structure in a CF are also affected by these factors. A CF needs to select individuals externally with particular

skills acquired through experience or education and information relating to the areas of expansion when they pursue a strategy of diversification or expand geographically (Baker & Gompers, 2003; Lehn et al., 2003; Pearce & Zahra, 1992).

When a CF expands geographically or diversifies, it is normal that the institution's leverage will increase. Thus, if a CF has a complicated financial structure, it indicates a deeper requirement for knowledge and information on the part of members of the BOT in terms of financial administration. If the CF has financial experts on the board, only then will it obtain great benefits especially when the CF has a high level of debt (Booth & Deli, 1999; Pearce & Zahra, 1992).

According to Cornforth & Simpson (2002) and Ward (2000), researchers found some proof that as CFs age, they turned out to be increasingly proficient in their enrollment of trustees by changing from the casual ways for recruitment, for example, the consideration of a larger part of insiders in the BOT, to progressively formal ones. Besides, more established institutions were seen to be more highly reputable and financially stable which enable them to draw in more trustees beyond the philanthropic work group (Miller, Weiss, & MacLeod, 1988).

2.7.3 The Function of the Board of Trustees in Charity Foundations

This section reviewed about the functions of the BOT in a CF. Despite a number of practitioner-oriented handbooks relating to CF, there is no real economic theory which addresses the functions of BOT in a CF (Ostrower & Stone, 2006). In

fact, it is difficult to segregate the functions of BOT in a CF as they are interrelated. However, it was asserted that the functions of BOT in a CF were to advance the mission of the institution and accomplish the institution's goals; to safeguard the interests of the founders, givers, recipients, and society in general; and to steadily oversee the philanthropy's rights and resources so as to keep up the CF's operation and utility (Andres-Alonso et.al. 2009; Callen, Klein, & Tinkelman, 2003; Herman & Renz, 2000, 2004; Renz, 2007).

In doing so, the BOT is accountable to a range of constituents including donors and regulators who are external constituents, and beneficiaries/recipients and staff members who are internal constituents (Oster, 1995). This accountability generates a list of wider and murkier obligations, for example, setting up policies, strategic planning, finance and fundraising, overseeing and evaluating of programmes and services, human capital management, networking with the community and environment, self-assessing, and a range of rather operational tasks (Brown & Guo, 2010; Liu, 2010; Iecovich, 2004; O'Regan & Oster, 2005).

Meanwhile, Ingram (2009) and BoardSource (an entity which provides methods, information and research to improve CFs and their board leaders) with its global network of leaders' breakdown the ten basic responsibilities of the BOT in a CF as below:

- The ascertainment of mission and purpose of the CF
- The choice of the chief executive of the CF
- The assistance and evaluation of the chief executive of the CF
- The assurance of effective planning
- The checking and enhancement of programmes and assistance offered by the CF
- The assurance of sufficient financial resources of the CF
- The safeguarding of assets and supervision of finance of the CF
- The construction of a competent CF's BOT
- The assurance of legal and ethical integrity of the CF
- The strengthening of the CF's public standing

These above said responsibilities can be demarcated into two main responsibilities - support and governance - each requiring different skills and expertise. In the role of 'supporter' BOT in a CF needs to raise money, increase the number of persons or organizations in the CF's network, and act as ambassadors of the CF to the community. Equally important, the "governance" role reflective of the fiduciary role as well, involves safeguarding of the recipient or public interest, choosing a competent executive trustee and evaluating his or her performance, guaranteeing the CF's compliance with legal and tax requirements, and assessing the CF's work.

A great part of the work that the BOT in a CF does is achieved through its committees and task teams. Except for the Executive Committee, which represents the BOT, committees prescribe activity and movement to the BOT for consultation and execution. Most BOT need just a couple of standing committees - the remainder of the work can be achieved by task teams set up for a particular reason. Normal standing committees are made up of – Finance Committee, Fund-raising Committee, Audit Committee and the Executive Committee (if needed).

The type of committees formed, the make-up and structure and the activities carried out may usually be mirrored by the areas of interest of the BOT in a CF. The BOT in a CF should have the correct participation arrangement and be organized in manners that will improve and empower them to perform different key functions and obligations as laid out in the following section; and empower them to practice good and considerate judgment to help encourage successful and capable thoughts (Bird, 2001; Calvert-Lee, 2004; Ingram, 2009). In view of the Stakeholder Theory, BOT should comprise as wide as possible a scope of stakeholders so as to have appropriate committee representatives and “be more likely to respond to broader social issues than the narrow interests of one group” (Cornforth, 2003, p. 9).

It must be referenced that the functions of a charity BOT are probably going to change contingent on different periods of the institutional life cycle. For instance, BOT were increasingly engaged with monetary issues in CFs with a bigger

participation (Iecovich, 2004) than a matured BOT who will focus more on management system and successful reputation in the community. Mathiasen (1990) liken charity BOT's stages to the human's developing process, from birth to youth to adulthood until old age. So a CF too experienced juvenility, maturity and caducity.

Nevertheless, some BOT assumed jobs that did not have a place with them, a few BOT did not assume the job they ought to perform. The most significant event is that the BOT dove into institutional daily management and did not execute systematic assigned responsibilities. For example, the BOT, as a governing body, should focus on the institution's mission, strategy, and goals while the staff or volunteers are responsible for the daily affairs of the CF in light of the aforesaid. But, the BOT interfered and influenced the CF's daily activities so much so that a conflict ensued between both parties (the BOT and the staff/volunteer); leading to failure on the part of the BOT in effectively overseeing the achievement of the CF's mission and failure on the part of staff/volunteers in determining the actions needed to be implemented in pursuit of the CF's mission (Liu, 2010).

O'Regan & Oster (2005) contended that members of a CF's BOT have a much more extensive set of obligations than members of a CO's board of directors. BOT are anticipated to not just observe the management, as in the corporate setting, but to participate in raising money and a span of operational duties. In fact, a CF's BOT should bring with them the 3 Ws, i.e. wealth (gifts and fundraising), wisdom

(monitoring and supervision), and work (operational functions). The balance among the 3 Ws will rely on the attention paid by individual BOT to the different board duties varies by the institutional structure and by the personal attributes of the board member.

Since the BOT in a CF has a wider role than a CO's board of directors, the dominant role of which is to guarantee CF can get the resources it needs to continue to exist (Pfeffer & Salancik, 1978) hence, with reference to the resource dependence theory, a bigger board probably be useful in this regard, if all members of the board are involved in fundraising or advancing the network of the CF in terms of introducing new persons or organizations.

In exploring the key functions of the BOT in CFs, Brown and Guo (2010) also found that in terms of resource development, CFs that operate in resource constraint surroundings are bound to identify the BOT's fund acquisition (raising) role as critical. CFs that operate in more complicated surroundings, for instance, in bigger administration regions are bound to talk about the board's function in helping shape the CF's strategy. Moreover, bigger, more varied institutions were bound to study and review the board's role in an oversight capacity.

Meanwhile, Liu (2010) found that in terms of functions and responsibilities, charity BOT in developed countries are more active in terms of fiscal management, fundraising, policymaking and networking.

Based on the discussion above, the functions of a charity BOT center around support and governance as mentioned earlier which includes - promoting mission, planning, monitoring and control, and resource acquisition.

2.7.4 The Accountability of the Board of Trustees in Charity Foundation

The following paragraphs discussed and explained accountability within the context of CFs, why it is needed and how accountability can be manifested.

There are various definitions of accountability: holding an institution or a person to answer for their actions (Stewart, 1984); giving intentionally a record of one's actions (Lawry, 1995); and assuming responsibility for one's actions (Fry, 1995). Besides, the term has additionally been utilized to encapsulate what it is that institutions should explain and report. Boyne, Gould-Williams, Law and Walker (2002), clarified that the assessment of performance shapes an inherent component of accountability, while Roberts (1991) denoted that together with this critical aspect, institutions ought to account along an ethical element for their socially responsible conducts and practices.

The calls for more accountability should be comprehended as far as a wide range of various agendas. In its broadest sense, “being accountable” is a blend of virtues that could incorporate being “ethical” (Considine, 2002), “responsible” (Williams, 2005), “responsive”, “transparent”, “open to criticism”, “efficient” and “fair and equitable”. In its narrowest sense, Bovens (2005) describes “public accountability” as “a relationship between an actor and a forum, in which the actor

has an obligation to explain and to justify his or her conduct, where the forum can pose questions and pass judgement, and the actor can be sanctioned” (p7).

According to Behn (2001), the concept of accountability contains three elements - accountability for funds, impartial, and performance - which is identical to the concept of legal accountability proposed by Kearns in 1996. On the contrary, financial accountability is direct and generally comprehended. Its main concern is with how resources are utilized and how the books are recorded. Well-recommended regulations, policies, guidelines, and consequences for not observing them define the mechanism for achieving this sort of accountability. Siegel and Shim (1995) define it as “individual or departmental responsibility to perform a certain function. Accountability may be dictated or implied by law, regulation, or agreement.” This definition indicates a set of formal, objective regulations, policies, and guidelines that are stated by the accountability holder and followed by the responsible party. Accountability for finance is rigidly a sensible and separate computation.

Having discussed the meaning of accountability above, the following paragraphs proceed to explain the need for accountability. In many parts of the world, nonprofit institutions are under rising pressure to show their compatibility with the public interest. Despite the fact that the nonprofit sector’s execution has been customary connected with public ethics, for example, social capital, democracy, civic culture, and social reconciliation; as of late, nonprofit institutions

are required to demonstrate that their public interest situation still remains the case, with commentators depicting the sector as being described by “bad governance and little accountability” (Gettler, 2007a, b, p. 5) and identifying “an urgent need for improved transparency” (Penfold, 2007, p. 63). This is supported by the increase in the visibility and impact of the nonprofit sector as of late, together with the unfriendly attention encompassing it in various prominent scandals of funds embezzlement and institutional wastefulness, that has featured the requirement for nonprofit accountability (Cordery & Baskerville, 2007; Flack, 2007; Krishna et al. 2013; McCambridge, 2004; Unerman & O’Dwyer, 2006).

Accountability in CFs seem to be deficient when comparing to the corporate sector. As expressed by Brody (2002, p. 472), “the nonprofit sector’s claims to exist for the public good are no longer taken on faith”. Thus, philanthropic administrators are progressively required to exhibit convincingly their pledge to the public good using effective accountability systems (Unerman & O’Dwyer, 2006; Kreander, Beattie & McPhail, 2009). It is inevitable that there should be public concern when CFs receive significant funding or donations from the government or the public. Their concern is about the money being appropriately placed, or effectively and efficiently used. Since CFs constitute a group of stakeholders, it is essential that the CFs accept the obligation to reveal, explain and justify what they do and how they discharge their responsibilities. CFs are seen to demonstrate transparency when they decided to disclose financial information publicly without compulsory

requirements (Bradbury, 1992; Dellaportas et al., 2012; Morrison & Salipante, 2007; Vinten, 1997).

A watchful public is anxious about the execution of CFs following a series of greatly circulated cases involving managerial wrongdoing, misappropriation, self-dealing, and doubtful practices have prompted argument about the integrity of the CFs. This can be observed in developed country like the United States as symbolized by the Red Cross issues in the wake of 9-11, media examination of the financial intentions of certain non-for-profit credit counseling agencies and congressional investigation of nonprofit hospitals' charity care. According to Ospina, Diaz, & O'Sullivan (2002), in a changed charitable world that is comprised of progressively informed activist and mindful stakeholders, governing BOT and CFs managers are progressively obliged to be accountable for product and program results with its activity. This implies that the definition of accountability is widening to encompass measures of how well the institution is sustaining its mission and at the same time to be responsive to both its internal and external stakeholders (Cordery & Baskerville, 2007; Flack, 2007; Reddy et al. 2013; McCambridge, 2004; Unerman & O'Dwyer, 2006).

After having scrutinized the meaning of accountability and having reviewed the need for accountability, the following paragraphs proceed to explain how accountability could be manifested in CFs. According to Flack (2007), the yearly reports of public fundraising CFs have salient functional roles in giving

accountability information to members, in flagging quality, and in encouraging investment in the CFs who produce them. They also have representative or symbolic roles in signaling managerial competence and in encouraging affiliation.

Utilizing a field-based investigation, the study discovered that when CFs incorporate favourable financial accounting data, some contributors were bound to respond positively to a fundraising appeal. If CFs directly provides to the contributors with a summary of their financial reports without having them to pay for the information, the CFs could expect to receive donation almost three times as much from the contributors who have previously donated to them. (Parson, 2007).

In line with the above, donors who are external stakeholders to the CF need some form of information such as the CF's annual report which can be made accessible for them as a form of manifesting accountability. In addition, accountability is one aspect of the governance mechanism that should drive internal stakeholders in the execution of their tasks and be demanded by external stakeholders in the evaluation of those task. Thus, the following evidence from Flack's (2007) research provided that the annual report plays a role as a signal of managerial and governance competence.

The inclusion of the annual report helps to position the CF as a competent institution. Publishing an annual report may therefore be a legitimate way to seek for public funding as it may contribute to stakeholders' perceptions that the CF is

well managed, legitimate and trustworthy. In addition, the annual report has a role in communicating information about the mission, values and culture of the organization to some stakeholders. In essence, the CF's annual report has a story telling function that helps to propagate the ethos and cause for which the charity stands. Moreover, annual report is widely used by internal stakeholders in public fundraising charities as a prospectus-like document designed to provide information to potential 'investors' and/or donors of the CF.

In summary, the accountability of the CF's internal stakeholders is important, and all stakeholders can use the CF's annual report as the means to understand and monitor the CF's activities, operations, successes and failures. In fact, the annual report is increasingly being recognized as one of the most widely used tools with which organizations can account to their stakeholders (Davison, 2007; Samkin and Schneider, 2010).

2.8 A Summary of Variables/Constructs Identified Over the Recent Five Years

Having discussed the above and with the present literature search (references) indicated that the research on CFs spans multiple disciplines, from administration and management, governance and accountability, board, performance and performance measurement, finance and sustainability, trust and donation to collaboration or partnership. Table 2.1 below listed the variables/constructs which are popularly researched over the recent five years (2014-2018) pertaining to CFs. Based on the publication listed, most of the research

done had utilized dependent and independent variables in their frameworks. Only a few had utilized moderating or mediating variable in their research. By building from the past research, the present study employed the commonly used construct i.e. the BOT as the governance mechanism while extending the past research by incorporating a mediating variable (reputation) in this study.

Table 2.1 Summary of Variables/Constructs Identified During 2014-2018

Year	Author	Variables/Constructs		
		Independent Variable	Dependent Variable	Moderating; Mediating Variable
2018	Amin & Harris	Audit opinion	Stakeholders' response	-
2018	Hassan, Masron, Mohamed & Thurasamy	Trust	Donation	-
2018	Shumate, Fu & Cooper	Cross sector social partnership	Organizational capacity	-
2017	Alvarez-Gonzalez, Garcia-Rodriguez, Ray-Garcia & Sanzo-Perez	Business-nonprofit partnerships	Human Resource Management, Performance	Funding strategy
2017	Gamble & Beer	Spiritual practices	Performance measurement	-
2017	Pandey, Kim & Pandey	Mission statement attributes	Performance	-
2017	Roslan, Arshad & Pauzi	Reporting practices	Accountability	-

2016	Aulgur	Governance	Performance (effectiveness)	-
2016	Bruni-Bossio, Story & Garcea	Board governance	Performance	-
2016	Charles	Performance	Donation	-
2016	Chelliah, Boersma & Klettner	Internal and external contingencies	Governance effectiveness	-
2016	Lee	Governance (external)	Written policies	-
2016	Maurer	Board member	Effectiveness	-
2016	Moulvi & Nakhid	Funding sources	Charity growth	-
2016	Omar, Arshad, Samad & Ismail	Board characteristics	Effectiveness and accountability	-
2016	Weisinger, Borges-Mendoz & Milofsky	Diversity	Structure of organization	-
2016	Woerrlein & Scheck	Terms & definition	Performance management	-
2015	Benjamin & Campbell	Frontline work, relational work, adjustment work and co-determination work	Performance	-
2015	Chokkalingam & Ramachandran	Donor's perception on Code of Governance		-

2015	Coule	Governance	Accountability	-
2015	Lee & Nowell	Measurement framework	Performance	-
2015	Liket & Maas	Financial ratio	Effectiveness	-
2015	Prentice	Accounting/ Financial ratio	Performance measurement	-
2015	Waniak-Michalak & Zarzycka	Financial and non-financial information	Donation	-
2015	Willems, Jegers & Faulk	Satisfaction	Effectiveness reputation	Trust
2014	Viader & Espina	Board's roles	Governance practices	-
2014	Buse, Bernstein & Bilimoria	Board diversity	Governance practices	-
2014	Harris, Petrovits & Yetman	Governance	Donations	-
2014	Harris	Diversity	Performance	-
2014	Othman & Ali	Internal control and supervision	Accountability and transparency	-
2014	Willems, Boenigk & Jegers	Tradeoffs	Performance and effectiveness measurement	-

2.9 The Performance of Charity Foundation

Measuring performance of CFs is not as direct as measuring the performance of COs. One of the reasons is due to the fact that the CF status itself limits the accuracy of relying strictly on financial performance indicators. Moreover, the ambiguous nature of objectives held by CFs mitigates universal criteria. Nevertheless, Herman and Renz (1997) and Forbes (1998) have done a detailed study in understanding CFs' performance. Consequently, Brown (2005) contended that the assessment of a CF performance is achieved by developing a reasonable set of criteria and engaging with various knowledgeable individuals to provide their perceptions on the organization's accomplishments. This was also the strategy used by Nobbie and Brudney (2003) to assess goal attainment in organizations that had implemented policy governance practices.

According to the past literature, there are various studies that have focused on the importance of the performance measurement use for the CFs ("Barman, 2007; MacIndoe & Barman, 2012; Poole, Nelson, Carnahan, Chepenik, & Tubiak, 2000") while there were studies focus on the assessment tools in addressing CF performance measurement such as logic models (Hatry, Houten, Plantz, & Taylor, 1996; Russ-Eft & Preskill, 2009; Valley of the Sun United Way, 2008; W.K. Kellogg Foundation, 2004).

Alternatively, financial indicators can be used to evaluate a CF's performance as adopted by Ritchy and Kolodinsky (2003) who have reviewed

several financial performance measures for CFs and suggested three additional ratios which are viable performance indicators for CFs i.e. fundraising efficiency, public support and fiscal performance. In fact, there are multiple assessment strategies: Green and Griesinger (1996) used researcher's judgments, accreditation records and judgments of executives and board members in sixteen CFs, while Herman and Renz (1997) used judgments of multiple constituents on sixty-four CFs. Jackson and Holland (1998) used total revenue, annual operating budget and financial reserves as measures of financial performance while Olson (2000) used total revenue and gift income. Somehow the measure of budget size or revenue is tricky because they reflect the biasness that larger CFs are more successful which may not necessarily be accurate. However, according to Cornforth and Simpson (2002), larger CFs do tend to have larger BOT and more formalized BOT practices: job descriptions which may contribute to more effective BOT practices.

Having reviewed how a CF's performance might be measured, the following paragraphs discuss the importance of measuring a CF's performance. In spite of the enormous contribution of charitable giving, there were signs of unhappiness among the donors with the performance realized by CFs. For example, in a research carried out in the Netherlands by the Dutch Institute for Public Opinion and Market Research (NIPO, 2003), the large majority of charity supporters would like to know more about what happens with their donations. In another research by Dart (2004), CFs are required to be “more business-like in their operation and attitude” which

directly resulted concerns among the donors particularly on their requests for more detail on how their money being spent.

