

## Contextualizing Foundation-Grantee Relations

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A quick scan of the literature might lead one to believe that private foundations are extensively opaque to outsiders and disproportionately powerful in their relationships with grant seeking nonprofits. Issues of foundation transparency and foundation-grantee power sharing are attracting increasing attention throughout the field and in the literature. Opaque practice compounded by unequal power is most certainly confounding to the public's ability to see into charitable intent and activity, as well as to the development of foundation-grantee relations.

Many outside of private philanthropy are calling for increased foundation transparency. The public credibility required to maintain favorable public policy (e.g., tax advantages, ability to practice outside the public's watchful eye, perpetuate insider control) and the civic trust needed to act as genuinely effective agents of change seem explicitly related to some level of transparency. Still, some believe the non-public circumstances in which private philanthropy is practiced offer a unique capacity to innovate – to disrupt and improve existing strategies and practices in pursuit of beneficial social change. Private foundations possess unparalleled capacity to resist unwanted outside interference and to make grant decisions with less concern about potential political benefit or consequence. Finally, it is said that private foundations are freer than more public grant making organizations to experiment without potential for damaging their institutional reputations as a consequence failure. Both sides of the foundation transparency discourse offer compelling arguments.

Moving beyond a societal perspective on this matter to the matter of foundation-grantee collaboration, both transparency and power sharing are important issues in the development of effective foundation-grantee relations. Non-operating foundations rely extensively upon grantee partners for the executional capacity to pursue charitable objectives. Without grantee partners, foundations would be largely impotent in their efforts to benefit society. Research clearly shows that inter-organizational collaboration, such as effective foundation-grantee relations, demands mutual respect, trust, and perceived value. These three attributes of inter-organizational collaboration are most certainly

underscored by mutual commitments to transparency and shared power, which the literature suggests too often fails to exist in private philanthropy.

While many grant seeking nonprofits may experience private foundations as inaccessible, opaque, and disproportionately powerful, an examination of 33 private foundations and paired grantees found that there is more to this story. It turns out that private foundations become increasingly transparent and more willingly share power with select grantees under specific circumstances. Under these circumstances, grantees report their experiences with private foundations as especially satisfying and productive. With remarkable consistency, these particular grantees reported that they preferred working with private foundations over other kinds of grant making organizations. Benefits associated with working with private foundations included elevated respect, trust, access to valuable intangible resources beyond funding, and ability to safely engage in risky pursuit of new innovations.

In these cases, foundations were experienced as intimately accessible, highly relational, deferential to grantee concerns/interests, and deeply respectful. These reported behaviors are dramatically different than observations typically made about private foundations in the literature. Observations typically reported in the literature are often based upon broad surveys of grant seekers and/or individually reported experiences. They fall short of reporting details related to effective foundation-grantee relations that result in meaningful partnerships. So, how can one square practices discovered in this investigation of 33 foundations and paired grantees with what is otherwise reported in the literature? Discovery of these dimensions of foundation-grantee relations required a much deeper examination of nuanced issues in both foundation and grantee practices than might be detectable in surveys of grant seekers. Further, it was useful to unpack dynamics present in highly effective foundation-grantee partnerships.

Two variables in foundation-grantee relations seems to unlock highly preferable foundation practices with respect to transparency and power sharing with grantees. These included perceived mutuality of interest and development of meaningful levels of trust.

☐ Shared Interest: In each case, grantees committed themselves to a practice of persistent and genuine

relationship development with foundations they viewed as possessing similar interests. They were very careful to only work with foundations with which they genuinely shared interests with respect to specific desired social impacts.

Trustworthiness: Trust was reported as essential to effective foundation-grantee partnerships and was built on mutual commitments to exceptional candor, timely communication, and shared motivation to achieve especially meaningful impact.

When meaningful partnerships existed, grantees embraced foundation partners as much more than sources of funding. They viewed foundations as potential partners in achieving mutually desired social impact. Foundations possess various intangible resources (e.g., technical knowledge, access to consultants, risk-free environments to experiment, ability to attract other supporters) which grantees reported as valuable as the funding foundations provide. Grant prospecting was far more than a fishing expedition merely seeking financial resources. Achievement of genuine partnerships represent the most significant objective of such prospecting.

When Foundations perceived certain grantees as strategic to especially important charitable interests and as deeply trusted partners, their practices became intensely relational in support of these grantees. Under these circumstances, foundations reportedly evolved into becoming more accessible, highly transparent, and deferential (e.g., shared power more equally) with grantees. This is not sufficiently addressed in the foundation literature, but was a consistent finding in the examination of 33 private foundation-grantee relationships.

There is considerable pressure on private foundations to become more uniformly like other kinds of grant makers with respect to generalized transparency and power sharing with grantees. Findings from the examination of these 33 foundations, and paired grantees, might prompt a pause in responding to efforts to homogenize private philanthropy within the context of other funding entities. It turns out that participating grantees reported they were able to more easily innovate and achieve greater impact in partnerships with private foundations than they viewed as possible with other grant makers. Grantees

consistently reported that when the opaque circumstances of private philanthropy were extended to their practice, the result was a safer environment for experimentation without risking their institutional reputations.

It's worth noting that private philanthropy is approaching a \$700 Billion industry in the United States. However, to put this large sum in perspective, the combined assets of all U.S. private foundations represent only three-quarters of 1% of the assets of the entire third sector. Thus, private foundations occupy a relatively small, but special place in philanthropy and may possess unique capacities to contribute to desired social change. Given that private foundations do not rely upon outside contributions to support their activities, they are naturally less sensitive to external factors and possess uncharacteristic freedoms in their charitable activities, which some foundations utilized in ways that significantly enhanced their philanthropic endeavors.

Without a doubt, transparency and power sharing are both essential to effective grant relationships. Further, the public reputations of private foundations can be meaningfully enhanced with transparency. However, the extent to which greater transparency and power sharing may be beneficial more broadly in foundation practice may be best determined on a case-by-case basis. Individual foundation circumstances are likely to vary significantly in this regard.

Still, transparency and power sharing are indisputably essential to effective private philanthropy. This seems beyond a reasonable question. The real challenge, however, is how to enhance public confidence and accelerate foundation-grantee relations while preserving the considerable advantages of philanthropic practiced in private settings. Several findings from this study of 33 private foundations offer important insights in striking this very kind of balance.

The following two publications summarize the research referred to herein, but from different frameworks (e.g., transparency, power sharing):

Nonprofit Quarterly: An exploration of foundation-grantee partnerships in private philanthropy

("Blurred Boundaries: A New World for Some Foundation- Grantee Relationships"):

<https://nonprofitquarterly.org/2018/09/17/blurred-boundaries-a-new-world-for-some-foundation-grantee-partnerships/>.

Foundation Review: A comprehensive discussion of foundation transparent/opaque practice

("Foundation Transparency: Opacity – It's Complicated"):

<https://scholarworks.gvsu.edu/tfr/vol10/iss1/10/>.