Meanwhile, in an Internet survey by United Way of America (2005), it was reported that evidence lack of trust on the part of the respondents, the primary reason, indicated by 71 percent of respondents, was that the donors “don’t know how charities spend their money”. In the UK the situation is almost the same. For example, in a survey carried out by Media Trust (2001), the result provided that more than 70 percent of individuals indicated that by receiving independent details regarding the CF’s success will encourage them to donate more willingly. From the survey it was also discovered that more than 65 percent individuals highlighted a CF success ranking is necessary.

Consequently, in the charity sector, CFs are moving to display that they are accountable and achieved their goals and mission instead of promoting assurance to their donors. (Hyndman & McConville, 2018; “Kendall and Knapp, 2000; Lipsky and Smith, 1989”). As a result, more than ten years ago, many individuals have realized the importance of CF’s transparency and the quantification of CF’s performance. Building on past research, four major reasons are attributable to the change in this trend.

Firstly, the quantity of donor’s wealth have been reduced due to the tumbling of the stock market and poorer financial market performance. Secondly,

the emphasis on utilization of performance measurement to determine the allocation of funds resulting from the appearance of venture philanthropy. Thirdly, the significance of performance measurement in the corporate sector has been extended to the charity sector as more and more experienced individuals from the corporate sector are entering into the non-for-profit field. Finally, officials from the government are noticing that they need to give more attention to charity sector as it is becoming more important. As a matter of fact, though it is more challenging to measure performance of CFs compare to measuring performance of COs, performance of CFs is undeniably gaining more importance (Dart, 2004; Harrow, Palmer & Vincent, 1999; Little, 2005; Wainwright, 2003).

Having discussed the need to know performance in CF, the following paragraphs proceeded with how performance were measured in CFs. In the corporate sector which applied accounting standards, financial ratios were commonly used to measure performance in an organization. Similarly, financial indicators can be used to evaluate CF performance as adopted by Ritchy and Kolodinsky (2003) who had reviewed several financial performance measures for CFs and suggested three additional ratios which were viable performance indicators for CFs i.e. fundraising efficiency, public support and fiscal performance, while Callen et al., (2003) used organizational efficiency to measure CF performance. A decade later, Reddy et al., (2013) used technical efficiency, allocative efficiency and quick ratio to measure performance while Prentice (2015) used liquidity, solvency, margin & profitability to measure performance.

In the much earlier research by Jackson and Holland (1998), total revenue, annual operating budget and financial reserves were used as measures of performance while Olson (2000) used total revenue and gift income to measure performance. Somehow the measure of budget size or revenue is tricky because they reflect the biasness that larger CFs are more successful which may not necessarily be accurate. However, Conforth and Simpson (2002) argued that larger CFs do tend to have larger BOT and more formalized BOT practices e.g. job descriptions which may contributed to more effective BOT practices thus more successful.

Though financial ratios are the principal ways to measure performance in the corporate sector, non-financial indicators may be more appropriate to measure performance in the charity sector. This is because CF operates in the consequence of the non-distribution requirement unlike corporate sector. In fact, there are a variety of methods in assessing performance in a CF. In much earlier research, Green and Griesinger (1996) used researcher judgments, accreditation records and judgments of executives and board members in sixteen CFs while Herman and Renz (1997) used judgments of multiple constituents on sixty-four nonprofit organizations. Nobbie and Brudney (2003) and Moxham (2009) used goal attainment while Hills & Sullivans (2006) used public value accomplishment to assess performance. In more recent research, Bagnoli & Megali (2011) used inputs, outputs and outcomes to evaluate performance while Harrison & Murray (2015) used perceived performance on board.

Since there is no one particular measure of performance for CFs, in this study, the researcher had chosen to measure the performance of CFs through both financial performance and perceived performance consistent with the social purpose of the charity sector. Financial performance is measured by using the change in overhead ratios (COHR), the change in total contributions (CTC) (Kirk & Nolan, 2010) and the net contribution (NetC) (Collum et al. 2014; Harris, 2014). The current researcher modified the three indicators calculated an average for each of the financial indicators to make the analysis more meaningful.

2.9.1 The Relationship between Composition of the Board of Trustees and Performance of Charity Foundation

Past studies had found that the composition of a CF's BOT determines its effective performance in both monitoring and advising. Nevertheless, as each CF has non-identical needs and structures which depends on the foundation's peculiarities and the environment in which it operates, this makes it impossible to propose an optimal BOT composition for each CF (Bradshaw, Murray & Wolpin, 1992; Cornforth, 2001; Miller- Millesen, 2003; Pearce & Zahra, 1992). In addition, the ideal BOT's composition also relies on the CF's internal and external foundational eventualities, such as its set-up, the complexity of the foundation or the association between its management and BOT (Andres-Alonso et al., 2009). If a CF's board is too small, its members may be overworked and unproductive; and if it were too large, every member may not have the opportunity to participate actively. Hence, every CF's board needs a sufficient range of expertise to accomplish the institution's mission.

In another research, Callen et al. (2003) also found that the efficiency of the CF in paying out donations to their intended recipients was determined by the presence of donors on the CF's BOT who played an important factor in monitoring. Whether the donors played an active or passive role in actual monitoring, the effects may be positive. For instance, executive staff would be more concerned regarding issues probably to be important to donors, such as the percentage of administrative to direct charitable expense, with the mere presence of a major donor on a CF's board. Using the proportion of direct charitable expense against total expense, it was found that there was a significant positive association between the presence of major donors on large US charity boards and organizational efficiency. Several years later, the same researcher, Callen et al. (2010) also found that donor representation on the board was expected to be positively associated with performance from both the agency and the resource dependence perspectives.

However, in Andres-Alonso, Martin Cruz and Romero-Merino's (2006) sample of forty-one Spanish non-governmental development organizations between 1995 and 2001, no significant relationship was discovered between the CF's board's composition and functioning (in terms of size, relative number of outsiders, rotation of board members, presence of an executive committee, minimum number of board meetings per year, organization's founder being a board member) and technical efficiency (measured as the share of administrative costs in total costs).

With reference to the studies discussed in the above sub-section, the following hypothesis was developed:

H₁: BOT composition has a significant positive association with performance of OKU CFs.

2.9.2 The Relationship between the Function of the Board of Trustees and Performance of Charity Foundation

In the early millennia, Olson (2000) who studied the relationship between CF's BOT characteristics and gifts found a significant positive relationship between the CF's board size and total gifts. He noted that charity boards had two roles - a monitoring role similar to that of corporate boards, and a resource acquisition role. His findings were that with larger boards, a CF has more outside contacts and thus the ability of functioning more effectively in helping the organization to obtain resources.

Since an important mechanism for monitoring role in a CF is the BOT, according to Fama and Jensen's (1983) view, major donors on charity boards monitor the institution in ways that are parallel to large shareholders on corporate boards. They maintained that major donors are essential in monitoring the efficiency of CFs. Meanwhile, Brown (2005) found that the board's role in ensuring the adherence to mission, values and existence was positively correlated with perceptions of organizational performance. He also contended that better performing organization tend to have boards that provide guidance.

In a more recent quantitative study using online survey by Cumberland, Kerrick, D'Mello and Petrosko (2015), they found that the four roles (monitoring, supporting, partnering and representing) played by charity board was associated with effective organizational performance. In addition, when the supporting and monitoring roles increase, this will improve board members' perceptions of organizational effectiveness.

Arising from the above review and findings, the following hypothesis was generated:

H₂: BOT function has a positive significant association with performance of OKU CFs.

2.9.3 The Relationship between the Accountability of the Board of Trustees and Performance of Charity Foundation

Past empirical studies have shown that there is association between the accountability and charity BOT. For example, in a qualitative research by Holland (2002), he contended that the accountability of charity BOT was not just working well and ordering others to be accountable. Accountability was demonstrated by guiding their CF and providing evidence which warrant the internal and external trust. In doing so, it leads the CF to strong performance and solid credibility.

In another research by Akingbola (2006), it was argued that charity BOT had the overall responsibility and accountability for an organization's strategic

direction and performance while in Costa, Ramus and Andreus (2011) empirical study, they had examined how the accountability system can affect the effectiveness and the mission achievement of CFs.

Meanwhile, from the donors perspective whom may be external parties, according to Connolly and Hyndman (2013), the provision of financial and non-financial information was important to the donors and it was seen as a major part of discharging accountability which may reduce potential scandal in CFs and consequently increase confidence among donors and thus promotes increased giving and charitable activity.

Based on the above review and findings, the following hypothesis was derived:

H₃: BOT accountability has a positive significant association with performance of OKU CFs.

2.10 The Reputation of Charity Foundation

Reputation plays an important part in the market and may be regarded the most precious asset in the corporate sector. This is for the reason of reputation can decide why some clients pick one brand over another and who they trust. Therefore, a great reputation has the effect between the achievement and disappointment of an institution and its significance ought not to be underestimated (Kong & Farell, 2010).

Of late, former research on the nonprofit sector have demonstrated that there has been a decrease in the degree of confidence in CFs. It was also demonstrated that some of the methods appealing for funds utilized by CFs make the public feel awkward. In order to continue and survive into the future, CFs must be trustworthy, upright and reliable as they depend on the kindness and compassion of donors. Thus, a solid reputation is indeed crucial to accomplishing the mission of CF and its goals (Handy, 1995).

Reputation needs to be measured because when it comes to encouraging giving to CFs it appears logical to presume that possessing a solid reputation will assist donations and fundraising endeavors and, therefore, it can be presumed that a CF's donations are probably to be associated with its reputation. In spite of some may contend that it may not be totally feasible to control reputation as it is subject to how you are seen by others, the researcher is convinced that by ascertaining reputation it is feasible to investigate whether reputation is mediating the independent variables (composition, functioning and accountability) in impacting the dependent variables (financial performance and perceived performance). Accordingly, CFs can modify their BOT composition, functioning and accountability to position with the requirements of stakeholders, including what drives benefactors and eventually assisting CFs in their financing and performance (Kong & Farell, 2010).

Reputation can be improved. In fact, Fama and Jensen (1983) thought CFs needs higher internal benchmark due to the absence of a market discipline. The products and services are complicated and CFs are deficient of a performance assessment guide such as profitability, which requires board governance expertise be very high (Oster, 1995). Reputation of CF will improve with good board governance and also is in line with the public expectations. In addition, according to McCambridge (2004), it is not the management that is eroding public confidence in the charity sector but governance. CFs will suffer more than their reputations if the honesty and uprightness of governance systems cannot be reinstate. As Jeavons (1992) said, nonprofits may discover “the very existence of their organizations threatened, because the privileges and support on which they depend for survival could be withdrawn as the result of public disappointment” (p. 416).

Arising from the above review and findings, the following four hypotheses were generated:

- H4:** Charity reputation mediates the association between BOT composition and performance of OKU CFs.
- H5:** Charity reputation mediates the association between BOT function and performance of OKU CFs.
- H6:** Charity reputation mediates the association between BOT accountability and performance of OKU CFs.

H7: Charity reputation has a positive significant association with performance of OKU CFs.

2.11 The Research Framework

The theoretical framework underpinning this study drew on three major theories: the Stakeholder Theory, the Resource Dependence Theory, the Stewardship Theory and the Agency Theory which had been explained earlier in section 2.5. Figure 2.1 illustrates the research framework for this study based on the past literature reviewed above.

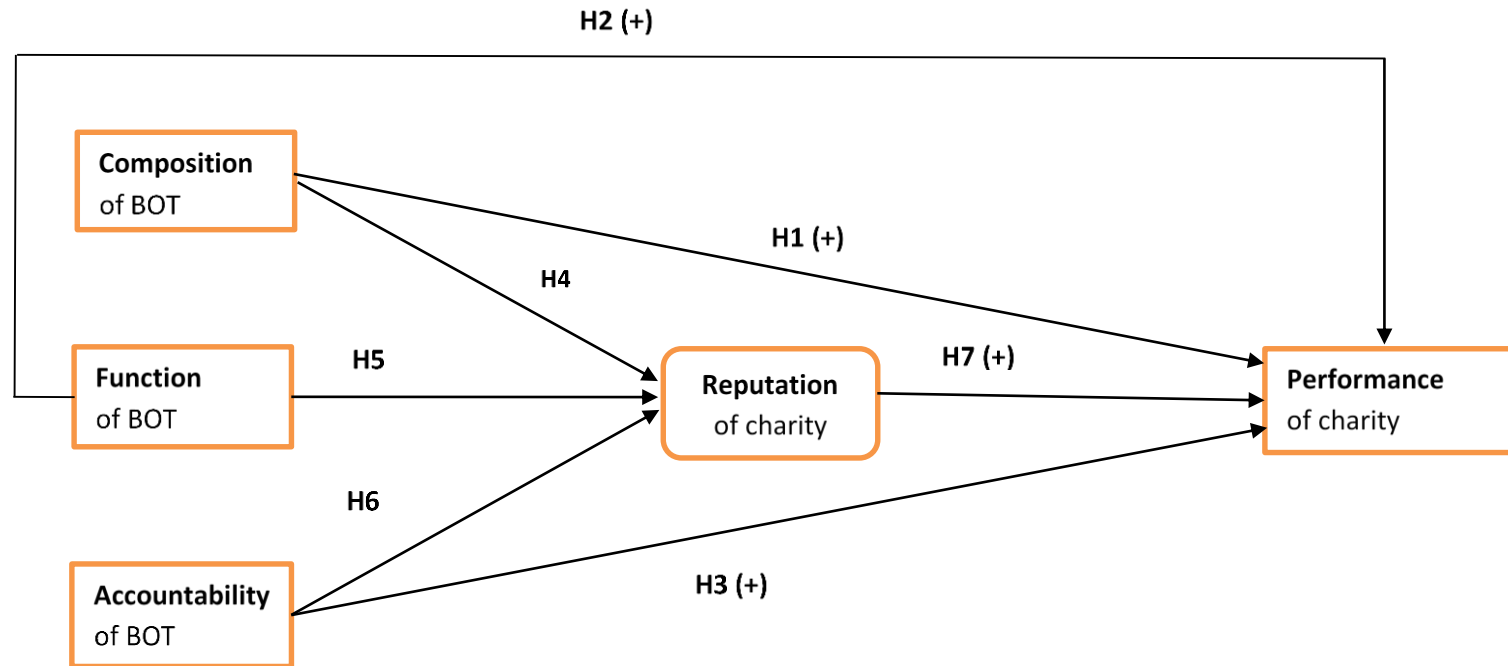


Figure 2.1 Research Framework

2.12. Summary of Hypotheses

This section summarized all the seven hypotheses developed from the review of past literature for the present study. The hypotheses are presented as follows:

H₁: BOT composition has a positive significant association with performance of OKU CFs.

H₂: BOT function has a positive significant association with performance of OKU CFs.

H₃: BOT accountability has a positive significant association with performance of OKU CFs.

H₄: Charity reputation mediates the association between BOT composition and performance of OKU CFs.

H₅: Charity reputation mediates the association between BOT function and performance of OKU CFs.

H₆: Charity reputation mediates the association between BOT accountability and performance of OKU CFs.

H7: Charity reputation has a positive significant association with performance of OKU CFs.

2.13 Chapter Summary

Having examined and reviewed past literature in relation to governance in the charity sector, the present researcher identified a few areas in the literature that warranted further research. Past studies had examined the CF's BOT through composition, function and accountability as an internal governance mechanism, and how each aspect of the BOT is related to CF's performance, separately. Thus the research framework for this study which was built upon the Stakeholders Theory, the Resource Dependence Theory and the Stewardship Theory, considers all three constructs simultaneously; with the reputation construct of the CF included as the mediator, to understand its effect on all the three aforesaid constructs and the performance of CFs. The relationships between and amongst the constructs included in this study were discussed which led to the development of the seven hypotheses for this study.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter discussed the research methodology employed. It began with a detailed discussion on the research design and operationalization of variables, followed by sources and collection of data, population and sampling procedure. Explanation on the questionnaire administration and ethical issues ensues thereafter. The validity and reliability tests involved in this study were presented and the type of data analysis chosen for this study was explained. This chapter concluded with a chapter summary.

3.2 Research Design

The purpose of this research was to examine whether governance influences the performance of CFs in Malaysia by determining if there was an association between governance and the performance of CFs in Malaysia. Specifically, this study wanted to find out whether the BOT being one of the main groups of internal stakeholders governing, directing and controlling the CF and has responsibility to the beneficiaries (users), donors and regulators influence charity performance (Donaldson & Preston, 1995; Hyndman & McDonnell, 2009). The researcher would like to examine if the current performance of CFs was associated with the BOT in CFs.

This study employed a combination of both exploratory and descriptive methods. An exploratory investigation was attempted for this research since very little was known (Cooper & Schindler, 2008; Uma, 2003) about the circumstance of CFs in this nation with respect to the BOT and charity performance. In addition, this method of study was employed to comprehend the nature of the problem surrounding BOT and CFs in Malaysia. Moreover, the researcher would like to have a good understanding of the phenomena of interest through the hypothesis testing that describe the relationship between the independent variables (composition, function and accountability) and the dependent variables (charity performance). A mediator variable (reputation) was also included in this study. The investigation employed established the correlations between the independent and the dependent variables which involve seven cause-effect hypotheses testing through the mediator variable (Alexander & Lee, 2006; Hair, Black, Babin & Anderson, 2010).

To complement the exploratory study, a descriptive study was also undertaken in order to determine and explain the characteristics of the variables of interest i.e. composition, function, accountability and reputation in this research. Through the presentation of data in a meaningful way, a descriptive study will help the researcher to (1) understand the characteristics of the BOT in the CFs under study, (2) analyze about certain aspects in a given condition (3) extend ideas for further exploration and (4) offer certain simple decisions-making (Uma, 2003).

After considering the research objectives, framework and hypotheses that were developed in the earlier chapters, the quantitative research method was employed to explain the phenomena of interest in this study with the use of statistics and hypotheses testing. The current researcher wanted to examine if there is a link between governance and charity (perceived) performance and whether reputation mediates the independent variables to influence the dependent variable. Using questionnaire to collect data which were highly structured and consistent, the data can be analyzed statistically to determine the strengths of the relationships in terms of multivariate data analysis. Moreover, the three clearly defined research questions developed in this study to which objective answers were sought attempt to confirm seven hypotheses. Therefore, quantitative method would best apply to this research problem.

In addition, past research in this area had been predominantly quantitative (Brown & Guo, 2010; Callen et al, 2003; Dellaportas et al, 2012) although some prior studies had been carried out through qualitative method i.e. ethnography, case study and semi-structured interview (Connolly & Hyndman, 2013; Cordery & Baskerville, 2011; Morrisson & Salipante, 2007; Moxham, 2009; Saj, 2013).

3.3 Sampling Procedure

Sampling is a technique of choosing a sub-group from a population to participate in the study as it is virtually impossible to study every individual (CF in this study) in the target population. Broadly speaking, there are two major sampling

procedures in research, i.e. probability and non-probability sampling (Cooper & Schindler, 2008; Uma, 2003).

3.3.1 Population

The population of CF for this research were extracted from ROS who maintains records of these institutions. In Malaysia, all registered CFs are classified into seven sub-categories according to their objectives. The seven sub-categories are *orang kurang upaya* (OKU or person with disability), *warga emas* (elderly person/ senior citizen), *kanak-kanak* (children), *pusat jagaan* (care centre), *ibu tunggal* (single mother), *kebajikan ahli* (member's welfare), and *kebajikan masyarakat* (community's welfare). Out of the seven sub-categories of CFs, the researcher selected the category of *persons with disability (OKU)* because this was the original intention of the researcher to find out whether there is relationship between the BOT and charity performance mediated by charity reputation.

There are a total of 252 registered OKUs in this country as at October 2014. Out of this total, 92.8% OKUs are located in the West (Peninsula) Malaysia while only 7.2% OKUs comes from Sabah and Sarawak. Perak, Pulau Pinang and Selangor consisted of more than 10% of registered OKU institutions while all the other states have less than 10% registered OKU institutions. The following Table 3.1 summarized the number and percentage of registered OKUs in the country.

Table 3.1 Registered OKUs in Malaysia as at October 2014

States	Number of OKUs	Percentage (%)
Johor	21	8.3
Kedah	21	8.3
Kelantan	10	4.0
Melaka	8	3.2
Negeri Sembilan	11	4.4
Pahang	9	3.6
Perak	37	15.0
Perlis	3	1.2
Pulau Pinang	32	13.0
Sabah	7	2.8
Sarawak	11	4.4
Selangor	52	21.0
Terengganu	5	2.0
Wilayah Persekutuan	25	9.9
Total	252	100%

Source: Registry of Society, Malaysia

3.3.2 Unit of Analysis

For the purpose of this study, only one sub-category of CFs in Malaysia i.e. people with disability (OKU) had been selected and the current researcher was

interested in delineating the important variables associated with charity performance. The reasons for selecting this sub-category of charity were as follows:

Firstly, there was an increasing trend of registration of persons with disability from 2010-2014 (DOS Malaysia, 2016). It was hoped that the information and insights generated from this study would provide some contributions necessary for policy formulation and strategic planning in the area of disability from the regulatory perspective as well as the institution's perspective.

Secondly, with the rising trend of registered persons with disability, there are more and more OKUs in Malaysia which often request for donations toward their worthy cause. However, this voluntary sector has been portrayed as poorer governance which led to doubt and public expectation of greater accountability and transparency. Thus, it is utmost important that OKUs perform to instill confidence in their stakeholders (especially donors) that funds received were not misused and the beneficiaries' needs were met. The lack of accountability in CFs formed a basis in selecting OKUs as explained in Chapter 1 under problem statement.

Finally, it is the present researcher's intention to learn about the governance mechanism in OKUs as there is still very limited research done in this sub-category of CFs in Malaysia. By selecting OKUs only allows the present researcher in the course of trying to learn, to actually observe, collect and measure the governance mechanism (BOT) as the driver of performance in OKUs which was reflected

through the research problem. It was also the objective of this study to see how governance is relevant in OKUs towards its performance.

3.3.3 Sampling Frame and Location

Primary data was collected from OKUs due to the lack of secondary information database for CFs in Malaysia (Andres-Alonso et al., 2009). This was done by using survey questionnaires which were mainly sent through email, postal mail and telephone calls to collect primary data because the appropriate respondents were located throughout the country. Data were collected from the registered OKUs throughout Malaysia over a period of eight months from October 2014 to May 2015.

3.3.4 Sampling Technique and Size

Using nonprobability purposive sampling technique (Cham, Lim, Cheng & Lee, 2016; Cooper & Schindler, 2008; Lim, Cheah, Chiam, Ting & Memom, 2020; Uma, 2003), this study included all 252 OKU institutions throughout Malaysia. The rationale for using this sampling method was due to the consideration about the individual that the questionnaire should be directed to. Since the questionnaire needed to be answered by a key person such as the BOT's secretary or manager, who was seen as a key informant and capable to provide quantifiable data on characteristics of their institution and qualify to speak on their behalf. They must be someone in a senior position, who assist and know the work of the BOT as well (Bryman, 1989). By including all of the OKUs in this study, a total population sample was created (Etikan, Musa & Alkasim, 2016; Teddlie & Yu, 2007).

3.4 Operationalization of the Variables

The process of defining variables into measurable factor is called operationalization. In this process, fuzzy concepts (latent variables) are measured empirically and quantitatively (Hair et al., 2010). By clearly defining each variable, operationalization will increase the quality of the results and improve the robustness of the design. In the process of defining a certain variable, prior and existing literature can be used provided the literature had sufficient support and discussion. In the event the support from previous research on the topic is insufficient, the researcher would need to develop new variable measurement. Researchers are recommended to adopt the existing variables from prior study as it could strengthen the reliability and validity aspects of the variables measurements (Hair et al., 2010). Thus, the following steps were taken by the researcher in order to obtain a reliable measurement scale items for the purpose of this study.

Initially, the researcher carried out a substantial review of literature on research relating to governance in non-profit organizations to identify the initial measurements for the latent variables. After identifying BOT as one of the governance mechanism, the researcher decided to review further accountability, composition, function, reputation and performance in non-profit organizations as these were the latent variables that were included in the study.

Thereafter, the researcher carried out two interviews with the staff from ROS to obtain a better understanding of the charity (non-profit) environment in

Malaysia from setting up (registration) the institution to the regulation governing the institution in terms of monitoring and control.

Finally, the researcher adapted and modified the measurement variables that were used in past research but related to the objective of this study. The following sections discussed the measurement of the latent variables in this study.

3.4.1 Composition of the Board

Given the enormous responsibility and authority to make decision, it is absolutely fundamental to have the right composition of leaders on charity board. In the absence of the right people around the table, it is difficult for any charity board to provide effective leadership which ultimately contributes to performance towards the institution.

From the past literature, researchers measured the composition of the charity board using board diversity, internal contingency and organizational structure (Andrés-Alonso et al., 2009; Callen et al, 2003; Harris, 2014; O'regan & Oster, 2005). A diversified board have different qualities or characteristics (Gazley, Chang & Bingham, 2010). Internal contingency is closely related with complexity, structure and board-managers relationship of the CF (Andrés-Alonso et al., 2009). While organizational structure is the system that outlines how certain activities are directed in order to achieve the goals of the CF, these can include rules and

responsibilities which determines how information flows from level to level within the institution.

In the present study, the first independent variable - composition was represented by nine items in Part B of the survey questionnaire. Close-ended questions were employed to measure this independent variable. This was to encourage higher response rates when respondents didn't have to type/write so much (Zikmund, Babin, Carr & Griffin, 2010). All the items used to measure composition of the board were adapted and modified from Callen et al. (2003), Cornforth (2001), Andrés-Alonso et al., (2009) and Jackson and Holland (1998). The answers provided were converted into a percentage or ratio to make it meaningful. Table 3.2 provided the items that measured the composition of the BOT in the present study.

Table 3.2 Composition of the Board of Trustees Questions

No.	Original Item	Modified Item
1	How many board members have a professional skill that is useful to the organization (such as an attorney)?	How many board members have some business (industry) or professional experience?
2	Approximately what percentage of the Board members serve on the Board of Directors of for-profit organizations?	How many board members serve on the Board of Directors <i>for-profit</i> organizations?
3	How many board members are financial supporters of the organization?"	How many board members are donors (financial supporters) of the current charity institution?
4	Does your nonprofit organization currently have a governing volunteer board of directors?	How many board members are independent of the current charity institution?
5	-	How many board members are founders of the current charity institutions? [added]
6	How many Board members are currently staff employee of the organization?	How many board members are currently paid employees of this charity institution?
7	Does your nonprofit organization currently have a governing volunteer board of directors?	How many board members are currently volunteers of this charity institution?
8	In the last 12 months, which of the items below best describes how many times your Board had meetings?	In the last 12 months, how many times your board had meetings?
9	What types of committees does your Board have? Please check all that apply.	What types of committees does your board have? Please [<input checked="" type="checkbox"/>] all that apply.

Note: Adapted from Callen et al. (2003); Conforth (2001); Andrés-Alonso et al., (2009) and Jackson and Holland (1998).

3.4.2 Function of the Board

In a CF, the BOT are the fiduciaries who steer the institution by ensuring the charity is fulfilling its obligation through overseeing and evaluating the operation and management of the institution, at the same time making sure the CF has sufficient resources to advance its mission.

Scholars have conducted researches detailing functions of charity boards. For example, Iecovich (2004) classified the functions of board into four areas – senior human resource management; maintenance of relationship with task environment; policymaking; and fiscal management and fundraising, while, Renz (2000) classified the functions of board into duty of care, duty of loyalty and duty of obedience. Meanwhile, Guan (2003), considered that the basic functions of a board should include policymaking, plan development, budget and financial monitoring, fundraising, selecting and dismissing executives, and being a bridge to the community. Liu (2010) made a comparison of charity board's functions between United States and China and found that the charity boards in US are more active than the charity boards in China.

In this study, the function of charity board were measured using eight items. 5-point Likert Scale questions were employed for all the eight items. A 5-point Likert Scale was used to increase the response rate and the response quality along with reducing respondents' 'frustration level' and confusion (Babakus & Mangold 1992). Moreover, research confirmed that data from Likert items (and those with

similar rating scales) becomes significantly less accurate when the number of scale points drops below five or above seven (Johns, 2010). This was the reason why the researcher chose 5-point Likert scale.

All the items used to measure function of the BOT were adapted and modified from Brown (2005), Cornforth (2001) and Jackson & Holland (1998) to suit the current research. Table 3.3 provided the items that measured the independent variable, function of the BOT in this study.

Table 3.3 Function of the Board of Trustees Scale Items

No.	Original Scale Items	Modified Scale Items
1.	The board has conducted an explicit examination of its roles and responsibilities.	The board members have a clear understanding of its roles and responsibilities.
2.	The board and management share a common vision of how it should go about achieving its goal.	The board members share a common vision of how it should go about achieving its mission (goal).
3.	The board sets clear organizational priorities for the year ahead.	The board members set clear charity priorities for the year ahead.
4.	This board communicates its decisions to all those who are affected by them.	The board members communicate its decisions to all the staff in the charity institution.
5.	-	The board members are actively involved in fundraising of the charity institution. [added]
6.	The board members are actively involved in overseeing the financial management of the organization.	The board members are actively involved in overseeing the financial management of the charity institution.
7.	-	The board members are actively monitoring the charity institution's activities/programmes.
8.	Volunteers are recruited and trained to performed a variety of functions in the organization	The board members take actions to recruit new staff or board member (volunteers or paid) whenever required to ensure adequate human resource.

Note: Adapted from Jackson and Holland (1998); Cornforth (2001) and O'regan and Oster (2005).

3.4.3 Accountability of the Board

Accountability refers to “the principle that individuals, organizations and the community are responsible for their actions and may be required to explain them to others” (Benjamin et al., 2006). Thus, a CF must provide to the public and their stakeholders with information on their mission, program activities, leadership, and finances. They have an obligation to be accessible and responsive to anyone interested in the institution.

In this study, seven items were used to measure the accountability of the board. These seven items were conceptualized and adapted from past literatures (Cornforth, 2001; Dellaportas et al., 2012; Ebrahim, 2003; Morrison & Salipante, 2007). Items were changed accordingly to match the present study and local environment. Similar to measuring the function of the board, 5-point Likert Scale questions were employed for all the seven items. Table 3.4 provided the items that measured the independent variable, accountability of the BOT in this study.

Table 3.4 Accountability of the Board of Trustees Scale Items

No.	Scale Items
1.	The charity institution maintains a written and accessible mission statement and policies.
2.	The charity institution prepares and maintains financial reports which are accessible for the public.
3.	The financial reports of the current charity institution are fully audited.
4.	The charity institution complies with the submission of financial reports to regulator being the Registrar of Society (ROS).
5.	The charity institution complies with the submission of financial reports to regulator being the Inland Revenue Board (IRB).
6.	The charity institution provides regular information to members/public through newsletter or website updates, etc.
7.	The charity institution regularly updates members and stakeholders regarding their development plans/ programs/ activities.

Note: Items were formed based on Ebrahim (2003); Hooper, Sinclair and Hui (2008); Kearns (1996); Kirk and Nolan (2010) and Monika (2010).

3.4.4 Reputation of Charity

In any organization and establishment, reputation is of significant importance as it is the most valuable asset of the entity. The reason to explain this is reputation can ascertain why donors select one CF to support over the other, who they belief and what basis or campaigns they will support. Thus, reputation is identified as a mediating variable in CF as it will impact the relationship between governance mechanism and charity performance (Kong & Farrell, 2010; Radbourne, 2003; Sarstedt, 2010).

In this study, reputation is measured by four items adapted and modified from Brown (2005), Cornforth (2001) and Jackson & Holland (1998) to suit the current research. Similar to measuring the independent variables i.e. composition, function and accountability, this mediator variable, reputation also employed 5-point Likert Scale questions for all the four items. Item 1 asked about recruitment of appropriate staff for charity's needs while item 2 asked about whether the charity received appreciation from beneficiary or stakeholder. Meanwhile item 3 asked if the charity always achieve its mission and item 4 asked if the charity is viewed positively by its stakeholders. Table 3.5 provided the items that measured the mediating variable, reputation of the charity in this study.

Table 3.5 Reputation of Charity Institution Scale Items

No.	Original Items	Modified Items
1.	Volunteers are recruited and trained to perform a variety of functions in the organization.	The charity institution always recruits appropriate staff according to charity's needs.
2.	-	The charity institution frequently receives appreciation from serviced recipient/members/stakeholders.
3.	-	The charity institution always achieves its mission/objective.
4.	-	The charity institution is viewed positively by its stakeholders.

Note: Items were adapted and modified from Brown (2005), Cornforth (2001), Jackson and Holland (1998), Kong and Farrell (2010), Radbourne (2003), Sarstedt (2010).

3.4.5 Performance

According to Warren Buffett (1983), “We feel noble intentions should be checked periodically against results”. Thus, it is vital to measure performance in CF. In the corporate world, financial data and ratios are the principal ways to measure an organization performance. In the charity environment, nonprofit researchers had used a variety of performance dimension to measure charity performance i.e. efficiency, effectiveness, network/institutional legitimacy, outcome/output and accounting/financial ratios. Table 1.3 in Chapter 1 provided some of the performance dimensions.

In this study, the researcher divided the endogenous construct - charity performance into two variables i.e. financial performance and perceived performance. Financial performance was measured by adapting and modifying Bowman (2006) using overhead ratio (OHR) and total contribution (revenue). Table 3.5 below provided Bowman’s method and the modified method.

Firstly, the researcher calculated Overhead Ratio (OHR) by using the general (overall) expenses to divide total contribution (revenue) for a period of five years i.e. year 2009 to year 2013. The fundraising expense in the numerator was excluded in calculating OHR since a majority of the CFs did not segregate the fundraising expense from general expenses from the response provided in the pilot test carried out on 30 CFs. Then, the researcher calculated the change in OHR (COHR) to determine the growth or decline of OHR from year to year.

Subsequently, the average change of OHR (AvgCOHR) was calculated as the first item to determine financial performance.

The justifications for using OHR are firstly, it is a common measurement of efficiency. Moreover, the availability of this financial data will not be an issue despite the data is collected through questionnaire survey (Kirk & Nolan, 2010). In addition, by calculating the growth or decline of OHR from year to year has the potential to capture more information in terms of the charity board's efforts. Secondly, the researcher calculated the change in total contribution (CTC) over a period of five years. The total contribution ranges from year 2009 to 2013. Then, an average for the change in total contribution (AvgCTC) was calculated as the second item to determine financial performance.

The justification for calculating the growth or decline in total contribution from year to year indicates that CFs which are accountable, trustworthy and effective tend to receive more public support and government contributions (O' Neill, 2009; Iwaarden, Wiele, Williams & Moxham, 2009). Table 3.6 provided the financial performance measure of CFs in this study.

Table 3.6 Financial Performance Measure

Bowman's Method (2006)	Modified Bowman's Method
Overhead Ratio:	Overhead Ratio:
$\text{OHR} = \frac{\text{General Expenses} + \text{Fundraising Expenses}}{\text{Total Revenue}}$	$\text{OHR} = \frac{\text{General Expenses}}{\text{Total Revenue}}$
Changes in Overhead Ratio:	Changes in Overhead Ratio (same formula):
$\text{COHR} = \text{OHR}_{Y2} - \text{OHR}_{Y1}$	$\text{COHR} = \text{OHR}_{Y2} - \text{OHR}_{Y1}$
	Average Change in Overhead Ratio:
	$\text{AvgCOHR} = \text{Total COHR} / 4 \text{ years}$
Change in Contribution:	Change in Contribution (same formula):
$\text{CIC} = \frac{\text{Total contributions}_{Y2} - \text{Total Contributions}_{Y1}}{\text{Total contributions}_{Y1}}$	$\text{CIC} = \frac{\text{Total contributions}_{Y2} - \text{Total Contributions}_{Y1}}{\text{Total contributions}_{Y1}}$
	Average Change in Total Contribution:
	$\text{AvgCTC} = \text{Total CIC} / 4 \text{ years}$

Meanwhile, charity's perceived performance was adapted from Nobbie and Brudney's (2003) method where the assessment of nonprofit institution performance is achieved by developing an appropriate set of criteria and having experts provide their perceptions on the institution's accomplishment. Six items were used to measure perceived performance (Brown, 2005) as provided in the following Table 3.7.

Table 3.7 Perceived Performance of the Board of Trustees Scale Items

No.	Original Scale Items	Modified Scale Items
1.	The number of programs and services offered has increased during the last year.	The number of programs/ activities/ services offered has increased from year to year during the last five years.
2.	The majority of clients (customers) served, experienced marked improvements as a result of services provided.	The majority of recipient/ beneficiary served, experienced significant improvements as a result of services provided.
3.	Generally, clients and customers are satisfied with the services provided.	Generally, the recipients/ beneficiaries are happy/ satisfied with the services provided.
4.	The quality of services offered has improved.	The quality of services offered has improved.
5.	-	The number of recipients/ beneficiaries served has grown. [added]
6.	The organization met its performance goals.	Overall, the charity institution has been successful in meeting its goals and objectives.

Note: Items were adapted and modified from Brown (2005).

3.5 Sources and Collection of Data

Once the researcher had identified the measurement for the latent variables in this study, the next essential process is the gathering of data. Data collection is an integral part of the research design. It is the process of gathering and measuring information on targeted variables in an established systematic way. This enables the researcher to capture quality evidence that allows analysis to lead to the formulation of convincing and credible answers to the research questions that have

been posed. (Cooper & Schindler, 2008; Uma, 2003). There are different methods of data collection in any research but for this study the researcher performed two preliminary interviews followed by gathering data for all the variables in this study through survey questionnaire.

The first interview was carried out with Mr Dasmond Das, the Senior Assistant Director from ROS, Malaysia. The interview was done through telephone conversation and followed-up with emails as Mr Dasmond was unable to meet the researcher due to work commitment. The second interview was a face-to-face interview with Miss Pang Chin Fang who was the Assistant Registrar of Society from ROS, Malaysia.

Both interviews were carried out to obtain a better understanding of the charity environment in Malaysia using semi-structured interview questions. This interview method was adopted as the questions were prepared ahead of time and the researcher was fully aware that the respondents were not able to be interviewed again. Both interviewees were approached and selected based on their experiences which would reflect the full scope of issue under study.

Upon completion of the above interviews, the current researcher proceeded with the development of the survey questionnaires as the tool for data collection following the footsteps of past researchers. Questionnaires are an efficient data collection mechanism since the current researcher knew what was required and how

to measure the variables of interest based on the review of literatures (Uma, 2003). The medium of language used in this questionnaire was English since it is a common language used in this country. The survey questionnaires were adapted from Brown (2005) and Callen et.al (2003) with some modifications to suit the existing study. The current researcher emailed to two different authors i.e. Jeffrey L. Callen and William A. Brown for permission to adapt their survey questionnaires and permissions were granted on 17 August 2010 and 9 April 2014 (Refer Appendix). After obtaining the permission, the current researcher selected only questions that were relevant to the current research topic and modified them to suit the existing environment as the two survey questionnaires were originally carried out in America.

The questionnaire in this study comprised of a combination of both closed-ended questions and 5-point Likert scale questions. The closed-ended questions were placed in the initial section of the questionnaire in Section A to obtain data pertaining to the demographic profile of the CF and the BOT. In Section B, close-ended questions were also used to obtain data pertaining to the independent variable i.e. composition of the charity board (Callen et al., 2003) and the last question which required financial data. Close-ended questions were used as they need less interviewer expertise, require less time and are simpler for the respondent to answer (Zikmund et al., 2010). 5-point Likert scale questions were used to obtain response pertaining to other variables i.e. function, accountability, reputation and perceived performance of the CF for this study. Table 3.8 below captures all the variables

described and examined in this study, items measuring the variables and the sources from literature.

Table 3.8 Research Variables and Corresponding Items

Variable	Items to Measure	Source
Composition	<ol style="list-style-type: none"> 1) How many board members have some business (industry) or professional experience? 2) How many board members serve on the Board of Directors <i>for-profit</i> organizations? 3) How many board members are donors (financial supporters) of the current charity institution? 4) How many board members are independent of the current charity institution? 5) How many board members are founders of the current charity institutions? 6) How many board members are currently paid employees of this charity institution? 7) How many board members are currently volunteers of this charity institution? 8) In the last 12 months, how many times your board had meetings? 9) What type of committees does your board have? Please tick (√) all that applies. 	<p>Callen et al. (2003);</p> <p>Cornforth (2001);</p> <p>Jackson and Holland (1998).</p>
Function	<ol style="list-style-type: none"> 1) The board members have a clear understanding of its roles and responsibilities. 2) The board members share a common vision of how it should go about achieving its mission (goal). 3) The board members set clear charity priorities for the year ahead. 4) The board members communicate its decisions to all the staff in the charity institution. 5) The board members are actively involved in fundraising of the charity institution. 	<p>Cornforth (2001);</p> <p>Jackson and Holland (1998);</p> <p>O'regan and Oster (2005).</p>

	6) The board members are actively involved in overseeing the financial management of the charity institution. 7) The board members are actively monitoring the charity institution's activities/programmes. 8) The board members take actions to recruit new staff or board member (volunteers or paid) whenever required to ensure adequate human resource.	
Accountability	1) The charity institution maintains a written and accessible mission statement and policies. 2) The charity institution prepares and maintains financial reports which are accessible for the public. 3) The financial reports of the current charity institution are fully audited. 4) The charity institution complies with the submission of financial reports to regulator being the Registrar of Society (ROS). 5) The charity institution complies with the submission of financial reports to regulator being the Inland Revenue Board (IRB). 6) The charity institution provides regular information to members/public through newsletter or website updates, etc. 7) The charity institution regularly updates members and stakeholders regarding their development plans/ programs/ activities.	Ebrahim (2003); Hooper, Sinclair and Hui (2008); Kearns (1994); Kirk and Nolan (2010); Monika (2010).
Reputation	1) The charity institution always recruits appropriate staff according to charity's needs. 2) The charity institution frequently receives appreciation from serviced recipient/members/stakeholders. 3) The charity institution always achieves its mission/objective. 4) The charity institution is viewed positively by its stakeholders.	Kong and Farrell (2010) Radbourne (2003); Sarstedt (2010)

Financial Performance	<p>Overhead Ratio $\text{OHR} = \text{General Expenses} / \text{Total Revenue}$</p> <p>Changes in Overhead Ratio: $\text{COHR} = \text{OHR}_{Y2} - \text{OHR}_{Y1}$</p> <p>Change in Contribution: $\text{CIC} = (\text{Total contributions}_{Y2} - \text{Total Contributions}_{Y1}) / \text{Total contributions}_{Y1}$</p> <p>Net Contribution: $\text{Contribution} - \text{Expense}$</p> <p>Average Net Contribution: $\text{Total Net Contribution} / 5$</p>	<p>Bowman (2006)</p> <p>Collum et al. (2014)</p> <p>Harris (2014)</p>
Perceived Performance	<ol style="list-style-type: none"> 1) The number of programs/activities/ services offered has increased from year to year during the last five years. 2) The majority of recipient/beneficiary served, experienced significant improvements as a result of services provided. 3) Generally, the recipients/beneficiaries are happy/satisfied with the services provided. 4) The quality of services offered has improved. 5) The number of recipients/ beneficiaries served has grown. 6) Overall, the charity institution has been successful in meeting its goals and objectives. 	Brown (2005)

As this survey questionnaire was adapted from past research and modified by the researcher to suit the local context, an evaluation of the questionnaires from academics and experts was necessary to make this study more rigorous. This was an important step to take to ensure there was no ambiguity in the questions and the questions can be understood by the respondents later (Cooper & Schindler, 2008;

Uma, 2003). Eventually, the questionnaire was pre-tested in order to evaluate the validity of the constructs in this study. To improve the content validity, the draft questionnaires were distributed to a panel of four experts who specialized in charity and governance. The four experts were consulted to give their opinions on the validity of the questionnaire which fulfilled the content validity of the modified survey questionnaire. From the feedback and suggestion of the experts, the questionnaire was improved accordingly as there were some minor changes such as wordings used in the questions which were then amended. As the current study is using the whole population, there is no issue of external validity. Moreover, the validity of the questionnaire was enhanced by pilot test in this study.

3.5.1 Pilot Study

The selection and modification of the questionnaires had resulted in a pool of forty-two items. A pilot study was carried out on 30 CFs from the targeted population to permit refinement of the questionnaire before the final survey. In doing so, this effort can improve the reliability of this research as the current researcher intended to build on and use a previous measure (Neuman, 2006). The sample size for the pilot study was consistent with the suggestion (ranged from 25 to 100 respondents) by Cooper and Schindler, 2008.

From the pilot study carried out, the researcher found out that most of the CFs did not provide information for Item 42. For CFs that provided the information for Item 42, they did not segregate fundraising expense from the general expenses.

Thus, the researcher decided not to include fundraising expense for the calculation of OHR and item 42 was amended in order to obtain appropriate and relevant data.

Another consideration was about the individual that the questionnaire should be directed to. In the pilot study, the questionnaire was sent to CF with special attention to the board secretary or manager, who was seen as a key informant. The use of a key informant is considered by Bryman (1989) who highlighted their use in providing quantifiable data on characteristics of their institutions and also noted that they should be someone in a senior position who can speak for the institutions. The BOT secretary or manager fits this description as it is their job to service the BOT, taking minutes, circulating board papers and providing information. Therefore, they know the work of the BOT as well as, if not better than any other individual. In addition, the secretary or manager do tend to hold senior positions within the CF.

Considering the response and the quality of answers from the pilot study together with the appropriate amendment on item 42, the researcher found that the study is viable and decided to move forward for the actual data collection stage.

3.6 Questionnaire Administration and Ethical Issue

This section describes the process of data collection and their measurement. Firstly, all the OKU institutions were contacted by using email to carry out the questionnaires survey. A softcopy of the Letter of Confirmation for Data Collection

from the university and a softcopy of the Questionnaire were attached together with the email (Appendix). The researcher had selected this method as the researcher needs to collect data over a wide geographical area i.e. all the states in Malaysia – Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Perak, Perlis, Pulau Pinang, Selangor, Terengganu, Wilayah Persekutuan Kuala Lumpur, Sabah and Sarawak.

It was indicated in the email that the survey was to be completed by the manager of OKU charities and the involvement to answer the questionnaires was absolutely voluntary. Thus, the return of the questionnaire through email was taken as the participant's consent to participate. After two weeks from sending the email, the researcher called each and every OKU institution to find out whether the institution had received the email together with the survey questionnaire and if the institution would participate in the survey as there was no response from any of the OKU institution. After the first round of calls only the researcher received several responses. Then the researcher had to make the second round of calls to those OKU institutions who still did not respond. During those calls, the researcher clarified and explained the purpose of this study. This was also a follow up measure to further explain to the CFs regarding the research and to encourage participation and responds for the survey questionnaire. Simultaneously, this step ensured that the person who answered the questionnaire was the appropriate respondent, which is the secretary or manager of the CF. In addition, the telephone conversation was able to enhance the clarity of the survey questionnaire. During these calls, the

researcher was able to fill up the questionnaire where items had been left incomplete by the respondent (Gazley, et al. 2010). Although many of the OKU institutions promised to response but the response rate was still poor despite the second calls. Finally, the researcher made the third round of calls to the OKU institutions who had yet to response plus visited a few OKU institutions personally which were within the Klang Valley in order to obtain more response. As such the researcher had to take a period of about eight months (October 2014 – May 2015) to collect the data. The study was still considered cross-sectional and the duration was permissible though the data was collected over a length of eight months as the study's intent was to explore a variable such as BOT configuration to performance and not changes in the BOT configuration (Salkind, 2010; Shanahan 2010).

Of the 252 questionnaire surveys issued, a total of 73 questionnaire surveys were returned which accounted for 28.97%. The OKU institutions who took part in the survey questionnaire were concentrated in the areas of Selangor, Perak and Johor making the top three states who responded. Out of this returned surveys, all questionnaires were useable surveys since the researcher followed up with each and every CF for some missing data.

3.6.1 Ethical Issues in Data Collection and Sampling

Prior to the data collection process, the present researcher needed to obtain approval from the Research Ethics Committee, Institute of Postgraduate Studies and Research (IPSR) of Universiti Tunku Abdul Rahman (UTAR) as this study

involved collecting primary data from individuals (human being) who managed the CFs. In addition, the present researcher had to ensure that every single research ethical level as prescribed by UTAR was followed.

As research into CFs in Malaysia was made challenging by the lack of comprehensive and publicly available data on the identity of these institutions, the present researcher had to obtain the list of CFs from the ROS in Putrajaya. Ethical issues involved in this study during data collection and sampling were that the researcher had to seek informed consent from the CF explaining to them the objectives, methods and intended possible uses of this study. Moreover, the researcher ensured the research subjects their anonymity, the confidentiality of the information supplied and their participation was strictly voluntarily.

3.7 Validity and Reliability

There are two important elements to assess in the design of a good research i.e. the validity and reliability of the instrument used and data collected. Validity deals with accuracy of the measurement. In this study, the questionnaire was subjected to the test of content validity. Content validity is the extent to which the content of the questionnaire items adequately covers the research questions and is consistent with the construct definition (Cooper & Schindler, 2008; Hair et al., 2014). In order to determine the content validity of the research instrument, the questionnaire items were subjected to an evaluation by a group of four experts from three private universities and a private nonprofit institution. In attempting to assess

construct validity, the researcher make use of outer loadings and average variance extracted (AVE) to measure convergent validity while employing Fornell-Larcker criterion and Heterotrait-monotrait ratio (HTMT) to measure discriminant validity (Hair, Hult, Ringle & Sarstedt, 2014; Kline 2016).

On the other hand, the reliability is the extent to which the instrument (measure) used are free from error and thus yield consistent results when same procedure is applied. This means that the measurement for the constructs is reliable if the instrument is stable and consistent (Uma, 2003). The Cronbach's alpha coefficient remains the most widely used estimate of reliability as it is relatively robust and not subjected to fluctuations in design characteristics (Hair et al., 2014). Prior to data analysis, Cronbach's alpha coefficient reliability test was conducted on each of the latent variable. The results of the reliability test were presented in Chapter 4. An alpha of 0.7 or higher demonstrates sufficient reliability of the survey scale (Cooper & Schindler, 2008; Zikmund et al., 2010). However, the results obtained for the present study were still good as all of the constructs met the acceptable reliability coefficient threshold of 0.60 for exploratory research as recommended by Hair et al., (2014). No items were dropped from the analysis as all of them fulfilled the acceptable reliability coefficient threshold.

3.8 Data Analysis Procedure

A simple descriptive analysis was initially done to identify the demographic background of the sample. The descriptive analysis was used to determine the

general characteristics of the CFs on various demographic backgrounds. This descriptive analysis included mean value, median and standard deviation.

From chapter 1, the primary objective of this study was to investigate the performance of CFs with disabled people and the drivers of such performance in these institutions. Grounded on the discussion highlighted in the literature review section, which led to the formation of the theoretical framework, there were seven main hypotheses advanced to response to the research questions which were connected to the main objective for this study.

The main statistical technique used in this thesis is partial least square structural equation modeling (PLS-SEM) and the rationales for using PLS-SEM are explained as below.

Firstly, the advantage of using PLS-SEM over the other multivariate techniques is that PLS-SEM can examine a series of dependence relationship simultaneously (Hair et al., 2014). PLS-SEM allows all hypothesized relationships to be fitted together in a single model and to be simultaneously evaluated. This can provide higher accuracy than the individual testing of theoretical causal paths. In other words, through PLS-SEM, the researcher was able to examine and explain the relationships among multiple variables as it examined the structure of interrelationships among the latent variables i.e. composition, function and accountability being the independent variables, and perceived performance being

the dependent variables. In this study, composition, function and accountability were the exogenous latent variables and perceived performance was the endogenous latent variable. The researcher was also interested to investigate whether reputation mediated the relationship between the three independent variables (composition, function and accountability) with the dependent latent variable (perceived performance) of CFs (Hair et. al., 2010; Zainuddin, 2012).

Secondly, the data were not so normally distributed. PLS-SEM system has been recognized and utilized among researchers as a result of its capacity to demonstrate the latent variables with data under non-normality and with small to medium sample sizes conditions (Gefen et al., 2000). PLS-SEM has been effectively utilized in various research areas which include marketing and management, information systems, management science, socio psychology and so forth (Fornell, Lorange & Roos, 1990; Pavlou and Fygenson, 2006). The statistical goal is to test the framework and to indicate high coefficient of determination (R^2) and significant t-value in order to support the hypothesis.

Thirdly, another favorable advantage set by PLS-SEM is it empowers flexible treatment of higher level framework which include mediator and moderator variables and non-linear relationships frameworks (Becker, Klein, and Wetzels, 2012; Henseler, Fassott, Dijkstra, and Wilson, 2012; Henseler and Chin, 2010). Since the present study involved a mediator variable, it makes PLS-SEM as the appropriate choice of analysis

In this thesis, the PLS-SEM analyses were conducted using SmartPLS version 3.2 software.

3.9 Chapter Summary

This chapter presented and justified the overall research methodology of this study that was deployed in order to achieve the research objectives as outlined in Chapter 1. The research method and design appropriateness was justified and a complete measurement of the constructs were provided. The sources and collection of data method were also explained in the thesis. The adoption of population sampling, questionnaire administration and informed consent together with confidentiality were discussed. The researcher also ensured that validity and reliability for the questionnaire were tested before the data analysis was carried out in the next chapter. Finally, the type of statistical tests employed were explained and justified.

CHAPTER 4

RESEARCH ANALYSIS AND FINDING

4.1 Chapter Outline

This chapter presented the results of the data which had been analyzed. Collected data were processed according to the objectives and problem presented in chapter 1 of this dissertation. This chapter began with an explanation of missing data, outliers and normality test followed by the descriptive statistics and hypotheses testing. This chapter concluded with a chapter summary.

4.2 Examination of Missing Data, Outliers and Normality Analysis

From all the raw data collected, the researcher checked them one by one and coded each questionnaire to the respective CF so that the researcher could refer back to them for missing data information. A total of 12 questionnaires with missing data were identified and the researcher was able to follow up with the CFs by telephone calls for clarification on the missing data for item 1 to item 41. However, there were still 6 CFs with missing data for item 42 and the researcher decided to treat the missing data with the following option i.e. Mean Replacement instead of Case-wise Deletion or Pairwise Deletion because of a smaller sample size. This has finally led to a percentage response rate of 28.97% (Hair, Black, Babin & Anderson, 2010; Hair, Hult, Ringle & Sarstedt, 2014, Little & Rubin, 2002).

All data from the questionnaires were entered using SPSS. After the entering process, the researcher checked the softcopy data against the hardcopy so that the data entry errors can be revealed and corrected (Cooper & Schindler, 2008). In addition, the researcher also performed frequency distributions and descriptive statistics to identify missing data through the SPSS statistical software. Each of the studied variable was tested and there was no incidence of missing data identified in the data set from the test results. This scenario was probable as the researcher followed up with each CF through telephone communication.

As this study was using SmartPLS-SEM, normally distributed data was not a requirement. Due to this distributional free characteristics of PLS, Wold (1982) has termed it as “soft modeling”. Although normality was not required, it was still important that the distribution of the data were not extremely non-normal i.e. deviating too far from normal which may influence the assessment of the parameters’ significance. Thus, a better estimation can be obtained if outliers are removed (Hair et al., 2011; Henseler, Ringle & Sinkovics, 2009).

After the raw data has been cleaned up, the researcher performed the outlier and normality tests by using descriptive statistical techniques in SPSS. Outliers are defined as “observations with a unique combination of characteristics identifiable as distinctly different from the other observations” (Hair et. al., 2010, p. 64). They were extreme cases that are significantly dissimilar from other observations and should be examined to assess their effect (Hair et al., 2010; Kline, 2016). The

present study uses histogram to evaluate the outliers. Histogram is one of the most common ways to identify the outlier in terms of graph (Mooi & Sarstedt, 2011). There were outlier's observations and after investigation the researcher found there was no external or internal error. Thus, the outliers were not excluded (Hair et al., 2010).

To further understand the characteristic of the variables, the present study employed Kolmogorov-Smirnov and Shapiro-Wilk test of normality as presented in Table 4.1 on page 141. The p-value for all variables were <0.05 error level except for one variable (Composition-Buss), which indicates that the distribution of all the other variables significantly deviated from the normal distribution. However, these two tests of normality only provide little evidence when deciding whether the data were too remote from being normal distribution (Hair et al, 2014). Both tests are sensitive to large sample size which is over 1,000 and less useful to small sample which is fewer than 30 (Hair et. al, 2010). When data were not normal, Field (2009) and Hair et al. (2010) proposed that researchers ought to also review the degree of skewness and kurtosis as well, and try to assess the actual degree of departure from normality. As such the present study also included skewness and kurtosis to further test the normality of the data. Skewness and kurtosis can be used to check if the data are highly non-normal. A general guideline for the values of skewness and kurtosis should be between -1 and +1 for us to accept the normality assumption for the purpose of SEM. However, the present study followed the guideline provided by Kline (2016), a quantitative expert who confirmed that the skewness value of ± 3

and the kurtosis value of ± 10 are acceptable range. Though the values were non-normal, the skewness and kurtosis values that fall within this range can still be accepted (Kline, 2016). This was also supported by Gao, Mokhtarian and Johnston (2008) who argued that “deleting observations should be balanced against loss of model power in the interpretation of the results.” The skewness and kurtosis of all the variables in this study were presented in Table 4.1 on the next page and all the variables which fall under Kline’s (2016) guideline were therefore acceptable except for two variables (AvgCOHR and AvgCTC) where the kurtosis is beyond ± 10 . Thus, both AvgCOHR and AvgCTC were eliminated from the model since the two variables did not meet the acceptable range and were described as severely non-normal by Kline (2016).

Initially the present study had two models - one model with financial performance as the dependent construct and the other model with perceived performance as the dependent construct. Since performance measurement in CFs is not as straight-forward as performance measurement in COs i.e. by solely using financial indicators or ratios, the current researcher decided to proceed with measuring the performance of CFs by using perceived performance measurements for the following reasons provided.

Firstly, CFs are nonprofit-making and their objectives (missions) are very different from COs who are profit-making. CFs are set up to provide help to the needy for social community. Their objectives are grounded in noble principles and

philanthropic in nature. Thus, CFs cannot limit themselves by relying on financial measurements.

Secondly, although some past studies have used financial indicators/ratios to measure performance of CFs (Callen et al., 2003; Kirk & Nolan, 2010, Pandey et al., 2017; Ritchie & Eastwood, 2006), however, a majority of past studies employed non-financial consideration to measure performance of CFs (Algur, 2016; Alvarez-Gonzalez, et al., 2017; Benjamin & Campbell, 2015; Charles & Kim, 2016; Lee & Nowell, 2015, Liket & Maas, 2015) while a few others used both (Bagnoli & Megali, 2011; Cordery & Sinclair, 2013; Glassman & Spahn, 2012) . In addition, there is still limited consensus as to what are the best measures of performance in CFs.

Based on the above explanation and justification, the current researcher decided to proceed with measuring the performance of CFs by using perceived performance which does not contradict past studies. Moreover, the perceived performance had several indicator variables and was in line with Hair (2010) who proposed that using multiple indicator variables is the safest approach to measure a construct.

Table 4.1 Normality Analysis of All Variables

Variables		Kolmogorov - Smirnov	Shapiro- Wilk	Skew- ness	Kurtosis
Accountability	A25	0.000	0.000	-1.121	0.925
	A26	0.000	0.000	-0.720	-0.046
	A27	0.000	0.000	-1.071	0.423
	A28	0.000	0.000	-1.753	4.227
	A29	0.000	0.000	-0.902	0.371
	A30	0.000	0.000	-1.318	1.704
	A31	0.000	0.000	-1.342	2.863
Composition	Buss	0.200	0.002	0.462	0.051
	C13	0.000	0.000	1.768	5.683
	C_tc	0.000	0.000	0.212	-1.292
	Don	0.000	0.000	1.724	3.246
	Found	0.000	0.000	1.012	0.113
	Fprofit	0.000	0.000	2.107	6.723
	Ind	0.001	0.000	1.184	3.345
	Paid	0.000	0.000	1.918	4.179
Function	Vol	0.000	0.000	0.440	1.364
	F17	0.000	0.000	-1.485	2.744
	F18	0.000	0.000	-1.364	1.843
	F19	0.000	0.000	-1.178	1.924
	F20	0.000	0.000	-1.471	2.580
	F21	0.000	0.000	-0.957	0.318
	F22	0.000	0.000	-0.912	0.150
	F23	0.000	0.000	-1.065	1.085
Performance (Perceived)	F24	0.000	0.000	-1.114	1.037
	P36	0.000	0.000	-0.766	-0.350
	P37	0.000	0.000	-1.188	2.357
	P38	0.000	0.000	-1.326	2.221
	P39	0.000	0.000	-1.466	3.087
	P40	0.000	0.000	-0.862	0.896
Reputation	P41	0.000	0.000	-1.223	1.571
	R32	0.000	0.000	-1.105	0.587
	R33	0.000	0.000	-0.778	0.201
	R34	0.000	0.000	-0.689	0.296
	R35	0.000	0.000	-1.099	1.143

Table 4.1 above displayed the normality analysis of the present model. The results indicated that the skewness and kurtosis values of all the indicator variables

could be accepted and were not severely non-normal since they fell within the acceptable range as explained above (Kline, 2016).

4.3 Common Method Bias

The data gathered was additionally being analyzed for a potential issue in social research, called Common Method Bias (CMB). CMB occurs when some external factors affect the measures and lead to bias in the data. The bias could occur because of the way the questions were constructed, the way in which they were asked, the audience to which they were asked, etc. CMB bias might be of a concern when self-report questionnaires were utilized to gather data from similar respondents. It is on the grounds that self-report information can make incorrect correlations on condition that the participants have a tendency to furnish predictable responses to questions surveyed that are generally not linked. (Cham, Cheng, Low & Cheok, 2020; Cham, Lim, Sia, Cheah & Ting, 2020). Accordingly, CMB causes a false internal consistency in light of the fact that an obvious correlations among variables have been created by their customary source.

In the present study, by using a full Collinearity assessment technique, CMB can be detected (Kock, 2015). A lower than the 3.3 threshold VIF values indicates that the model is free from CMB (Hair et al., 2017, Kock, 2015). A model has CMB issue when the VIF values are greater than 3.3. The results of this assessment is provided on Table 4.10 on page 175 which indicated that there was no existence of CMB as all the values were below 3.3. After fulfilling the basic

SEM criteria in terms of checking outliers, collinearity, and normality test, the present researcher proceeded with further analysis.

4.4 Descriptive Analysis

This section presented the descriptive statistics for the CFs and the main constructs. The descriptive statistics for CFs included the demographic profiles of the CFs ($n=73$) and board configuration characteristics, while the descriptive statistics for the main constructs included the independent variables (composition, function and accountability), mediator variable (reputation) and the dependent variable (performance).

4.4.1 Descriptive Analysis of Charity Foundations

Based on the statistical figures in Table 4.2, on average the CFs have been established for almost 12 years (mean = 11.767) and the average number of the BOT in a CF was less than 9 persons, out of which 40.3% was female and 59.7% was male. In terms of ethnicity, Chinese made up of 39.5%, Malay ranked the second by contributing 37.0% while Indian comprised of 17.2% and 6.3% was other type of race. In terms of education background, most of the BOT had secondary schools education which contributed to 53.3% while 37.2% had tertiary education and 5.6% had primary education only. There were 3.9% of BOT who had other form of education.

Table 4.2 Demographic Profile of the Charity Foundations

Variable		Freq.	%	Mean	Med.	Std. Dev
Age of charity institution				11.767	10.000	9.307
Number of Board of Trustees		656		8.890	9.000	3.901
Gender	Female	266	40.3%	3.644	3.000	2.452
	Male	394	59.7%	5.397	5.000	3.242
Ethnicity	Chinese	259	39.5%	3.548	2.000	3.935
	Indian	113	17.2%	1.548	0	2.264
	Malay	243	37.0%	3.329	2.000	3.921
	Others	41	6.3%	0.562	0	2.190
Education level	University/ Professional	244	37.2%	2.726	2.000	2.815
	Secondary	349	53.3%	3.890	3.000	3.242
	Primary	37	5.6%	0.411	0	1.005
	Others	26	3.9%	0.301	0	0.902

Table 4.3 below described the mean, standard deviation, minimum and maximum on the independent variables (composition, function and accountability) and the mediator variable (reputation) of CFs for people with disabilities in Malaysia. The table showed that in terms of charity board composition, the findings showed that on average about 30.56% of board members in each CF served on the board of directors for corporate organizations and 47.60% had industry experience. 26.17% of the board members were donors and 47.42% board members were independent of the CF. Board members who were founders made up of 27.31% of the CF and 13.20% board members were paid employees while 62.11% were volunteers. The findings also revealed that on average each CF had less than 3 types of committees (mean = 2.49) and hold less than 6 times of board meetings per year (mean = 5.86).

Table 4.3 Descriptive Statistics for Independent and Mediator Variables

Variable	Min	Max	Mean	Standard Deviation
Composition				
% Business/Industry experience (Buss_BOT)	0.00	1.60	0.4760	0.349
Meetings per year (C13)	0	24	5.86	3.816
Type of committees (C_tc)	1	6	2.49	1.987
% BOT who are donors (C_don)	0.00	1.80	0.2617	0.370
% BOT who are founders (Found_BOT)	0.00	1.00	0.2731	0.293
% BOT who serve corporate organization (Fprofit)	0.00	2.40	0.3056	0.427
% BOT who are independent (Ind_BOT)		2.40	0.4742	0.440
% BOT who are paid (Paid_BOT)	0.00	1.00	0.1320	0.204
% BOT who volunteered (Vol_BOT)	0.00	2.40	0.6211	0.458
Function				
Understanding of roles & responsibilities (F17)	1	5	4.05	0.956
Share common vision (F18)	1	5	4.03	0.971
Set clear priorities (F19)	1	5	3.88	0.897
Communicate decisions to all staff (F20)	1	5	4.10	0.930
Actively involved in fundraising (F21)	1	5	3.86	1.134
Actively involved in financial management oversight (F22)	1	5	3.75	1.164
Actively involved in monitoring activities/ programmes (F23)	1	5	3.88	1.013
Recruit new staff/BOT to ensure adequate human resource (F24)	1	5	4.00	1.000
Accountability				
Maintains written and accessible mission statement and policies (A25)	1	5	3.99	1.061
Maintains financial reports accessible for the public (A26)	1	5	3.78	1.096
Audited financial reports (A27)	2	5	4.36	0.806
Submit financial reports to ROS (A28)	1	5	4.33	0.867
Submit financial reports to IRB (A29)	1	5	3.99	1.034
Provide regular information to members/public (A30)	1	5	4.11	0.980
Update members and stakeholders regarding development plan (A31)	1	5	4.14	0.822

Reputation				
Recruiting appropriate staff (R32)	1	5	3.90	1.132
Frequently receive appreciation from recipient/members/stakeholders (R33)	1	5	3.96	0.964
Always achieve mission/objective (R34)	1	5	3.96	0.920
Viewed positively by stakeholders (R35)	1	5	4.11	0.921

In terms of Function, the findings showed that most of the respondents agreed (mode = 4) that their board members have a clear understanding of its role and responsibilities (mean = 4.05) and shared a common vision of how CF should go about achieving its mission (mean = 4.03). Moreover, the board members set clear charity priorities for the year ahead (mean = 3.88) and communicated their decisions to all the staff in the CF (mean = 4.10). Most of the respondents also agreed that the board members were actively involved in raising fund for their CF (mean = 3.86) and overseeing the financial management of the CF (mean = 3.75) in addition to monitoring the CF's programmes or activities (mean = 3.88) and recruiting new staff including board members whenever required to ensure adequate human resource (mean = 4.00).

In terms of Accountability, the findings showed that on average the respondents agreed that the CF maintains a written and accessible mission statements and policies (mean = 3.99) including financial reports which are accessible to the public (mean 3.78). On average, the respondents also agreed that the financial reports of CFs were fully audited (mean = 4.36), submitted to the ROS

(mean = 4.33) and other regulatory body such as IRB (mean 3.99). In addition, the CF provides regular information to its members or public through newsletter or website updates (mean = 4.11) and regularly updates its members and stakeholders regarding their development plans, programmes or activities (mean = 4.14).

In terms of Reputation, the findings showed that most of the respondents agreed (mode = 4) that the CF always recruited appropriate staff according to CF's needs (mean = 3.90) and frequently received appreciation from serviced recipients or members (mean = 3.96). In addition, the CF always achieved its mission (3.96) and is viewed positively by its stakeholders (mean = 4.11)

Meanwhile, Table 4.4 provided the mean, standard deviation, minimum and maximum on the performance (perceived) of CFs for people with disabilities in Malaysia over a period of five years (2009-2013). The table showed that except for item PP36, the mean for all the other items were above rating 4 which indicated that on average the respondents agreed that the CFs were perceived to perform.

Table 4.4 Descriptive Statistics for Performance

Variable	Min	Max	Mean	Standard Deviation
Performance (Perceived)				
Programmes/activities/services offered (PP36)	1	5	3.93	1.071
Significant improvement of recipient/ beneficiary served (PP37)	1	5	4.14	0.822
Recipients/ beneficiaries satisfaction (PP38)	1	5	4.12	0.927
Quality of services (PP39)	1	5	4.18	0.887
Growth of recipients/ beneficiaries (PP40)	1	5	4.05	0.880
Met goals and objectives (PP41)	1	5	4.15	0.908

4.5 Evaluation of the Measurement Model – Reflective vs Formative

After fulfilling the criteria of SEM provided in section 4.2 and 4.3, the present study proceeded to evaluate the latent variables' reliability and validity. This process is called evaluation of the measurement model where each latent variable (composition, function, accountability, reputation, and performance) in this study was measured by several indicator variables. Other than improving accuracy, a more valid measurement can be achieved by using several indicator variables to measure a single concept.

The structural equation modeling (SEM) differentiates two measurement models - reflective and formative. A reflective measurement model is one where causality is from the construct to its measures. All indicator variables are caused by the same construct and should be highly correlated with each other. Moreover, any individual indicator variable should be interchangeable and can be omitted without

affecting the construct provided the construct has sufficient reliability (“Hair et al, 2014”). The reflective measurement model is also called as Mode A measurement in PLS-SEM. Figure 4.1 (upper rectangle) displayed a construct with reflective indicator variables (measure1, measure2 and measure3).

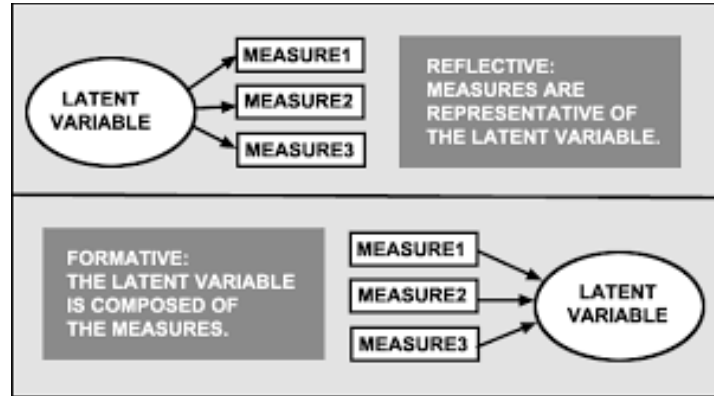


Figure 4.1 Reflective vs. Formative Model

A formative model which is also called as Mode B measurement in PLS-SEM, illustrated above posits that the indicators variables (measures) caused the construct. The causal action flows from the indicators variables to the construct. Formative indicator variables are presumed to completely capture the content domain of the construct being discussed. (Hair et al, 2014). Figure 4.2 (lower rectangle) above displayed a construct with formative indicator variables (measure1, measure2 and measure3).

Following the above explanation, the constructs in the present model are regarded as reflective measures since the indicator variables of each construct are considered the outcome of the construct or to be caused by that construct.

As this study fell under the reflective measurement model, the following systematic evaluation will be explained:

- Internal consistency reliability (Cronbach's alpha and composite reliability)
- Indicator reliability
- Convergent validity (average variance extracted)
- Discriminant validity

4.5.1 Internal Consistency Reliability

The rationale to measure internal consistency reliability for a reflective model is to determine whether the indicator variables measuring the same construct produce similar scores, i.e. if the indicators are highly inter-correlated.

There are two criteria to measure the internal consistency reliability i.e. Cronbach's Alpha and composite reliability. Cronbach's Alpha is the first and also conventional criterion which provides an approximate of the reliability based on the inter-correlations of the perceived indicator variables. According to Hair et al. (2014), in exploratory study, as a general rule, the agreed upon lower limit for Cronbach's Alpha is 0.70 although it may reduce to 0.60. By having all the indicator variables own equal outer loadings on the constructs, Cronbach's alpha makes assumption that all indicator variables are equally reliable. However, Cronbach's alpha tends to underestimate the internal consistency reliability as it is also sensitive to the number of items in the scale. Thus, it is a traditional measure of internal consistency reliability.

Arising from the above limitation, composite reliability is used as an alternative measure for internal consistency reliability, which takes into consideration the different outer loadings of the indicator variables. The composite reliability ranges between 0 and 1, with higher value indicating higher levels of reliability. In general, it is interpreted as the same way as Cronbach's alpha where the lower limit is 0.7 although it may decline to 0.6 in an exploratory research ("Hair et al., 2014").

In exploratory research, composite reliability values of 0.60 or higher are acceptable while values of 0.70 to 0.90 can be taken as satisfactory in more advanced research (Bagozzi & Yi, 1988; Nunally & Berstien, 1994). Nevertheless, all the indicator variables are taken to be measuring the same phenomenon if the composite reliability values are above 0.9 and thus not preferable. However, when composite reliability values are below 0.60, they indicate a lack of internal consistency reliability (Hair et al., 2014).

A common criterion for outer loading is that it should be 0.708 or higher. In most instances, 0.70 is considered close enough to 0.708 to be acceptable. Generally, indicator variables with outer loadings ranging between 0.40 and 0.70 should be considered for elimination from the construct only when removing the indicator variable leads to an increase in composite reliability. According to Hair et al. (2011), indicator variables with very low outer loadings i.e. below 0.40 should always be removed from the construct.

Following the above explanation, Table 4.5 below provided the Cronbach's alpha and the composite reliability for the constructs in the current study of a reflective model. From the table, it can be observed that the Cronbach's alpha values and the composite reliability values for the current research model met the acceptable values for this exploratory research after removing seven indicator variables from the Composition construct. Out of these seven indicator variables, three indicator variables were below 0.4 (Found_BOT, Ind_BOT and Vol_BOT) and four indicator variables were between 0.4 and 0.7 (Buss_BOT, C13, C_tc and Paid_BOT) which measured the Composition construct as suggested by "Hair et al., (2014)". The removal of the four indicator variables with 0.4 to 0.7 loadings had increased the Cronbach's alpha for Composition construct from below 0.6 to 0.603. Simultaneously, the removal of the indicator variables had also increased the composite reliability of the Composition construct (Hair et al., 2010; Wong, 2013).

Table 4.5 Cronbach's alpha and Composite Reliability

Latent Variable	Cronbach's alpha	Composite reliability (CR)
Accountability	0.868	0.899
Composition	0.603	0.835
Function	0.894	0.916
Performance	0.934	0.948
Reputation	0.860	0.905

4.5.2 Convergent Validity

After determining the internal consistency of the current reflective model, it was also essential to establish the convergent validity of this model by considering the outer loadings of the indicator variables of the current model in this study. Convergent validity is the degree to which a measure correlates positively with another measures of the same construct. In other words, a construct with higher outer loadings indicate that the indicator variables have much in common and are reliable. As such, the indicator variables of a specific construct should coincide or share a high percentage of variance. To establish convergent validity in this study, the researcher takes into consideration the outer loading of the indicator variables as well as the average variance extracted (AVE).

AVE is a common evaluation to establish convergent validity on the construct level. AVE is defined as the grand mean value of the squared loadings of the indicator variables associated with the construct. An AVE value of 0.50 or higher indicates that, the construct explain more than half of the variance of its indicator variables on average. While a value of below 0.50 indicates that more inaccuracy remains in the item than the variance explained by the construct.

Table 4.6 provides the results on AVE for all the constructs in this study after taking into consideration on the Outer Loading Relevant Testing. When the outer loading is less than 0.40, the reflective indicator variables are removed. For indicator variables with outer loading more than 0.40 but less than 0.70, the present

researcher analyzed further the impact of the indicator variables removal on AVE. When removal of indicator variable increases the AVE, the researcher proceeded with the removal of indicator variable. Otherwise, the indicator variables were retained if the removal did not increase the AVE.

Arising from the above explanation, the three indicator variables for Composition construct (Found_BOT, Ind_BOT and Vol_BOT) were removed as their loading were below 0.4, while another four indicator variables (Buss_BOT, C13, C_tc and Paid_BOT) were further analyzed on the impact of indicator variables removal on AVE since their loadings were between 0.4 and 0.7. Similarly, the constructs for Accountability and Function both had two indicators (A28 and A29; F19 and F22) each with loadings between 0.4 and 0.7 which needed to be analyzed further for the impact of indicator removal on AVE. Finally, all the four indicator variables for Composition construct (Buss_BOT, C13, C_tc and Paid_BOT) were removed as the removal had increased the AVE of the present model under study. However, none of the indicator variables for Accountability construct and Function construct was removed as their AVE had met the required threshold. Table 4.6 provided the loadings and the AVE for all the constructs in this study.

Table 4.6 Outer Loadings and AVE

Construct	Items	Loadings	AVE
Accountability	A25	0.710	0.562
	A26	0.818	
	A27	0.701	
	A28	0.676	
	A29	0.687	
	A30	0.811	
	A31	0.824	
Composition	Don_BOT	0.601	0.716
	Fprofit_BOT	0.674	
Function	F17	0.834	0.755
	F18	0.823	
	F19	0.695	
	F20	0.730	
	F21	0.728	
	F22	0.696	
	F23	0.763	
	F24	0.794	
Performance	PP36	0.821	0.577
	PP37	0.916	
	PP38	0.748	
	PP39	0.908	
	PP40	0.892	
	PP41	0.914	
Reputation	R32	0.803	0.705
	R33	0.797	
	R34	0.890	
	R35	0.866	

4.5.3 Discriminant Validity

Using empirical standards, the extent to which a construct is truly distinct from other constructs is called discriminant validity. A construct is unique and captures phenomena not represented by other construct in the model when discriminant validity is established. According to Fornell-Larcker criterion which is a common and more conservative approach in assessing discriminant validity,

the square root of the AVE of each construct should be higher than the construct's highest correlation with any other construct in the model.

Table 4.7 summarized the outputs of the Fornell-Larcker criterion analysis of the present study. From the table, the square root of AVE of the Accountability construct (0.749) was lower than the correlation value of Performance construct (0.798) and Reputation construct (0.763). However, all the other constructs – Composition, Function and Reputation constructs fulfilled the Fornell-Larcker Criterion in terms of the discriminant validity.

Table 4.7 Fornell-Larcker Criterion

	Account- ability	Compo- sition	Function	Perform- ance	Reputa- tion
Accountability	0.749				
Composition	0.272	0.846			
Function	0.641	0.223	0.760		
Performance	0.798	0.307	0.694	0.869	
Reputation	0.763	0.221	0.744	0.810	0.840

Heterotrait-monotrait ratio (HTMT) is a new benchmark for assessing discriminant validity in PLS-SEM. The conservative measure of HTMT is below 0.85 and a more liberal criterion is below 0.90 (Kline 2016). This means if HTMT is below 0.90, discriminant validity is established. Bootstrapping routine can be run to test whether the HTMT is significantly different from 1 which is called HTMT inference. Using the more liberal HTMT threshold of 0.90, the discriminant validity for the current model in this study was established as provided in Table 4.8 below.

With the above explanation from Table 4.5 to Table 4.8, all model evaluation criteria had been met in this present model providing support for the measures' of reliability and validity.

Table 4.8 Heterotrait-monotrait ratio (HTMT)

	Accountability	Composition	Function	Performance	Reputation
Accountability					
Composition	0.374 CI ₉₀ (0.286,0.734)				
Function	0.716 CI ₉₀ (0.565,0.839)	0.305 CI ₉₀ (0.234,0.585)			
Performance	0.879 CI ₉₀ (0.783,0.943)	0.407 CI ₉₀ (0.304,0.692)	0.746 CI ₉₀ (0.608,0.845)		
Reputation	0.871 CI ₉₀ (0.779,0.940)	0.307 CI ₉₀ (0.204,0.657)	0.840 CI ₉₀ (0.723,0.927)	0.898 CI ₉₀ (0.821,0.964)	

4.5.4 Reflective Measurement Model Evaluation – A Summary

The results of the reflective measurement model in this study was summarized in Table 4.9. The results acquired demonstrated that internal consistency (Cronbach's alpha and composite reliability), convergent validity and discriminant validity were accomplished for all the constructs in this model. The results provided that the Cronbach's alpha for all the constructs were in the range of 0.603 to 0.934 which indicated that the constructs were reliable under the exploratory research. In addition, the composite reliability of all the constructs were ranging from 0.835 to 0.948 which met the satisfactory requirement. The AVEs of all the constructs were recorded in the range of 0.562 to 0.755 which were over the limit of 0.5. Finally, in terms of discriminant validity using Fornell-Lacker criterion, the results and the of the square root of AVEs for one Accountability construct (0.749) was lower than the correlation with the Performance construct

(0.798) and the Reputation construct (0.763). Thus, the discriminant validity using this method was not established. However, using the more liberal heterotrait-monotrait ratio of correlations (HTMT) threshold of 0.90, Table 4.8 showed that the discriminant validity for this study was established (Gold et al., 2001) in all the constructs.

With the above results presented and the explanations provided based on Table 4.5 to Table 4.8 plus a summary results on Table 4.9, the appraisal of measurement model revealed that the reflective measurement model of the current research exhibited sufficient internal consistency, convergent validity and discriminant validity.

Table 4.9 Results of the Reflective Measurement Model

Construct	Items	Loadings	AVE	CR	Cron. Alpha
Accountability	A25	0.710	0.562	0.899	0.868
	A26	0.818			
	A27	0.701			
	A28	0.676			
	A29	0.687			
	A30	0.811			
	A31	0.824			
Composition	Don_BOT	0.601	0.716	0.835	0.603
	Fprofit_BOT	0.674			
Function	F17	0.834	0.755	0.916	0.894
	F18	0.823			
	F19	0.695			
	F20	0.730			
	F21	0.728			
	F22	0.696			
	F23	0.763			
	F24	0.794			
Performance	PP36	0.821	0.577	0.948	0.934
	PP37	0.916			
	PP38	0.748			
	PP39	0.908			
	PP40	0.892			
	PP41	0.914			
Reputation	R32	0.803	0.705	0.905	0.860
	R33	0.797			
	R34	0.890			
	R35	0.866			

4.5.5 Final Model

The initial model was revised into Perceived Performance Final Model (Figure 4.3). From the initial model, seven indicator variables from the Composition construct – the percentage of board members with business experience (Buss_BOT), the number of board meetings per year (C13), the types of committee (C_tc), the percentage of founders on board (Found_BOT), the percentage of board members with independent trustees (Ind_BOT), the percentage of board members with salary (Paid_BOT) and the percentage of board members who are volunteers (Vol_BOT) were deleted as their loading did not fulfill the guidelines based on PLS criteria (Hair et al., 2010; Hair, 2014 & Wong, 2013). Finally, two indicator variables (Don_BOT and Fprofit_BOT) were retained to measure the Composition construct. All the other constructs had their indicator variables maintained.

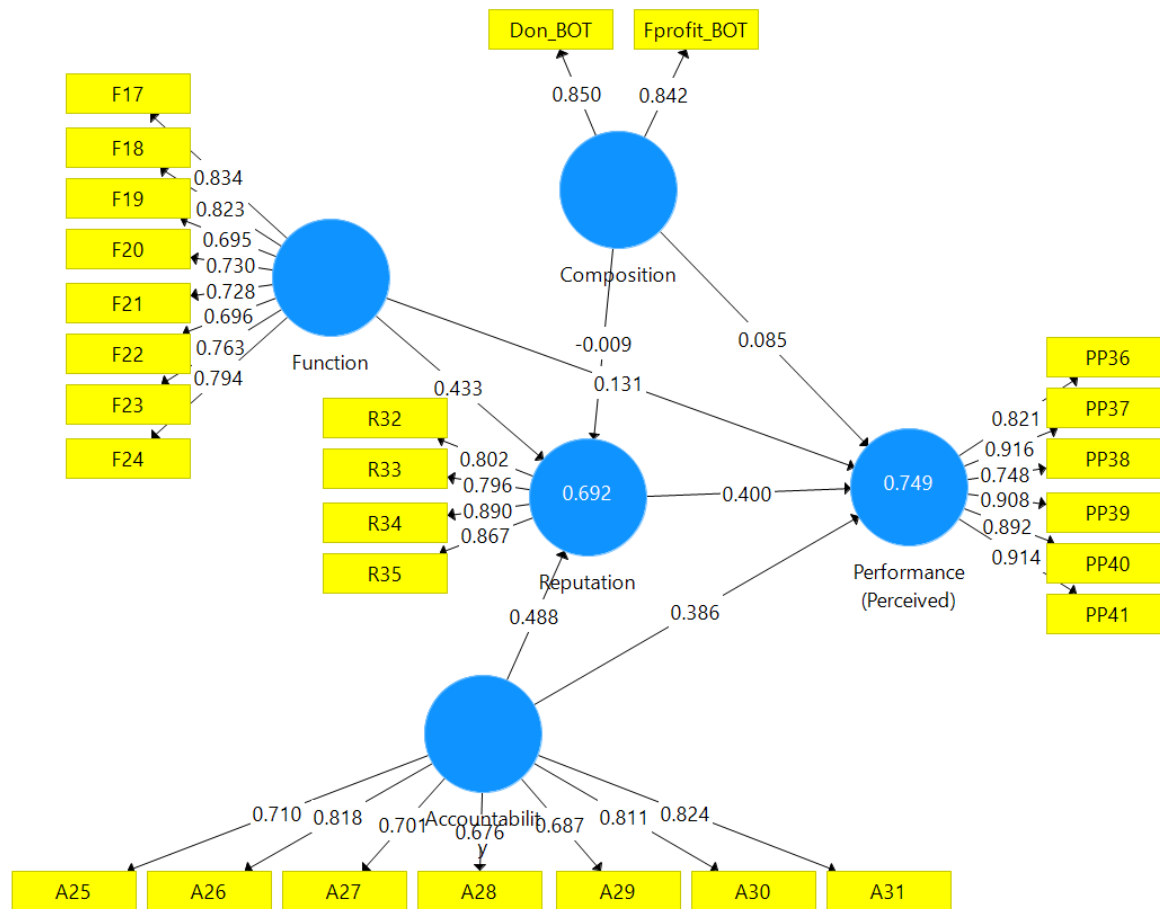


Figure 4.2 Final Model

4.6 Evaluation of Structural Model

After confirming the reliability and validity of the construct, the current researcher needed to evaluate the structural model which includes looking at the model's predictive capabilities and the associations between the constructs. The main yardstick for evaluating the structural model in PLS-SEM are the collinearity assessment, the significance of the path coefficients (β), the level of coefficient of determination (R^2), the effect size (f^2) and the predictive relevance (Q^2) (Hair et al., 2014).

4.6.1 Examination of Collinearity

Collinearity is defined as “the association, measured as the correlation, between two independent variables” (Hair et al., 2010). Multi-collinearity occurs when the independent variables are highly related to each other. This causes some independent variables to be insignificant when in actual fact they are significant. The Variance Inflation Factor (VIF) is used to detect for multi-collinearity where a VIF higher than 3.3 stipulates multi-collinearity (Kock, 2015).

Based on Figure 4.2 Final Model, there were two sets of predictor constructs. The first set of predictor constructs assessed were: Accountability, Composition and Function as predictors of Reputation. The second set of predictor constructs assessed were: Accountability, Composition, Function and Reputation as predictors of Performance. These two sets of the constructs formed the subparts of the structural model which was needed to be examined. Table 4.10 on the next page displayed the collinearity statistics for this study with the minimum VIF value

of 1.08 and the maximum VIF value of 3.244. As can be seen, the table displayed all VIF values were plainly beneath the threshold of 3.3. The collinearity among the predictor constructs was not an issue since the outcomes indicated that there was no presence of multi-collinearity in the data set.

Table 4.10 Collinearity Assessment

First Set		Second Set	
Construct	VIF	Construct	VIF
Accountability	1.751	Accountability	2.522
Composition	1.085	Composition	1.085
Function	1.706	Function	2.314
		Reputation	3.244

4.6.2 Structural Model Path Coefficients

Path coefficient is a standardized regression coefficient (beta, β), showing the direct effect of an independent variable on a dependent variable in the path model. In assessing the path coefficients (β) which represent the hypothesized relationships among the constructs have standardized values between -1 and +1. The path coefficients close to +1 represent strong positive relationships while values close to -1 represent strong negative or inverse relationship and statistically both are significant. However, if the path coefficients are closer to 0, they represent weak relationships and very low values close to 0 are usually non-significant.

To test the statistical significance of the relationship in the structural model, the current researcher followed the suggestion by Kock (2015b) in examining the

empirical t-value and the p-value by running the bootstrapping procedure (with 5,000 samples) at a significance level of 5%. This is done in conjunction with a one-tailed linear test of a directional hypothesis for this study since the coefficients were assumed to be positive as reflected in the hypotheses that refers to the corresponding associations.

From the output of bootsrapp, the analysis of structural model relationships as provided in Table 4.11, showed the path significance and standardized path coefficients for the hypotheses developed earlier for this study. The statistical results indicated that accountability ($\beta=0.386$, $t=3.055$, $p<0.05$) and reputation ($\beta=0.400$, $t=2.939$, $p=0.05$) were positively related to performance. The findings also provided that function ($\beta=0.433$, $t=4.170$, $p<0.001$) and accountability ($\beta=0.488$, $t=4.859$, $p<0.001$) had positive relationship with reputation. Overall, the statistical result indicated that only four hypothesized paths in the research model were significant and three paths were not significant.

Table 4.11 Results of Structural Model Path Coefficients

Path	Path Coefficient	t Values	Significant Levels	p Values
Composition→Performance	0.085	1.369	NS	0.171
Function→Performance	0.131	1.426	NS	0.154
Accountability→Performance	0.386	3.055	**	0.002
Composition→Reputation	-0.009	0.108	NS	0.914
Function→Reputation	0.433	4.170	**	0.000
Accountability→Reputation	0.488	4.859	**	0.000
Reputation→Performance	0.400	2.939	**	0.004

Note: NS=Not Significant; ** $p<0.05$

4.6.3 Explanation of Target Endogenous Variable Variance

The coefficient of determination (R^2) is the most commonly used measure to evaluate the structural model. The coefficient represents the exogenous latent variables' combined effects on the endogenous latent variable. The R^2 value ranges from 0 to 1 with higher levels indicating higher levels of predictive accuracy. Depending on the model complexity, it is difficult to provide rule of thumb for acceptable R^2 values. However, a rough unwritten rule is that R^2 values of 0.75, 0.50 and 0.25 for endogenous latent variable be expressed as substantial, moderate and weak respectively. (Hair et al., 2011; Henseler et. al., 2009). By adding non-significant construct to a structural model that is slightly correlated with the endogenous latent variable will increase R^2 value. This means R^2 value will increase when there are more paths pointing toward a target construct. However, one of the hallmarks of research is to achieve parsimony, i.e. a model that is good at explaining the data (with high R^2 values) but also have fewer exogenous construct.

Table 4.12 presented the coefficient of determination (R^2) of the endogenous constructs for the present model. The R^2 for the endogenous constructs was 0.749 (Performance) and 0.692 (Reputation) as indicated by the values in the circles in Figure 4.4. This signifies that the four constructs (Composition, Function, Accountability and Reputation) explained 74.9% of the variance in Performance which was considered to be almost substantial in predicting the dependent construct. While the three constructs (Composition, Function and Accountability)

together explained 69.2% of the variance of Reputation which was considered to be moderate in predicting the mediator construct ensuing the rough criterion of the R^2 .

Table 4.12 Coefficient of Determination, R^2

Endogenous Construct	R^2
Performance	0.749
Reputation	0.692

4.6.4 Effect Size f^2

In statistics, an effect size (f^2) is a quantitative measure of the magnitude of a phenomenon when a specific exogenous construct is removed from the model. In other words, f^2 measures the impact (change in the R^2 value) of an omission of a specific construct in the model on the endogenous construct. The formula for effect size is calculated as:

$$f^2 = \frac{R^2_{\text{included}} - R^2_{\text{exclude}}}{1 - R^2_{\text{included}}}$$

According to Cohen (1992), the guidelines for assessing f^2 are the values of 0.02 representing small effect, 0.15 representing medium effect and 0.35 representing large effect of the exogenous latent variable. From Table 4.13 below, in terms of Performance construct, both Accountability and Reputation being exogenous constructs had medium effect size on the endogenous construct while Composition and Function being exogenous constructs had small effect on the endogenous construct. On the other hand, in terms of Reputation construct, both

Accountability and Function constructs had large effect on the endogenous construct but there was no effect of the Composition construct on Reputation.

Table 4.13 Effect Size, f^2

Path	f^2	Effect size
Accountability → Performance	0.236	Medium
Composition → Performance	0.026	Small
Function → Performance	0.029	Small
Reputation → Performance	0.196	Medium
Accountability → Reputation	0.440	Large
Composition → Reputation	0.000	No effect
Function → Reputation	0.356	Large

4.6.5 Blindfolding and Predictive Relevance Q^2

The present researcher also examined Stone-Geisser's Q^2 value as an additional tool to evaluating the magnitude of R^2 values as a criterion of predictive accuracy (Geisser, 1974; Stone, 1974). This measure is a benchmark of the model's predictive relevance. When Q^2 value is larger than zero for a certain reflective endogenous construct, this indicates the path model's predictive relevance for this particular construct. The Q^2 value is obtained by using the blindfolding technique for a certain omission distance D. As a comparative measure of predictive relevance (Q^2), values of 0.02, 0.12 and 0.35 respectively indicate that an exogenous construct has small, medium or large predictive relevance for a certain endogenous construct. Table 4.14 provides the Q^2 values of the endogenous constructs for the model under study. All Q^2 values were above 0.35, therefore providing substantial support for

the model's predictive relevance concerning the endogenous constructs in this study.

Table 4.14 Predictive Relevance

Endogenous Construct	Q² Value
Performance	0.500
Reputation	0.441

4.7 Mediator Analysis

A mediating variable is one that affects the relationship between an independent variable and the dependent variable. Mediation focuses on direct path relationship as well as providing information on direct effect via its indirect effect (Cheng, Cham, Michael & Lee, 2019; Cooper & Schindler, 2008; Hair et al., 2014). The present research tested the mediating effect to determine the level of indirect effects had between two constructs on the hypothesized direct paths. According to Hair et al. (2014), researchers should follow Preacher and Hayes (2008, 2004) when testing mediating effects by bootstrap the sampling distribution of the indirect effect which is possible for simple or multiple mediator models. As bootstrap makes no assumption in terms of the sampling distribution of the statistics, thus it can be applied to small sample sizes with more confidence. Moreover, this way is suitable for the PLS-SEM method since bootstrapping is a nonparametric resampling procedures which has been recognized as one of the more rigorous and powerful method to test mediating effects.

Following, the direct effect should be significant if the mediator is included in the model though this is not a necessary condition. When including the mediator, the indirect effect must be significant. If the indirect effect is significant, the mediator absorbs some of the direct effect and the direct effect would become smaller after the inclusion of the mediator variable.

When the indirect effect is significant but does not absorb any of the exogenous latent variable's effect on the endogenous variable, the VAF is rather low. This happens when the direct effect is high and decrease only very slightly after a mediator variable with a significant but very small indirect effect is included. Therefore, the VAF would be less than 20% which denotes almost no mediation occurs. However, when the VAF is above 80%, there is full mediation. If the VAF is higher than 20% but less than 80%, there is partial mediation.

Table 4.15 below provided the significance analysis of path coefficients without mediator for the final model under this study. The results indicated that the path coefficients were statistically significant for accountability ($\beta=0.572$, $t=6.205$, $p<0.001$) and function ($\beta=0.316$, $t=3.506$, $p<0.001$). However, it was not significant for composition ($\beta=0.085$, $t=1.353$, $p<0.176$).

Table 4.15 Significance Analysis of Path Coefficients without the Mediator (Direct Effects)

Path	Path Coefficient	t Value	p Value
Accountability→Performance	0.572	6.205	0.000
Composition→Performance	0.085	1.353	0.176
Function→Performance	0.316	3.506	0.000

After analyzing the significance of the path coefficient without mediator, the present researcher proceeded to analyze the indirect effect by including the mediator construct (Reputation). The bootstrapping results provided that the t-values of the indirect paths were significant as provided in Table 4.16 and Table 4.17 below. The results concluded Reputation mediated the relationship between Accountability and Performance as well as Function and Performance as explained below.

Table 4.16 Mediating Role of Reputation

	Coeff.	Std. error	t Value	p Value	CI 95%	
Account→Performance	0.581	-0.003	6.021	0.000	0.375	0.757
Account→Reputation	0.488	-0.004	4.747	0.000	0.284	0.680
Function→Performance	0.303	0.001	3.294	0.001	0.137	0.501
Function→Reputation	0.433	0.004	4.116	0.000	0.233	0.643
Reputation→Performance	0.400	-0.001	2.927	0.000	0.139	0.664

Table 4.17 provided the bootstrapping results of the direct, indirect effect, total effect, variance accounted for (VAF), t-Value and p-Value of the mediator construct. Following Preacher and Hayes (2008), the indirect effect of Reputation, $\beta = 0.195$ was significant at a t-value of 2.445 with p-value = 0.015 between

Accounting and Performance. The indirect effect of Reputation, $\beta = 0.173$ was also significant at t-value of 2.300 with p-value = 0.022 between Function and Performance.

VAF was also use to ascertain the extent of the indirect effect in relation to the total effect. The results revealed the two VAFs are greater than 20% and less than 80% which characterized partial mediation between each of the independent constructs (Accountability and Function) and the dependent construct (Performance).

Table 4.17 Determining the Strength of Mediation

Path	Direct Effect	Indirect Effect	Total Effect	VAF (Indirect/ Total Effect)	t Value	p Value
A→R→P	0.386	0.195	0.581	0.336	2.445	0.015
F→R→P	0.131	0.173	0.303	0.571	2.300	0.022

4.8 Results of Hypothesis Testing

This section presented the results of the specific hypotheses predicted in this study. Testing the hypotheses included examining the path coefficients between the constructs in the structural model. Before examining the sizes of the path coefficient, the significance of the path coefficient will be examined. The evaluation criteria for confirming each hypothesis was the use of t-values for each path loading. Nonparametric bootstrapping routine has been used on 5000 resamples. The main purpose of bootstrapping is to calculate the standard error of

coefficient estimates in order to examine the coefficient's statistical significance. Significant t-values for path loadings signify support for the proposed hypothesis. According to Hair et al. (2014), path coefficients close to +1 indicate a strong positive relationship while path coefficient close to -1 indicate a strong negative relationship. If the path coefficients are closer to 0, the relationships are weaker. Path coefficients with very low values close to 0 are not statistically significant. The cut-off criteria used was a t-value greater or equal to 1.96 for a one-tail test (Hair et al. 2006). The present research used one-tail test instead of two-tail test following past research (Harris, 2014; Brown, 2007; Preston & Brown, 2004) in order to be consistent in the hypotheses formed in chapter 2. Table 4.18 below provided the paths and the significance of path coefficients of the structural model in this study.

Table 4.18 Path Coefficients and Significance Level

Paths	Path Coefficient	t-Value	p-Value
Composition→Performance	0.085	1.369	0.171
Function→Performance	0.131	1.426	0.154
Accountability→Performance	0.386	3.055	0.002
Composition→Reputation	-0.009	0.108	0.914
Function→Reputation	0.433	4.170	0.000
Accountability→Reputation	0.488	4.859	0.000
Reputation→Performance	0.400	2.939	0.004

From the results provided above, four hypotheses (H₃, H₅, H₆, and H₇) were supported and three hypotheses (H₁, H₂ and H₄) were not supported. Meanwhile,

Table 4.19 provided a summary results of all the seven hypotheses proposed earlier in chapter 2.

Table 4.19 Results of Hypotheses – A Summary

Hypotheses		Results (Supported/ Not Supported)
H₁:	BOT composition has a significant positive association with performance of OKU CFs.	Not Supported
H₂:	BOT function has a significant positive association with performance of OKU CFs.	Not Supported
H₃:	BOT accountability has a significant positive association with performance of OKU CFs.	Supported
H₄:	Charity reputation mediates the association between BOT composition and performance of OKU CFs.	Not Supported
H₅:	Charity reputation mediates the association between BOT function and performance of OKU CFs.	Supported
H₆:	Charity reputation mediates the association between BOT accountability and performance of OKU CFs.	Supported
H₇:	Charity reputation has a positive association with performance of OKU CFs.	Supported

4.9 Chapter Summary

This chapter provided the data analysis and findings from the data collected through questionnaire survey by using the descriptive and inferential statistics. A systematic evaluation in terms of reliability and validity was carried out using SmartPLS. Using Structural Equation Modelling (SEM), through the evaluation of measurement and structural model, path coefficient and hypothesis testing and bootstrapping estimates were performed in order to address the research questions and the hypotheses developed in this study. The results from the analysis and testing showed that four hypotheses developed in this study have been supported but three hypotheses was not supported. Besides, the findings of the study indicated that reputation being the mediator construct had significant mediation effect on the independent constructs (accountability and function) to influence the dependent construct (performance). The results of the current study shall be further discussed together with the implications of the study both on the context of theory and managerial perspective in the forthcoming chapter.

CHAPTER 5

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter provided a short recap and discussed the findings of the study based on the descriptive and inferential statistics, followed by the theoretical and practical implication towards the charity sector in Malaysia. Some limitations in this study were highlighted and an overall conclusion of this study was made after suggestions were offered for future research.

5.2 Recapitulation of Findings

This study was empirically carried out to examine how governance mechanism through charity BOT configuration being the independent constructs (Composition, Function and Accountability) influenced the dependent construct, charity Performance (perceived) of OKU CFs. This study also examined a mediating construct being charity Reputation which was an important intangible resources that was derived from combinations of internal investments and external appraisals, with relatively little attention paid to quantifying its effects in most of the empirical studies related to this field (Kong & Farrell, 2010; Schloderer, Sarstedt & Ringle, 2014). The present study was conducted on the basis of answering seven specific research questions and seven specific research objectives formed which had been

discussed in Chapter 1. The present study offered theoretical and practical contributions towards the charity sector pertaining to the BOT configuration and the relationship with charity performance of OKU CFs in Malaysia. The following Table 5.1 recapitulate the present research.

Table 5.1 Research Questions and Objectives, Hypotheses and Findings

Research Question	Research Objective	Hypothesis and Finding
1. How does BOT composition have a significant positive association with performance of OKU CFs?	1. To investigate the association between BOT composition and performance of OKU CFs.	H₁: BOT composition has a significant positive association with performance of OKU CFs. H₁ is not supported
2. How does BOT function have a significant positive association with performance of OKU CFs?	2. To investigate the association between BOT function and performance of OKU CFs.	H₂: BOT function has a significant positive association with performance of OKU CFs. H₂ is not supported
3. How does BOT accountability have a significant positive association with performance of OKU CFs?	3. To investigate the association between board accountability and performance of OKU CFs.	H₃: BOT accountability has a significant positive association with performance of OKU CFs. H₃ is supported.

4. How charity reputation does mediate the association between BOT composition and performance of OKU CFs?	4. To determine the mediating effect of charity reputation on the association between BOT composition and performance of OKU CFs.	H₄: Charity reputation mediates the association between BOT composition and performance of OKU CFs. H₄ is not supported.
5. How charity reputation does mediate the association between BOT function and performance of OKU CFs?	5. To determine the mediating effect of charity reputation on the association between BOT function and performance of OKU CFs.	H₅: Charity reputation mediates the association between BOT function and performance of OKU charities. H₅ is supported.
6. How charity reputation does mediate the association between BOT accountability and performance of OKU CFs?	6. To determine the mediating effect of charity reputation on the association between BOT accountability and performance of OKU CFs.	H₆: Charity reputation mediates the association between BOT accountability and performance of OKU CFs. H₆ is supported.
7. How does charity reputation have a significant positive association with performance of OKU CFs?	7. To assess the association between charity reputation and performance of OKU CFs.	H₇: Charity reputation has a significant positive association with performance of OKU CFs. H₇ is supported.

5.3 Discussion and Review of Descriptive Statistics

In this present study, there were five constructs identified and discussed in Chapter 2 which formed the framework and hypotheses. The descriptive statistics

performed on these five constructs in terms of mean, median and standard deviation (Table 4.2 and Table 4.3), Kurtosis and Skewness (Table 4.1) were reported in Chapter 4. The following sections discussed and reviewed the findings obtained for the five constructs examined.

5.3.1 Descriptive Statistics on the Characteristics of Charity Foundations

The following discussion on the descriptive statistics relating to the characteristics of CFs for people with disabilities were based on the results from Table 4.2 in Chapter 4.

From the findings, it was observed that OKU CFs in Malaysia were not ‘too young in age’ and they had been established for more than a decade. Naturally, one would assumed that the OKU CFs and the charity board would be quite developed and established. Nevertheless, the length of time does not necessarily determine the stages of charity BOT and the charity development (Northrop, 2018) as expected by the stakeholders or the public. In addition, most CFs had a larger number of board compared to the corporate organizations counterpart. This happened because charity BOT could be overly concerned about having the capacity to get enough individuals on their institutions, and they probably selected anyone who was willing to serve. Thus, this often resulted in charity BOT becoming too big.

It was also observed that CFs had high diversity among their charity BOT members in terms of ethnicity and education levels which were portrayed as

different talents and skills. As volunteers, people joined charity for the opportunity to make a difference (Manville and Broad, 2013) and not as salary worker. Thus, board members were usually chosen depending on the apparent stature of the institution and not for distinguished skills or charity experience (Algur, 2016). The above findings were consistent with the past research as cited above. The following subsections discussed the descriptive statistics relating to the independent constructs of charity board Composition, Function and Accountability (Table 4.3) as well as the dependent construct, charity Performance (Table 4.4) based on the results obtained in Chapter 4.

5.3.2 Descriptive Statistics on Independent Construct - Composition

There were nine indicators measuring charity BOT Composition and the results showed that charity boards have greater diversity with varied backgrounds compared to corporate boards. This is because CFs varies to a large extent in size, scope and complexity of their benevolent activities (Aulgur, 2016; Buse, Bernstein & Bilimoria, 2016; Epstein & McFarlan, 2011). Moreover, through diversity there will be a more balance representation from a wider range of perspective. As long as one is willing to serve voluntarily without remuneration, regardless of age, education, gender, qualification and experience (professional or industry), the individual will be accepted into the charity BOT. This explained why a majority of their board members were volunteers (62.11%) unlike corporate board of directors who received remuneration (Epstein & McFarlan, 2011; Viedar & Espina, 2014). However, the results from this study provided that charity BOT had less than 3

types of committees contrary to the norm as stated by Epstein & McFarlan (2011) and hold less than 6 times of board meetings per year. A probable reason was insufficient resource in terms of personnel or human capacity. In addition, most of the CFs in this study were considered small to medium size under the definition of size by ACNC.

5.3.3 Descriptive Statistics on Independent Construct - Function

Out of the eight items that measured Function of the charity BOT, four items had a mean of 4 and above and the other four items had a mean of below 4. The findings showed that the financial management oversight has the lowest mean (3.75) while communicating decisions to all staff has the highest mean (4.10) in CFs among all the eight items measured. The other three items that were having a mean of 4 and above were related to charity BOT members understanding their roles and responsibilities, sharing common vision and recruiting new staff or board members to ensure adequate human resource whenever required. Although the following items which measured charity BOT Function i.e. setting clear charity priorities for the year ahead, actively involved in raising fund and monitoring the CF's programmes or activities scored below a mean of 4, their mean were still closed to 4.

The above results was in line with Baskies and Freedman (2015) who suggested that the function of the charity board is to ensure the institution fulfills its obligations through overseeing and evaluating the operation of the institution

including monitoring executives and staff. Moreover the authors also contended that charity BOT must carry out its mission successfully and achieve its purpose. The authors summarized the function of the charity BOT into three main areas: - 1) strategic planning; 2) oversight of the institution's programs; and 3) fundraising.

5.3.4 Descriptive Statistics on Independent Construct - Accountability

From the seven items that measured charity BOT Accountability, there were four items scoring a mean of above 4 and three items scoring below 4. The findings provided that audited financial reports scored the highest mean (4.36) while maintaining financial reports accessible for the public scored the lowest mean (3.78). The other three items that were having a mean of above 4 were related to submitting financial reports to ROS, updating members and stakeholders regarding development plan and providing regular information to members or public. Although the following accountability items i.e. submitting financial reports to IRB, maintaining written and accessible mission statement and policies, and maintaining financial reports accessible for the public scored below a mean of 4, there were still closed to 4.

The above results was reinforced by Dhanani and Connolly (2012). In their study, it was discovered that the annual report represented a formal accountability document to external stakeholders. Thus, the disclosures of it were strongly encouraged as this will influence the external stakeholders to have a positive image so that they will form a better perceptions of the CF. In fact, the disclosure practices

observed by CFs were guided by issues of interest and concern of external stakeholders (including regulator) which were similar to those of corporate organizations as a way to legitimize organizations' actions and strategies and not so much on proactive accountability. This explained why the current study showed that maintaining financial reports accessible for the public scored the lowest mean and submitting report to the regulators were below a mean of 4.

5.3.5 Descriptive Statistics on Mediator - Reputation

Based on the results provided on charity Reputation which had four items measuring the mediator construct, the findings showed that OKU CFs in this study were viewed positively by its stakeholders scored the highest mean (4.11) while recruiting appropriate staff scored the lowest mean (3.90). Both items which indicated OKU CFs frequently receive appreciation from recipient or members or stakeholders and always achieve mission or objective had the same mean (3.96).

Willems et al. (2015) found that when a CF involved stakeholders in their decision-making processes, the CF will substantially gain the stakeholders' trust which influenced their assessments of the institutional performance (effectiveness). While in Schloderer et al. (2014) study, they found that nonprofit reputation has influence on donating and volunteering behavior.

5.3.6 Descriptive Statistics on Dependent Construct – Performance

This section discussed the results from the descriptive analysis performed relating to the second research question and objective of this study. The findings showed that on average, the respondents agreed that the number of programmes, activities or services offered by the OKU CFs had increased from year to year (mean = 3.93) and the majority of the beneficiaries (recipients) served experienced significant improvements from the services provided by the OKU CFs (mean = 4.14). The respondents also agreed that the recipients are happy and/or satisfied with the services provided (mean = 4.12), the quality of services offered has improved (mean = 4.18) and the number of beneficiaries served has grown (mean = 4.05). Overall, the respondents agreed that the OKU CFs has been successful in meeting its goals and objectives (mean = 4.15). Thus, from the respondents' perspective, the performance of OKU CFs in Malaysia may take the form of the increment of programmes, activities and services plus the number of beneficiaries, the improvement and satisfaction of beneficiaries due to provision of charity care, and the achievement of the institution's goals and objectives.

The above description showed that out of the six items that measured perceived performance, there is only one item that scored a mean of below 4 while the other five items means scored above 4.

5.4 Discussion and Review on Inferential Statistics and Hypotheses

This section discussed the results from testing the hypotheses that were developed arising from the research questions and the objectives (objectives 2, 3) of this study. The following subsections discussed the inferential statistics relating to the hypotheses formed in Chapter 2 along with the explanation based on the results obtained from Table 4.18 and 4.19 in Chapter 4.

5.4.1 The Relationship between Composition and Performance

The findings obtained revealed that the charity BOT composition had a positive relationship with performance of OKU CFs. However, the relationship was not significant ($t=1.369$; $\beta=0.085$; $p=0.171$) as shown in the path coefficients and significance analysis provided in Table 4.18 of Chapter 4. Thus, **H₁** was not supported. This means that in the present study, OKU CFs BOT which comprised of donor(s) and who also served on CO was not significantly associated with performance of OKU CFs dissimilar to some past studies (Callen et al., 2003; Fama & Jensen's, 1983; Harris, 2014; Bai, 2013).

Though the present study contradicted the above mentioned past studies, the finding could be explained by the following. A CF's environment is often more complex and heterogeneous (Miller-Millesen, 2003). For example, culture, which is an intangible asset in CF and evolved over time can influence the CF and its performance. A good or healthy culture is essential to building and sustaining the foundations that thrive. BOT culture is a broad set of traditions and habits

developed over time that guide behavior. BOT with a healthy culture strongly supports the work of CF but an unhealthy BOT culture can undermine even the best-intentioned efforts which ultimately lead to poorer performance. Some BOT maybe less engaged nor fully participating, and thus the team operates at less than optimal capacity to help move the CF forward and thus is a factor for non-significant positive performance relationship.

The above scenario is made worse by having no provision for limited terms for the BOT and no assessment of its own performance in CF which means CF is blind to the need for change in BOT composition. When there is no attempt to invigorate the BOT, CF's BOT which constituted of donor(s) and trustees who also served on CO will not significantly influence performance of CF (Ryan, Chait & Taylor, 2018)

In addition, some dysfunctional group dynamics such as rivalries, domination of the many by the few, bad communication, and bad chemistry could also impede collective deliberation and decision making. Some BOT are disengaged and therefore, they don't know what's going on in the CFs, nor do they demonstrate much desire to find out, which is another factor for non-significant positive performance relationship.

Finally, the lack of criteria for defining and measuring BOT composition in philanthropy research may be another reason for the non-significant positive

relationship. For example, the contextual or interpersonal impact may affect cohesiveness which will ultimately influence performance (Callen, Klein & Tinkelman, 2010).

5.4.2 The Relationship between Function and Performance

The findings obtained revealed that the CFs BOT function had a positive relationship with performance of OKU CFs. However, the relationship was not significant and therefore, the hypothesis, **H₂** was not supported ($t=1.426$; $\beta = 0.131$; $p=0.154$) as shown in the significance analysis in Chapter 4. This means that in the present study, BOT function which included having clear understanding of its responsibilities, sharing a common vision, setting clear priorities, communicating decisions to CF's staff, actively raising funds, overseeing finance and monitoring activities and recruiting new BOT or staff whenever required were not significantly associated with performance of CFs. These findings contradicted some past research which had positive significant relationship (Brown, 2005; Cumberland, Kerrick, D'Mello, and Petrosko, 2015).

Despite having different empirical findings from past studies as provided above, the finding from this study could be explained in terms of the establishment, organization and structure of the CFs. Some CFs are larger than others and have more staff or volunteers than others. These larger CFs, and those with more staff, tend to have more formalized board practices, such as job descriptions, training and development, and have larger BOT (Cornforth & Simpson, 2002), which may

contribute to more effective board function and practices and ultimately influencing performance of CFs (Brown, 2007). While some CFs which are smaller and have less number of staff and volunteers, tend to have less formalized board practices, with smaller BOT will therefore be less effective in terms of board function. Moreover, the skills and knowledge of BOT in CFs which warrant continual upgrading may be lacking in some CFs which also explained why the relationship between BOT function and performance of CFs was positive but not significant.

Another reason which led to insignificant positive relationship is most individuals who works in CFs are usually volunteers. Volunteerism is defined as an individual who works without being paid (Aboramadan, 2019). The volunteer works willingly without being forced, is rational and self-interested. Being philanthropy institutions, BOT in CFs are mostly volunteers too. Compare to CO whose BOT are remunerated, BOT in CFs are volunteers and do not receive compensation nor incentives, therefore they may not discharge their functions and provide guidance and direction to staff optimally as if they ‘own the institution’ which occurred in CO.

Moreover, performance expectations may not have been incorporated into the roles and responsibilities of BOT in CFs and reinforced through training with appropriate measures and monitoring. Performance measures allow CFs to track the execution of their strategy at institutional level as well as the staff level so that the accountability for performance will cascade down into the foundation (Burstein,

Buse & Slatten, 2015). By tracking the performance measures will enable CFs for necessary midway adjustments to be made on a timely basis to achieve performance targets. The above discussion explained why charity BOT Function and Performance of OKU CFs for this study is not consistent with past studies.

5.4.3 The Relationship between Accountability and Performance

The findings obtained revealed that the charity BOT accountability had a significant positive association with performance of OKU CFs. The hypothesis, **H₃** was supported (t Value = 3.055; path coefficient = 0.386; p Value = 0.002) as shown in the significance analysis in Chapter 4.

In Dellaportas et al. (2012) study, it was found that there was a strong support for the public to receive financial information of the CFs as a form of accountability. In addition, the respondent strongly indicated that increased disclosure enhanced public image, maintained charity status, increased awareness of the struggles of CFs and strengthened the ability to attract donations from the public and government.

Through Connolly and Hyndman (2013) study, it was found that accountability through the production and publication of annual report coupled with the review of the annual reports by auditors served as an important legitimizing tool for charity sector particularly to donors in enhancing trust and reputation. Goddard

and Assard (2006) also found similar issue with regards to formal accounting and accountability mechanisms which developed legitimacy in the eyes of donors.

In view of the support from the past studies and also based on the finding from this study, there was a significant positive relationship between charity BOT Accountability and Performance of OKU CFs.

5.4.4 The Mediating Relationship of Reputation

According to Hair et al. (2014), if the significance analysis of path coefficient without mediator (direct effects) was not statistically significant, then the researcher need not analyze the indirect effect of the mediator for that particular construct. Following this guideline and with the finding of Table 4.15 in Chapter 4, the significance analysis of path coefficient for charity BOT Composition construct was not statistically significance ($\beta=0.085$, t-Value = 1.353 and p-Value = 0.176). Thus, **H₄** was not supported following the results provided in Table 4.18 in Chapter 4.

There was very limited research done to examine the mediating role of charity Reputation on charity BOT Composition towards Performance of CFs. Nevertheless, the present finding could be explained by the ‘uniqueness’ of OKU CFs. Being a nonprofit entity and without share ownership unlike CO, the charity BOT Composition is not a major concern for stakeholders. Despite charity reputation had positive influence on donation to safeguard long-term funding and

attracted individual to serve in charity as found by Sarstedt and Schloderer (2010), charity reputation did not mediate charity BOT composition to ensure performance of CFs. Thus, the finding of the present study contributed to the academia in that charity Reputation does not influence the relationship between charity BOT Composition and Performance of OKU CFs.

On the other hand, Table 4.17 in Chapter 4 provided that charity Reputation mediated the relationship between charity BOT Accountability and Performance of OKU CFs. The t-Value of the indirect path (Accountability→Reputation→Performance) is 2.445 with a p-Value of 0.015 and significance at 5%. Charity Reputation also mediated the relationship between charity BOT Function and Performance of OKU CFs. The t-Value of the indirect path (Function→Reputation→Performance) is 2.300 with a p-Value of 0.022 and significance at 5%.

The strength of mediation provided by VAF indicated that 33.6% of the effect of charity BOT Accountability on Performance of OKU CFs was explained by charity Reputation. While 51.7% of the effect of charity BOT Function on Performance of OKU CFs was explained by charity Reputation. As VAFs for both indirect paths fell under partial mediation between each of the independent constructs (Accountability and Function) and the dependent construct (Performance), therefore **H₅** and **H₆** were supported.

A very limited research had been done to examine the mediating role of charity Reputation on charity BOT Function towards Performance of CFs. Similarly, past studies on the mediating role of charity Reputation on charity BOT Accountability towards Performance of CFs was very limited too. The above findings indicated that in the context of charity, it is insightful of what drives charity BOT towards charity performance. From a philanthropic point of view, a better comprehension of those components can improve administrative endeavors (Willems et al., 2015). Thus, based on the findings from the present study, it is noteworthy that OKU CFs ought to build up their reputation over time objectively to enhance stakeholders' trust and public confidence in them for their long-term survival and funding. These findings contributed to the academia in that firstly, OKU charities' reputation has effect on the association between charity BOT function and performance of OKU CFs, and secondly, OKU CFs' reputation has influence on the association between charity BOT accountability and performance of OKU CFs.

5.5 Implications of the Findings

A research implication is the logical connection between a condition and its outcome. Since this study was one of the empirical studies in Malaysia in the context of charity governance, there was a few noteworthy implications realized from the findings in this research. The following section explained the implications of this study from the theoretical as well as practical perspectives.

5.5.1 Theoretical Implications

From the theoretical perspective, this study had proposed a modified governance mechanism framework to examine its influence on performance of CFs mediated by reputation in OKU charities. In this aspect, this study had contributed in terms of theory expansion in the area of governance mechanism by using BOT and measuring it through composition, function and accountability plus using charity reputation as a mediator to determine the indirect effect on performance.

By adding charity reputation to the framework of governance mechanism will identify and provide insight to the relationship underlying the independent variables (composition, function and accountability) with the dependent variable (performance). This is especially important for CFs that invite and rely upon donations from the public, their reputation and the public confidence in the CFs are fundamental to their ongoing and success. Thus, by testing this mediator would furnish the CFs particularly the managing stakeholders whether they need to improve the management of their foundation.

This study also contributed to the body of knowledge by drawing attention to whether charity BOT drives performance of OKU charities which is the direct relationship between independent and dependent variables. One would expect that charity BOT being the governance mechanism would surely influence performance in OKU charities. However, the present finding provided new insight when compared to previous research by highlighting that BOT composition and function

were not significant in affecting performance of OKU CFs in Malaysia though there were positive relationship, but BOT accountability was significant to influence performance of OKU CFs. This means CFs are under increasing pressure to be accountable and it is the BOT that leads their foundation in being transparent and accountable. The CFs must be opened in its work, unless there is good reason for it not to be. The public's trust that a charity is delivering public benefit is fundamental to its reputation and success, and by extension, the success of the wider sector. Making accountability real, through genuine and open two-way communication that celebrates successes and demonstrates willingness to learn from mistakes, helps to build this trust and confidence and earn legitimacy.

Finally, CFs being nonprofit organization with different stakeholders but having legitimate interests in the institution (Stakeholder Theory), whose survival depends on maintaining coalition of support to obtain resources (Resource Dependence Theory) by charity BOT (Stewardship Theory) who may also be the donor(s) implied that, CFs in Malaysia must be honest and truthful, and comply with the law in all they do. Being accountable and transparent are essential to maintaining public trust in the sector, and should be embedded in everything that charity does.

5.5.2 Practical Implications

The purpose of this research was to examine whether governance through charity BOT drives performance of OKU CFs by understanding the relationships

among the independent constructs i.e. charity BOT Composition, Function, Accountability, the mediator construct being charity Reputation and the dependent construct being charity Performance. Through a survey of OKU CFs throughout Malaysia and the subsequent structural equation modeling using SmartPLS, the drivers that led to performance of OKU CFs were identified.

Through this study, it was found that charity BOT members must ensure that CFs discharged the accountability to their stakeholders through written and accessible mission statement and policies, audited financial reports, submission of financial reports to regulators, provision of regular information through social media and updating stakeholders their development plans as these elements of day-to-day operations were empirically found to significantly influence perceived performance of OKU CFs. The present researcher also noted that, financial indicators were less suitable to be used as a measure of performance in charity environment which is consistent with Amagoh (2015).

Meanwhile, the Function of charity BOT through clear understanding of roles and responsibilities, sharing a common vision of how it should go about achieving its mission, setting clear charity priorities for the year ahead, communicating its decisions to all staff in the CF, actively involved in fundraising, monitoring and oversight and taking action to recruit new staff or board members to ensure adequate human resource, were found to have significant mediated relationship through charity Reputation on Performance of OKU CFs. This

indicated that charity Reputation played an important role to affect BOT Function which influence performance of OKU CFs.

The study also revealed that BOT composition did not have significant relationship with performance of OKU charities despite comprising BOT who were donors (financial supporters) or those who served on CO board. Also, charity reputation does not play a role to influence the performance of OKU charities. As the BOT composition is usually set out in a CF's governing document and/or in accompanying rules or by-laws, thus, each CF's BOT varies in terms of size, structure, experience, paid or volunteer, being founder or financial supporter. Since charities environment is often more complex and heterogeneous than CO, it is suggested that future researcher could expand this part of study by using qualitative method to have a deeper understanding on BOT composition and charity reputation.

Overall, it can be deduced that charity Reputation played an important role in influencing the BOT Accountability and Function on Performance of OKU CFs in Malaysia. Through charity Reputation the indirect relationship between BOT Function and Performance was made significant. Thus, OKU CFs should not fail to observe the following by recruiting appropriate staff according to charities' needs and always try to achieve its mission and objectives. In addition, OKU CFs should not fail to notice if they have frequently received appreciation from members and are viewed positively by its stakeholders. Charities, which trades upon

trustworthiness, reliability, integrity and goodwill, the value of a strong reputation simply cannot be underestimated.

In spite of the above explanation, all the above elements have positive as well as negative implication on the donors and CFs themselves because some donors presumed that more successful CFs need less contribution as better performance outcomes create the image of success, making the CFs look less needy (Charles and Kim, 2016). This results in negative impact to CFs. Nevertheless, there were also donors who were triggered by the good image and reputation of CFs to provide voluntary support (Schloderer et al., 2014). This post a positive impact to CIs. Meanwhile, some donors thought they should only support CFs that they knew as they did not believe in the financial statement (Waniak-Michalak & Zarzycka, 2015). Thus, CFs needs to balance themselves by acquiring knowledge and strategize to position themselves in the appropriate lime light for their long-term survival.

5.6 Limitations of the Study

This empirical research is not without limitations nonetheless it has made a useful contribution to the OKU charity sector in terms of governance. There were two limitations in this present study which called for attention to be highlighted below:

The first limitation is related to sampling. The data for this study was collected using nonprobability purposive sampling technique. The questionnaires

were distributed among OKU CFs throughout Malaysia, which involved only one sub-category i.e. CFs for people with disability. Therefore, the data collected is representative of charity for person with disabilities than for other types of charity.

The second limitation related to this study was using only quantitative data collection through questionnaire survey which comprised of mostly close-ended questions. This may hinder informative feedback provided by the respondents which might be relevant and useful under this study. In this study, the current researcher did not incorporate qualitative data collection through interviews (focus group or one to one) to compliment the questionnaire survey method.

After identifying the limitations, the following discussed the recommendations for future study.

5.7 Recommendation for Future Research

To address the two limitations which had been highlighted in the previous section, this section discussed some recommendations which future research may consider as below.

The first limitations identified in this study was using the nonprobability purposive sampling technique where data was collected from one sub-category of charity sector i.e. OKU charity in this study. To overcome this limitation, it is proposed that future research to duplicate this study to different context by

including different kind of charities in their study to enhance the power of generalizability and robustness of their results in different setting within Malaysian context. Alternatively, the future researcher may also consider to conduct a comparison study by comparing two different sub-category of charities or between small charities and large charities as this would heightens the awareness of how to manage different charities in terms of type and size for better performance or sustainability of the institution.

To address the second limitation, future study may also consider complimenting the quantitative data collection method with qualitative data collection to enhance the generalizability and robustness of the findings. Qualitative research method has the power to elicit deeper insights into designing, administering, and understanding of how the subject under study i.e. a charity works. This will compliment quantitative research methods which take snapshots of a phenomenon and overlook the respondents' experiences as well as what they mean by something. In this regard, future research can further expand this study through 'mixed-method' to compensate the limitation in employing one method.

5.8 Conclusion

Governance research in charity sector in Malaysia is much less and with the issue of accountability and transparency, these has inspired the researcher to carry out this study. Applying the Stakeholder Theory, Resource Dependence Theory and Stewardship Theory, this study managed to contribute to the industry by providing

insights on the aspects of governance mechanism in driving performance of charity for people with disabilities mediated by reputation. Three main research questions were put forth with three main objectives to be answered. Seven hypotheses were generated among the independent, dependent and mediating constructs.

Quantitative primary data was collected from manager of OKU CFs through mail and telephone survey. Data was analyzed using structural equation modelling through SmartPLS. The findings indicated that four hypotheses were supported and significant and three hypotheses were not supported. This study discovered that BOT Accountability has a significant influence on Performance of OKU CFs. It was also found that charity Reputation was significant in mediating BOT Accountability and Function in effecting Performance of OKU CFs.

Thus, OKU CFs must intensify their present accountability practice and present their foundations in a positive light through reputation because reputation is the keystone of OKU CFs differentiation strategy. Through reputation, donors and external stakeholders can be impacted and swayed to voluntarily contribute resources to support the foundation to ensure their existence into the future as OKU CFs are resource dependent. Though board function did not have significant effect on performance of OKU CFs directly, however through charity reputation the relationship became significant and important. This implies that OKU CFs ought to work towards board function to create a good image and reputation for the benefit of the institution overall.

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APPENDIX



To whom it may concern,

I am a PhD candidate of Universiti Tunku Abdul Rahman (UTAR). This is a questionnaire survey for my doctoral research. The objective of this research is to investigate whether governance practices influence charity's performance. This survey is designed to be filled out by the manager of your charity institution. The data collected will be reported only in aggregate form or in a manner that does not identify information about an individual nor the charity institution. The results of this research may be published but the name of your charity institution will not be known. Please be assured that the researcher will take the strongest measures to safeguard the respondent confidentiality and the view expressed in this questionnaire will be treated in the strictest confidence. Your participation in this questionnaire is purely voluntary and the return of the questionnaire will be considered your consent to participate. Your kind completion of this questionnaire would be greatly appreciated. Thank you.

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SURVEY QUESTIONNAIRE

Date: _____

PART A – Demographic Background

Established since (year): _____

Total number of staff (both voluntary and paid): _____ staff

PART B – Board of Trustee (Director)

1. How many persons serve as Board of Trustees (Directors) in your charity institution?

_____ persons

2. How many board members are female and male? _____ female(s) _____ male(s)

3. How many board members have the following education level?

_____ university/professional education

_____ secondary education

_____ primary education

_____ Not sure (please tick)

4. How many board members are Chinese, Indian and Malay or other races?

_____ Chinese

_____ Indian

_____ Malay

_____ Others

5. How many board members have some business (industry) or professional experience?

6. How many board members serve on the Board of Directors *for-profit* organizations?

7. How many board members are donors (financial supporters) of the current charity institution? _____

8. How many board members are independent of the current charity institution? _____
9. How many board members are founders of the current charity institutions? _____
10. How many board members are currently paid employees of this charity institution?

11. How many board members are currently volunteers of this charity institution? _____
12. Does your charity board comprise of a chairman? Please tick (✓) ☐ Yes ☐ No
13. In the last 12 months, how many times your board had meetings? _____ times
14. On average, how many board members are present at the meetings? _____
15. What type of committees does your board have? Please tick (✓) all that applies.
- ☐ Executive committee
 - ☐ Fund-raising committee
 - ☐ Investment committee – to manage investment
 - ☐ Personnel - to set personnel policies and recommend compensation
 - ☐ Finance committee
 - ☐ Audit committee
 - ☐ Others. Please specify _____
 - ☐ No committee

Please tick (✓) the relevant column that best describe your charity situation.

SD **D** **NA** **A** **SA**
 Strongly disagree Disagree Neither disagree nor agree Agree Strongly Agree

No.		SD	D	NA	A	SA
16.	The board has formed committees that include board members as well as non-board members.					
17.	The board members have a clear understanding of its roles and responsibilities.					

Please tick (✓) the relevant column that best describe your charity situation.

SD **D** **NA** **A** **SA**
 Strongly disagree Disagree Neither disagree nor agree Agree Strongly Agree

No.		SD	D	NA	A	SA
18.	The board members share a common vision of how it should go about achieving its mission (goal).					
19.	The board members set clear charity priorities for the year ahead.					
20.	The board members communicate its decisions to all the staff in the charity institution.					
21.	The board members are actively involved in fundraising of the charity institution.					
22.	The board members are actively involved in overseeing the financial management of the charity institution.					
23.	The board members are actively monitoring the charity institution's activities/programmes.					
24.	The board members take actions to recruit new staff or board member (volunteers or paid) whenever required to ensure adequate human resource.					
25.	The charity institution maintains a written and accessible mission statement and policies.					
26.	The charity institution prepares and maintains financial reports which are accessible for the public.					
27.	The financial reports of the charity institution are fully audited.					
28.	The charity institution complies with the submission of financial reports to regulator being the Registrar of Society (ROS).					
29.	The charity institution complies with the submission of financial reports to regulator being the Inland Revenue Board (IRB).					
30.	The charity institution provides regular information to members/public through newsletter or website updates, etc.					

Please tick (✓) the relevant column that best describe your charity situation.

SD **D** **NA** **A** **SA**
 Strongly disagree Disagree Neither disagree nor agree Agree Strongly Agree

No.		SD	D	NA	A	SA
31.	The charity institution regularly updates members and stakeholders regarding their development plans/ programs/ activities.					
32.	The charity institution always recruits appropriate staff according to charity's needs.					
33.	The charity institution frequently receives appreciation from serviced recipient/members/stakeholders.					
34.	The charity institution always achieves its mission/objective.					
35.	The charity institution is viewed positively by its stakeholders.					
36.	The number of programs/activities/ services offered has increased from year to year during the last five years.					
37.	The majority of recipient/beneficiary served, experienced significant improvements as a result of services provided.					
38.	Generally, the recipients/beneficiaries are happy/satisfied with the services provided.					
39.	The quality of services offered has improved.					
40.	The number of recipients/beneficiaries served has grown.					
41.	Overall, the charity institution has been successful in meeting its goals and objectives.					

42. Kindly fill up the following figures for the last five years (2009-2013)

	2009	2010	2011	2012	2013
Total contributions/ income (RM)					
General Expenses (RM)					
Fundraising expenses (RM)					

THE END-THANK YOU!